



**First Report to Court of
KSV Restructuring Inc. as Proposal
Trustee of Allied Track Services Inc.**

January 21, 2021

Contents		Page
1.0	Introduction.....	1
1.1	Purposes of this Report.....	2
1.3	Restrictions	3
1.4	Currency	3
1.5	Court Materials.....	3
2.0	Background	4
3.0	Financial Position.....	5
3.1	Income Statement.....	5
3.2	Balance Sheet.....	6
3.3	Other Secured Creditors	7
4.0	SISP and Bidding Procedures	7
4.1	SISP.....	7
4.2	Bid Procedures	8
4.2.1	Qualified Bids	9
4.2.2	Auction	10
4.3	The Stalking Horse Agreement	11
4.4	Considerations Regarding the Stalking Horse Agreement.....	14
4.5	SISP Recommendation	14
5.0	Cash Flow Forecast.....	15
5.1	DIP Facility.....	15
5.2	DIP Facility Recommendation	17
6.0	Company’s Request for an Extension	18
7.0	Vendor Payments	19
8.0	Additional Court Ordered Charges.....	19
8.1	Administration Charge.....	19
8.2	D&O Charge	20
8.3	DIP Charge	20
8.4	Priority of Charges	21
9.0	Conclusion and Recommendation	21

Appendices

Appendix	Tab
Certificate of Filing.....	A
Stalking Horse Agreement dated January 21, 2021	B
Cash Flow Forecast and Management’s Reports on Cash Flow	C
Proposal Trustee’s Report on Cash Flow.....	D
DIP Term Sheet dated January 21, 2021	E
DIP Tracker	F

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
ALLIED TRACK SERVICES INC.,
A CORPORATION INCORPORATED UNDER THE LAWS
OF ONTARIO**

**FIRST REPORT OF KSV RESTRUCTURING INC. AS PROPOSAL TRUSTEE OF
ALLIED TRACK SERVICES INC.**

JANUARY 21, 2021

1.0 Introduction

1. This report (the “Report”) is filed by KSV Restructuring Inc. (“KSV”) in its capacity as proposal trustee (the “Proposal Trustee”) in connection with a Notice of Intention to Make a Proposal (“NOI”) filed by Allied Track Services Inc. (the “Company”) on January 21, 2021 pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “BIA”). A copy of the Certificate of Filing for the Company is attached as Appendix “A”.
2. The affidavit of Andrew Stuart Jones, the Chief Executive Officer of the Company, sworn on January 21, 2021 (the “Jones Affidavit”) provides, *inter alia*, the Company’s history and the background to these proceedings. The Jones Affidavit has been filed separately in the Company’s motion materials.
3. The principal purpose of the Company’s restructuring proceedings is to create a stabilized environment to allow the Company to enter a transaction for the sale of its business and assets (the “Allied Business”) by implementing a sale and investor solicitation process, which process is contemplated to include the approval of a “stalking horse” bid, as described below (the “SISP”). The SISP is to be conducted by the Proposal Trustee.
4. Bridging Finance Inc. (“Bridging”), the Company’s principal secured creditor, and the Company, have negotiated an Asset Purchase Agreement (the “Stalking Horse Agreement”), pursuant to which an entity related to Bridging, 2806401 Ontario Inc. (the “Stalking Horse Purchaser”), has agreed to act as a stalking horse bidder for the Allied Business. The closing of the purchase transaction contemplated by the Stalking Horse Agreement is conditional on, *inter alia*: (i) the Stalking Horse Purchaser being declared the Successful Bidder in the SISP (as defined in the SISP); and (ii) Court approval. While the SISP has been developed to identify and consummate a value-maximizing transaction, the Stalking Horse Agreement ensures that the Allied Business will emerge from these proceedings as a going-concern.

5. Prior to the NOI proceedings, KSV was the financial advisor to Bridging in respect of the Company. KSV's mandate was focused on advising on the structure of these proceedings, reviewing and commenting on the Company's motion materials, assisting the Company to prepare its cash flow forecast, drafting and commenting on communication documents to be used in the context of a filing, and preparing sale process materials for the SISP. KSV terminated its engagement with Bridging on the day prior to the commencement of the NOI. In its professional judgment, the Proposal Trustee does not believe that it is in any way compromised or unable to discharge its duties as proposal trustee in accordance with the BIA as a result of its former mandate with Bridging.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information about the Company and these proceedings;
 - b) discuss the proposed SISP;
 - c) summarize the terms of the Stalking Horse Agreement;
 - d) report on the Company's weekly cash flow projection for the period January 18, 2021 to April 6, 2021 (the "Cash Flow Forecast");
 - e) discuss the Company's need for a debtor-in-possession loan facility (the "DIP Facility") in the maximum principal amount of \$3 million, which the Company proposes is to be advanced by Bridging pursuant to a term sheet dated January 21, 2021 (the "DIP Term Sheet");
 - f) discuss the Company's request for an extension of the deadline to file a proposal from February 20, 2021 to April 6, 2021;
 - g) discuss the rationale for:
 - a charge in the amount of \$500,000 (the "Administration Charge") on the assets, property and undertakings of the Company (collectively, the "Property") to secure the fees and disbursements of the Proposal Trustee, the Proposal Trustee's counsel, Blake, Cassels & Graydon LLP ("Blakes"), and the Company's counsel, Bennett Jones LLP ("Bennett Jones");
 - a charge in the amount of \$1.5 million on the Property in favour of the Company's directors and officers (the "D&O Charge");
 - a charge in the amount of \$3 million on the Property in favour of Bridging to secure advances to the Company made under the DIP Facility (the "DIP Charge"); and
 - the proposed priorities of the Administration Charge, D&O Charge and DIP Charge;

- h) discuss the Company's need to make certain pre-filing payments to critical third-party providers of goods and services; and
- i) recommend that this Court grant the relief sought by the Company.

1.3 Restrictions

1. In preparing this Report, the Proposal Trustee has relied upon unaudited financial information prepared by the Company, the Company's books and records and discussions with the Company's management. The Proposal Trustee has not audited, reviewed or otherwise verified the accuracy or completeness of the information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*.
2. The Proposal Trustee expresses no opinion or other level of assurance with respect to the financial information presented in this Report or relied upon by the Proposal Trustee in preparing this Report. Any party wishing to place reliance on the Company's financial information should perform its own diligence and any reliance placed by any party on the information presented herein shall not be considered sufficient for any purpose whatsoever.
3. An examination of the Cash Flow Forecast as outlined in the *Chartered Professional Accountants Canada Handbook* has not been performed. Future oriented financial information relied upon in this Report is based upon the Company's assumptions regarding future events; actual results achieved may vary from this information and these variations may be material.
4. References in this Report to the impact of COVID-19 on the Company are based on preliminary enquiries and assumptions using available data. Consumer, supply chain, governmental and other macro-economic factors related to COVID-19 will affect the Company and such changes may be material. The full impact of COVID-19 is unknown and cannot be qualitatively or quantitatively assessed at this time.

1.4 Currency

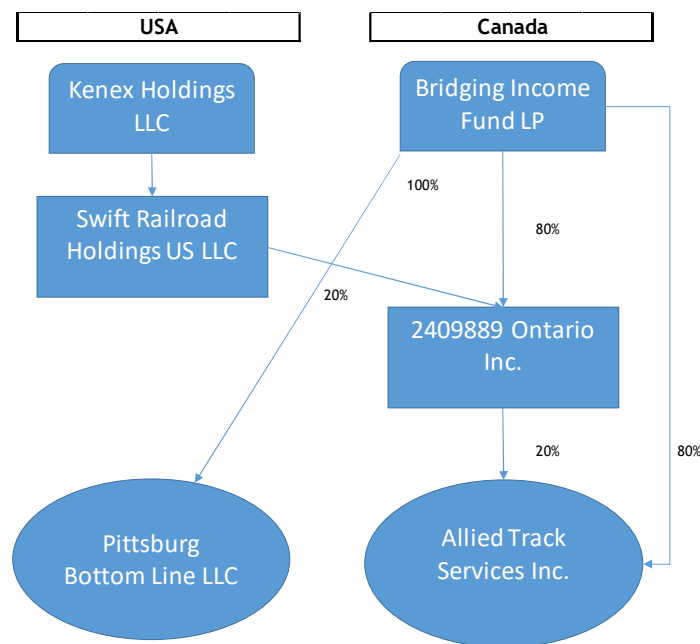
1. Unless otherwise noted, all currency references in this Report are in Canadian dollars.

1.5 Court Materials

1. Court materials filed in these proceedings will be maintained on the Proposal Trustee's website at <https://www.ksvadvisory.com/insolvency-cases/case/Allied-Track-Services>.

2.0 Background

1. The Company was founded in Ontario in 1987 and is a railroad maintenance service provider, offering an array of services including track maintenance and repair, construction, bridging, civil engineering, flagging, signalling and related services.
2. The Company leases its head office in Grimsby, Ontario. The Company also operates from leased locations in Nipissing, Ontario, Calgary, Alberta, Springfield, Manitoba and Kamloops, British Columbia.
3. The Company is 80% owned by Bridging Income Fund LP and 20% owned by 2409889 Ontario Inc. ("240"). Bridging Income Fund LP owns 80% of 240 and, as a result, directly and indirectly, owns 96% of the shares of the Company. A copy of the Company's organizational chart is below:



4. In 2017, Bridging Income Fund LP acquired Pittsburg Bottom Line LLC ("Bottom Line"), a Texas-based rail bridge contractor to compliment the Company's services and offerings. Bottom Line is an affiliate of the Company.
5. 240, Swift Railroad Holdings US LLC ("Swift") and Bottom Line are all guarantors of the Company's obligations owing to Bridging. None of the guarantors are a party to these proceedings, and no insolvency proceedings have been initiated in respect of Swift or Bottom Line in the USA.
6. The Company's employee base fluctuates based on seasonality. As at the date of this Report, the Company employs 27 salaried full-time employees and 20 hourly, part-time employees. The majority of the Company's employees are in Ontario. The Company's British Columbia, Manitoba, Ontario, Saskatchewan and Alberta based part-time employees are unionized, while all others are non-unionized.

7. The Company's operations are generally comprised of two divisions: track maintenance and signalling. The track maintenance division has incurred significant losses, which has led to the Company being unable to satisfy its obligations, including to Bridging.

3.0 Financial Position

3.1 Income Statement

1. A summary of the Company's income statement for the ten-month period ended October 31, 2020 is provided in the table below.

(Unaudited, \$000's)	Note	Track Division	Signal Division	Total
Revenue	a	15,576	9,149	24,725
Cost of Goods Sold		13,965	7,299	21,264
Gross Margin	b	1,611	1,850	3,461
Gross Margin %		10%	20%	14%
SG&A		4,710	2,002	6,712
EBITDA	c	(3,099)	(152)	(3,251)

Notes:

- a. Revenue is seasonal with approximately 90% of revenue earned between the months of May and December.
- b. The Company's year-to-date gross margin of 14% is comprised of 10% gross margin in the track repair division and 20% gross margin in the signal division.
- c. The Company incurs significant losses.

3.2 Balance Sheet

1. A summary of the Company's balance sheet as at October 31, 2020 is provided in the table below.¹

	Note	(Unaudited) Amount (\$000's)
Assets		
Accounts receivable	a	2,733
Other assets	b	12,736
Property plant and equipment	c	20,994
Total Assets		36,463
Liabilities		
Accounts payable and accrued liabilities	d	8,516
Capital lease obligations (including current portion)	e	12,692
Due to related parties (including current portion)	f	13,905
Long term debt (including current portion)	g	97,412
Total Liabilities		132,525
Shareholders' deficit	h	(96,062)
Total Liabilities and Shareholders' Equity		36,463

Notes:

- a. Accounts receivable are due from approximately 20 customers. Substantially all accounts receivable are current.
- b. Other assets are comprised of prepaid expenses, deposits, inventory, unbilled revenue and amounts due from related parties.
- c. Property plant and equipment is comprised of vehicles, equipment, computers and furniture.
- d. Accounts payable and accrued liabilities are comprised of amounts owing to over 200 vendors. Over 50% of the balances owing by value are aged over 120 days. The Company owes approximately \$1.5 million to Canada Revenue Agency in respect of past due Harmonized Sales Tax.
- e. Includes \$4.9 million owing to Allied Track Equipment Company LLC ("ATEC") in connection with an installment sale contract for 33 pieces of rail equipment.
- f. Related party debt includes promissory unsecured notes due to Swift.

¹ Excluding any potential litigation claims.

- g. Long term debt includes approximately \$88.7 million due to Bridging.
- h. The Company has approximately \$96 million in negative retained earnings.

3.3 Other Secured Creditors

1. In addition to the creditors noted above:
 - a) Bank of Montreal has registered two financing statements in respect of a letter of credit issued to secure surety bonds provided by the Company's former insurers; and
 - b) the Company leases numerous vehicles, equipment and heavy machinery to conduct its business. Twelve parties have registered financing statements against the Company in connection with such vehicles, equipment and heavy machinery. The Company is not current with respect to all such lease obligations. Currently approximately \$653,000 is outstanding under the Company's vehicle, equipment and heavy machinery leases.

4.0 SISP and Bidding Procedures²

4.1 SISP

1. The purpose of the SISP is to solicit interest in the Allied Business from as broad a market segment as possible, while providing the certainty of a transaction through the Stalking Horse Agreement to ensure that the business will emerge as a going concern in the event that there are no superior offers.
2. A significant amount of the Company's losses are due to its Western Canadian Track operations. The Company intends to explore potential options to mitigate these losses during the NOI proceedings.
3. Bottom Line's business and assets will be marketed concurrently through the SISP (Bottom Line and Allied are jointly referred to as the "Vendors"). Prospective purchasers will be required to provide a purchase price allocation between the Vendors' assets.
4. A summary of the proposed SISP is as follows:
 - On January 25, 2021, the Proposal Trustee will distribute a brief interest solicitation letter detailing the opportunity to prospective purchasers identified by the Proposal Trustee and the Company. Attached to the interest solicitation letter will be a form of confidentiality agreement ("CA"), which prospective bidders must execute in order to participate in the SISP and receive further information.
 - By or prior to January 31, 2021, the Proposal Trustee will have arranged for an advertisement of the acquisition opportunity in *The Globe and Mail (National Edition)*.

² Capitalized terms in this section have the meaning provided to them in the Stalking Horse Agreement or the Bid Procedures unless otherwise defined herein.

- The Proposal Trustee will prepare a confidential information memorandum (“CIM”) that provides an overview of, among other things, the Vendors’ businesses and financial results. The CIM will be made available to parties that execute the CA. The Proposal Trustee has already made significant progress on the CIM.
- Upon execution of the CA, prospective bidders will be provided with access to a virtual data room (the “VDR”) to be maintained by the Proposal Trustee. The VDR will contain, *inter alia*, the Vendors’ contracts, financial statements and projections.
- The Proposal Trustee will facilitate due diligence efforts by, *inter alia*, arranging meetings between key employees and interested parties, including by video conference due to COVID-19.
- Prospective purchasers will be provided with a copy of the Stalking Horse Agreement. Prospective purchasers will be required to submit offers in the form of the Stalking Horse Agreement, with a redline comparison illustrating any changes.
- Offers will be required to be submitted to the Proposal Trustee by 5:00 pm (Eastern Time) on February 24, 2021, being approximately one month from the return date of the motion for approval of the SISP.
- The Proposal Trustee will have the right to extend or amend the SISP as it considers appropriate, subject to the terms of the Stalking Horse Agreement. The Proposal Trustee would seek the Court’s approval to materially amend the SISP.
- Subject to Court approval, the following table sets out the SISP timeline:

Milestone	Key Dates
Delivery of Teasers	January 25, 2021
Confidential VDR to be opened	January 25, 2021
Bid Deadline	February 24, 2021
Auction (if any)	March 1, 2021
Approval and Sale Order hearing (no auction required)	March 5, 2021
Approval and Sale Order hearing (auction required)	March 10, 2021

4.2 Bid Procedures

1. The Bid Procedures are provided in Schedule “A” to the Stalking Horse Agreement. The Bid Procedures are summarized below.

4.2.1 Qualified Bids

1. To be a “Qualified Bid”, a bid must, at a minimum, include the following requirements, unless such requirement is waived by the Proposal Trustee after consultation with the Vendors and Bridging:
 - a) the identity of each entity or person and representatives thereof who are authorized to appear and act on behalf of the bidder for all purposes regarding the transaction;
 - b) a cash purchase price equal to or greater than (the “Base Purchase Price”): (i) of approximately \$104.8 million, being the estimated consideration under the Stalking Horse Agreement (\$101.7 million), plus the DIP Facility (estimated to be \$3 million) and an initial bid increment of \$100,000; or (ii) such lesser amount that is acceptable to Bridging;
 - c) a description of the Vendors' Assets to be included in the transaction, including, without limitation, a description of which, if any, of the Bottom Line Assets (including any shares) are expected to be included in the transaction and an allocation of the Base Purchase Price to such Bottom Line Assets;
 - d) a provision stating that the bidder’s offer is irrevocably open for acceptance until the earlier of: (i) the date the Purchased Assets have been sold pursuant to a transaction approved by the Court; and (ii) April 6, 2021 (the “Outside Date”);
 - e) there shall be no provision making the Potential Bidder's offer conditional on obtaining financing or any internal approval or on the outcome of unperformed due diligence or any other contingencies more burdensome than those set forth in the Stalking Horse Agreement;
 - f) an executed copy of a proposed purchase agreement must be submitted by the Bid Deadline together with a redline of the bidder’s proposed purchase agreement reflecting variations from the Stalking Horse Agreement;
 - g) there shall be no provision within the offer requesting or entitling the Potential Bidder to any termination or break-up fee, expense reimbursement or similar type of payment;
 - h) written evidence of a firm, irrevocable commitment for financing or other evidence of ability to consummate the proposed transaction, that will allow the Proposal Trustee and the Vendors to make a determination as to the bidder's financial and other capabilities to consummate the proposed transaction;
 - i) an assumption of liabilities and other economic terms pursuant to the offer that are at least as favorable in the aggregate as those in the Stalking Horse Agreement; and
 - j) a cash deposit of not less than 10% of the Base Purchase Price offered.³

³ The Stalking Horse Purchaser is not required to pay a deposit.

2. The Stalking Horse Purchaser, as the stalking horse bidder, is a Qualified Bidder.
3. Although the Vendors are seeking bids to purchase some or all of the Vendors' Assets, the Vendors will also consider a bid that contemplates a plan of restructuring, recapitalization or other form of reorganization of the business and affairs of the Vendors, as a going concern, or a NOI proposal.

4.2.2 Auction

1. If no Qualified Bids are submitted by the Bid Deadline, the Stalking Horse Purchaser will be the Successful Bidder. If only one Qualified Bid is submitted by the Bid Deadline, other than the Stalking Horse Bid, the SISP shall not proceed to an Auction, and the Vendor and Bridging, in consultation with the Proposal Trustee, may engage with such Qualified Bidder to negotiate a binding offer, which offer, subject to acceptance by the Vendor, in consultation with the Proposal Trustee and Bridging, shall be the Successful Bid.
2. If more than one Qualified Bid is received by the Bid Deadline (other than that submitted by the Stalking Horse Bidder):
 - a) The Proposal Trustee will notify the Qualified Bidders who made a Qualified Bid that the Auction will be conducted either by video conference at 10:00 a.m. (Eastern Time) on March 1, 2021 or such other time and place that the Proposal Trustee may advise.
 - b) The Stalking Horse Bidder shall not participate in the Auction;
 - c) Only a Qualified Bidder is eligible to participate in the Auction. The Proposal Trustee shall disclose to all Qualified Bidders the amount of the Lead Bid by 5:00 p.m. (Eastern Time) two days before the date scheduled for the Auction. Each Qualified Bidder must inform the Proposal Trustee whether it intends to participate in the Auction no later than 12:00 p.m. (Eastern Time) on the Business Day prior to the Auction.
 - d) Any Overbid shall be made in minimum Cash Purchase Price increments of \$100,000 above the Opening Bid, or in such increments the Proposal Trustee, in consultation with the Vendors, may determine in order to facilitate the Auction (the "Minimum Overbid Increment"). The amount of the cash purchase price consideration or value of any Overbid shall not be less than the cash purchase price consideration or value of the Opening Bid, plus the Minimum Overbid Increment(s) at that time, plus any additional Minimum Overbid Increments.
 - e) At the end of each round of bidding, the Proposal Trustee shall announce the identity of the Qualified Bidder and the material terms of the then highest and/or best Overbid, including the nature of the transaction, the assets proposed to be acquired and the obligations proposed to be assumed, and the basis for calculating the total consideration offered in such Overbid based on, among other things, the Bid Assessment Criteria.

- f) If, at the end of any round of bidding, a Qualified Bidder (other than the Qualified Bidder that submitted the then highest and/or best Overbid or Opening Bid, as applicable) fails to submit an Overbid, then such Qualified Bidder shall not be entitled to continue to participate in the next round of the Auction.
 - g) The Auction shall be closed after the Vendors, after considering the Proposal Trustee's recommendation, and in consultation with Bridging, have: (i) reviewed the final Overbid of each Qualified Bidder taking into consideration the Bid Assessment Criteria; and (ii) identified the Successful Bid and the Back-Up Bid and the Proposal Trustee advised the Qualified Bidders participating in the Auction of such determination.
 - h) Promptly following a Bid of a Qualified Bidder being declared the Successful Bid or the Back-Up Bid, the Qualified Bidder shall execute and deliver such revised and updated definitive transaction agreements as may be required to reflect and evidence the Successful Bid or Back-Up Bid. For greater certainty, every Bid made in the Auction is deemed to be a signed and binding bid based on the terms and conditions of the bidder's original Qualified Bid (other than the Purchase Price).
3. Notwithstanding the foregoing, Bridging shall retain the discretion to not accept any Qualified Bid that does not provide for cash repayment in full of the secured debt owing to Bridging or any affiliate or subsidiary thereof.

4.3 The Stalking Horse Agreement

1. A copy of the Stalking Horse Agreement is attached as Appendix "B".
2. The key terms and conditions of the Stalking Horse Agreement are provided below.
 - **Purchaser:** 2806401 Ontario Inc.
 - **Stalking Horse Purchase Price:** estimated to be \$104.873 million, made up of the following amounts:
 - a) an amount equal to the Bridging Debt (estimated to be \$88.653 million);
 - b) an amount equal to the Installment Contract Debt;
 - c) an amount required to satisfy the Priority Payables;
 - d) an amount equal to the Assumed Liabilities. The Assumed Liabilities include the DIP Facility which is expected to be approximately \$3 million as of the Closing Date; and
 - e) an amount required to satisfy the Wind Down Amount (estimated to be \$100,000).
 - **Purchased Assets:** all of the Company's assets used in the Allied Business, other than the Excluded Assets.

- **Excluded Assets:**
 - a) any contracts, agreements and/or understandings to which the Company is a party other than those contracts that are assigned to the Stalking Horse Purchaser; and
 - b) original tax records and books and records pertaining thereto, minute books, corporate seals, taxpayer and other identification numbers and other documents relating to the organization, maintenance, capitalization or existence of the Vendors.
- **Assumed Liabilities:** all of the Company's obligations relating to:
 - a) the Purchased Assets arising and accruing in respect of the period after the Time of Closing and not related to any default existing at, prior to or as a consequence of Closing;
 - b) the obligations and Liabilities of the Vendor with respect to the Transferred Employees;
 - c) the DIP Facility; and
 - d) any other Liability which the Stalking Horse Purchaser agrees in writing to assume on or before the Closing Date.
- **Excluded Liabilities:** other than the Assumed Liabilities and the Contract Assumed Liabilities, the Stalking Horse Purchaser shall not assume and shall have no obligation to discharge, perform or fulfill any Liability or obligation of the Vendor or in connection with the Purchased Assets or the Business.
- **Representations and Warranties:** consistent with the standard terms of an insolvency transaction, i.e. on an "as is, where is" basis, with limited representations and warranties.
- **Closing Date:** the date that is three (3) Business Days after the conditions of Closing are satisfied or waived, or such other date that the Parties, acting reasonably, may mutually agree.
- **Material Conditions:**

For the Benefit of both Parties

 - (i) no provision of any applicable Law and no judgment, injunction, order or decree that prohibits the consummation of the purchase of the Purchased Assets pursuant to this Agreement shall be in effect;
 - (ii) the Approval and Vesting Order shall have been issued and entered and shall not have been stayed, amended, modified, reversed or dismissed as at the Closing Date; and

- (iii) no motion, action or proceedings shall be pending by or before a Governmental Authority to restrain or prohibit the completion of the transactions contemplated by the Stalking Horse Agreement.

For the Benefit of the Stalking Horse Purchaser

- (i) the representations and warranties of the Company contained in Stalking Horse Agreement shall be true and correct as of the Closing Date in all material respects;
- (ii) the Company shall have fulfilled or complied with all covenants contained in the Stalking Horse Agreement required to be fulfilled or complied with by it in all material respects at or prior to the Closing Date;
- (iii) the Company shall not be and shall not have become a bankrupt under the BIA;
- (iv) the Company shall have obtained consents from the counterparties to the Consent Required Contracts that have been designated as Assigned Contracts from the counterparties to those agreements and shall have delivered such consents to the Stalking Horse Purchaser; and
- (v) the Assignment Order, if requested by the Stalking Horse Purchaser, shall have been issued and entered in form and substance satisfactory to the Stalking Horse Purchaser.

For the Benefit of the Company

- (i) the representations and warranties of Bridging contained in Stalking Horse Agreement shall be true and correct as of the Closing Date in all material respects; and
 - (ii) the Stalking Horse Purchaser shall have fulfilled or complied with all covenants contained in the Stalking Horse Agreement required to be fulfilled or complied with by it in all material respects at or prior to the Closing Date.
- **Termination:** the Stalking Horse Agreement can be terminated:
 - (i) by mutual consent of the Company and the Stalking Horse Purchaser;
 - (ii) by the Stalking Horse Purchaser or the Company if the Approval and Vesting Order, once granted, shall have been amended or modified in a manner adverse to such party, or if it is stayed, reversed, dismissed or ceases to be in full force and effect;
 - (iii) by the Stalking Horse Purchaser if the Assignment Order, if requested and once granted, shall have been amended or modified in a manner adverse to Bridging, or if it is stayed, reversed or ceases to be in full force and effect;
 - (iv) automatically if the Closing has not occurred by 11:59 p.m. on the Outside Date.

3. The Stalking Horse Agreement does not contemplate any bid protections or break fees.

4.4 Considerations Regarding the Stalking Horse Agreement

1. The Proposal Trustee has considered whether the Stalking Horse Purchaser's offer warrants it being structured as a stalking horse bid, as opposed to the Stalking Horse Purchaser simply being a bidder in the process. In the Proposed Trustee's view, the stalking horse structure is superior to the alternative, including because:
 - a. the Stalking Horse Agreement provides certainty to the Company's customers, employees and other stakeholders that a going concern transaction will be completed, which is particularly important during the winter season as the Company is bidding on work for the year;
 - b. the Stalking Horse Agreement is not being approved as the Successful Bidder at this time, but is subject to the outcome of the SISP;
 - c. the Stalking Horse Agreement does not contain a break fee or other disincentives to third-party bidders; and
 - d. the Stalking Horse Agreement sets a minimum bid amount, which will avoid the Company's time and resources being spent on below market offers.

4.5 SISP Recommendation

1. The Proposal Trustee recommends that this Court issue an order approving the Stalking Horse Agreement and the SISP for the following reasons:
 - a) the SISP provides for a wide marketing of the Company's business by the Proposal Trustee, which has extensive experience selling assets in the distressed sector;
 - b) stalking horse sale processes are a recognized mechanism in restructuring processes to maximize recoveries, while creating stability for the business;
 - c) the Bid Procedures allow for a fair, efficient and transparent market test for the benefit of all stakeholders, and provide an opportunity to complete a transaction with greater value than the Stalking Horse Agreement, should one materialize;
 - d) it is in the best interests of the Company and its stakeholders that the Stalking Horse Agreement be preserved in order to have the opportunity to maximize value and to protect downside risk in the event that a superior offer is not submitted;
 - e) the duration of the SISP is sufficient to allow interested parties to perform diligence and submit offers;
 - f) the terms of the Stalking Horse Agreement are commercially reasonable; and
 - g) the Company and Bridging, as senior secured creditor, are supportive of the SISP and the Stalking Horse Agreement.

5.0 Cash Flow Forecast

1. Pursuant to subsection 50.4(2)(a) of the BIA, the Company is required to prepare and file a cash flow forecast within 10 days of filing the NOI.
2. The Company's Cash Flow Forecast for the period January 18, 2021 to April 6, 2021 (the "Period"), together with Management's Report on the Cash-Flow Statement as required by subsection 50.4(2)(c) of the BIA, are attached hereto as Appendix "C".
3. The cash flow reflects that the Company is projected to require funding of approximately \$3 million through to the end of the Period. The cash flow generally reflects projected sources and uses of cash consistent with the Company's historical results.
4. Based on the Proposal Trustee's review of the Cash Flow Forecast, there are no material assumptions which seem unreasonable. The Proposal Trustee's Report on the Company's Cash Flow Statement as required by subsection 50.4(2)(b) of the BIA is attached as Appendix "D".

5.1 DIP Facility⁴

1. Absent additional financing, the Company will not have the ability to continue to fund its operating costs and the professional fees associated with these proceedings. In such circumstances, the Company would likely be subject to creditor enforcement action and/or be forced to cease its operations.
2. Bridging has agreed to fund these proceedings under the DIP Facility. The DIP Facility is to rank in priority to all other creditors, except for amounts accruing under the Administration Charge and the D&O Charge. The terms of the DIP Facility are set out in the DIP Term Sheet, which is attached as Appendix "E" to this Report. The principal terms of the DIP Term Sheet are as follows:
 - a) **Type of DIP Credit Facility:** Non-revolving demand super priority credit facility up to the maximum amount of \$3,000,000.⁵
 - b) **Purpose:** to fund (i) working capital needs in accordance with the cash flow projections approved by the Proposal Trustee and Bridging from time to time; (ii) Bridging's Fees and Expenses; (iii) professional fees and expenses incurred by the Company and the Proposal Trustee in respect of the Proposal Proceedings; and (iv) such other costs and expenses of the Company as may be agreed to by Bridging, in writing.

⁴ Terms not defined in this section have the meaning provided to them in the DIP Term Sheet.

⁵ It is likely that increases to the amount of the DIP Facility will be required. The Company will seek approval of increases, as required.

- c) **Repayment Date:** the earlier of (i) demand; (ii) the occurrence of an Event of Default; (iii) the date on which the period for the Company to file a proposal in the Proposal Proceedings is not extended or is terminated; (iv) the date on which the Company becomes bankrupt; (v) the date upon which a sale of substantially all of the business and assets of the Company is completed; and (vi) April 6, 2021.
- d) **Interest Rate:** 10% per annum, which will be accrued.
- e) **Security and Priority:** A third ranking charge on the Property, subject only to the Administration Charge and the D&O Charge.
- f) **The conditions precedent (subject to being waived by the DIP Lender in its sole discretion):**
 - i. receipt of the entered Interim Financing Order in a form satisfactory to Bridging;
 - ii. receipt of Court approval of the SISP, which shall include the Stalking Horse Agreement in a form satisfactory to Bridging;
 - iii. the Interim Financing Order and the SISP Order shall not have been amended or varied in a manner adverse to the Bridging, or stayed, without the consent of Bridging, and shall continue to be in full force and effect;
 - iv. receipt of a duly executed copy of the DIP Term Sheet; and
 - v. delivery by the Company to Bridging of any such further security or documentation that Bridging and its lawyers may reasonably require to give effect to the foregoing.
- g) **Funding Advance conditions (subject to being waived by Bridging in its sole discretion):**
 - i. all of the conditions contained in the DIP Term Sheet shall have been satisfied and shall as at the time of the making of the Advance in question continue to be satisfied; and
 - ii. no Event of Default shall have occurred and be continuing.
- h) **Events of Default:** Bridging has the right to demand payment at any time (but cannot exercise any rights and remedies without Court approval, sought on at least 3 days' notice), if any one or more of the following Events of Default has occurred and is continuing:
 - i. the Company fails to pay, when due, any principal, interest, fees or other amounts due under the DIP Term Sheet;

- ii. the Company breaches any covenant, term, condition or other provision of the Existing Security, the DIP Term Sheet, or any other document delivered to Bridging in respect thereof;
- iii. if the Interim Financing Order or the SISP Order is stayed, set aside or varied in a manner adverse to the Lender, without the consent of Bridging, in its sole discretion, or any other order of the Court in the Proposal Proceedings is made, which is or may be prejudicial to Bridging's interests;
- iv. the stay of proceedings resulting from the Proposal Proceedings is terminated or lifted in whole or in part without the consent of the Company and Bridging;
- v. substantially all of the business or assets of the Company are sold except pursuant to a transaction resulting from the SISP or as may be otherwise approved by Bridging in writing in advance;
- vi. any default or failure by the Company to make any payment of any Priority Claims due and payable from and after the commencement of the Proposal Proceedings; and
- vii. the Company becomes bankrupt or a receiver, receiver and manager, or other officer of the Court is appointed for all or any significant part of the assets of the Company.

5.2 DIP Facility Recommendation

1. The Proposal Trustee has considered the factors set out in subsection 50.6(5) of the BIA with respect to the granting of a Court order for interim financing and a charge related thereto. The Proposal Trustee believes that the terms of the DIP Facility are reasonable and appropriate for the following reasons:
 - a) The DIP Facility enhances the prospect that the Company will be able to successfully restructure;
 - b) The Company is without liquidity to fund its operations, these proceedings and the SISP. The DIP Facility is necessary to fund these costs;
 - c) The Proposal Trustee believes that approval of the DIP Facility is in the best interests of the Company's stakeholders and will advance the Company's restructuring process. The Proposal Trustee does not believe that creditors will be prejudiced as a result of the approval of the DIP Facility – to the contrary, they will benefit from it as it will allow the business to continue to operate, which will enhance value versus the alternative, which is the discontinuation of operations and the potential liquidation of its assets;

- d) Based on the Proposal Trustee's comparison of the terms of the DIP Facility to the terms of other DIP facilities approved by Canadian courts in CCAA proceedings commenced between 2018 and 2020, summarized in Appendix "F", the Proposal Trustee believes that the terms of the DIP Facility are reasonable, including because:
 - i. there are no fees payable under the DIP Facility; and
 - ii. the cost of the proposed DIP Facility is well within the ranges of similar facilities approved by the Court and other Canadian courts in CCAA and other restructuring proceedings;
- e) In light of the Company's capital structure, it is not likely that any other DIP financing would be available to it on equally or more favourable terms than the DIP Facility; and
- f) In the Proposal Trustee's view, these proceedings cannot advance without funding under the DIP Facility.

6.0 Company's Request for an Extension

1. The Company is seeking an extension of the time to file a proposal from February 20, 2021 to April 6, 2021.
2. The February 20, 2021 deadline to file the proposal imposed by s. 50.4(8) of the BIA will fall 4 days before the bid deadline in the SISP, and accordingly the extension is necessary in order for the SISP to be completed on its terms. The Company intends to use the stay extension period to complete the SISP.
3. The Proposal Trustee supports the Company's request for the following reasons:
 - a) although the filing of the NOI has occurred only recently, in the Proposal Trustee's assessment, the Company has acted and continues to act in good faith and with due diligence;
 - b) once the SISP is completed, the Company is likely to be able to make a viable proposal to creditors that will provide recoveries greater than they would realize in a bankruptcy or liquidation of the Company;
 - c) granting the extension now, in connection with the Company's motion to approve the SISP, will eliminate the need to incur the additional professional costs associated with an additional attendance;
 - d) no creditor would be materially prejudiced if the extension is granted;
 - e) it will allow the Proposal Trustee and the Company to advance the SISP, subject to the approval of the Court; and
 - f) as at the date of this Report, the Proposal Trustee is not aware of any party opposed to an extension.

7.0 Vendor Payments

1. As at the date of the NOI, the Company's trade creditors were owed in excess of \$7 million.
2. Certain of the vendors are single source suppliers that are critical to the Company's business (collectively, the "Critical Vendors"). The Company is seeking an order providing that it shall be authorized, but not required, to pay for goods or services supplied to the Company prior to the date of the Order by the Critical Vendors, provided that the payments are approved by Bridging and the Proposal Trustee.
3. The Proposal Trustee recommends that this Honourable Court authorize the Company to make such payments to the Critical Vendors for the following reasons, among others:
 - a) Bridging, in its capacity as senior secured creditor and DIP Lender, is supportive to the granting of that relief;
 - b) the payments to Critical Vendors enhance the likelihood that the Company will be able to continue to source services and supplies without disruption, which will enhance value in the SISP, benefit the ultimate purchaser, and assist the Company's key vendors to remain viable;
 - c) all payments must be approved by both the Proposal Trustee and the DIP Lender;
 - d) permitting payments to the Critical Vendors will allow the Company to preserve its key supplier relationships and goodwill; and
 - e) given the considerable amount of senior secured debt owed to Bridging, it does not appear that payment of the Critical Vendors will result in material prejudice to any of the Company's stakeholders.

8.0 Additional Court Ordered Charges

8.1 Administration Charge

1. The Company is seeking an Administration Charge in the amount of \$500,000 as protection for the fees and disbursements of the Proposal Trustee, Blakes and Bennett Jones.
2. An Administration Charge is a common feature in restructuring proceedings - it is required by certain of the professionals engaged to assist a debtor company and to protect them in the event that the debtor is unable to pay professional fees and costs during the proceedings.
3. The Company worked with the Proposal Trustee to estimate the proposed amount of the Administration Charge.

- The Proposal Trustee believes that the Administration Charge and its quantum is reasonable and appropriate in the circumstances given the complexities of the Company's proceedings, the Company's lack of liquidity and the services to be provided by the professionals involved in these proceedings. These professionals will serve distinct and key roles in these proceedings.

8.2 D&O Charge

- The Proposal Trustee understands that the Company is current on its normal course payroll obligations (including withholding taxes). The Company has not remitted Harmonized Sales Tax ("HST") since August 2019. The total amount owing for HST is approximately \$1.5 million.
- The Cash Flow Forecast contemplates that payroll and sales taxes will continue to be paid in the ordinary course and the Company is projected to have sufficient liquidity to do so provided the DIP Facility and the DIP Charge are approved. The proposed D&O Charge provides protection for the directors and officers should the Company fail to pay certain obligations which may give rise to liability for directors and officers, including wages, sales taxes and vacation pay.
- The directors and officers shall only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, to the extent such coverage is insufficient to pay an indemnified amount as described above, or to the extent that such coverage is denied by the insurance provider.
- As provided in the table below, the amount of the D&O Charge was estimated by the Company in consultation with the Proposal Trustee, taking into consideration payroll obligations, sales tax obligations and the Company's vacation pay liability:

(unaudited)	Amount (\$millions)
Payroll, including source deductions	0.8
Vacation Pay	0.1
Sales tax	0.6 ⁶
Total	1.5

- The Proposal Trustee is of the view that the D&O Charge is required and reasonable in the circumstances and that the continued involvement of the directors and officers is beneficial to the Company and these proceedings.

8.3 DIP Charge

- The Company is seeking the DIP Charge to secure amounts advanced under the DIP Facility. The Proposal Trustee is of the view that the DIP Charge is required as: (i) the Company is in immediate need of liquidity, including to fund payroll; (ii) the terms of the DIP Facility are reasonable for the reasons set out in Section 5.2 of this Report; and (iii) Bridging is not prepared to provide financing without the benefit of the DIP Charge.

⁶ Represents two highest months of HST owing in 2020. Does not include any pre-filing HST amounts.

8.4 Priority of Charges

1. The Company proposes that the charges have the following priorities:
 - a) first, the Administration Charge;
 - b) second, the D&O Charge; and
 - c) third, the DIP Charge.

9.0 Conclusion and Recommendation

1. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court make an order granting the relief requested by the Company.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
SOLELY IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL OF
ALLIED TRACK SERVICES INC.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 07 - Hamilton
Court No. 32-2705503
Estate No. 32-2705503

In the Matter of the Notice of Intention to make a
proposal of:

Allied Track Services Inc.
Insolvent Person

KSV RESTRUCTURING INC.
Licensed Insolvency Trustee

Date of the Notice of Intention: January 21, 2021

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: January 21, 2021, 15:09

E-File/Dépôt Electronique

Official Receiver

Federal Building - Hamilton, 55 Bay Street N, 9th Floor, Hamilton, Ontario, Canada, L8R3P7, (877)376-9902

Canada

Appendix “B”

STALKING HORSE ASSET PURCHASE AGREEMENT

This stalking horse asset purchase agreement is dated January 21, 2021 between Allied Track Services Inc. (the "**Vendor**") and 2806401 Ontario Inc. (the "**Purchaser**", collectively with the Vendor, the "**Parties**" and either one, a "**Party**").

RECITALS:

- (a) The Vendor has or will file a notice of intention to make a proposal (the "**NOI**") under the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**");
- (b) The Vendor wishes to sell substantially all of the assets used in the Business and to assign certain Liabilities and the Purchaser has agreed to purchase such assets and assume such Liabilities upon the terms and conditions contained in this Agreement; and
- (c) The Vendor intends to seek an order from the Court pursuant to the BIA in form and substance attached as Schedule "C" that, among other things, authorizes the Vendor to enter into this Agreement and to conduct a marketing and sale process in accordance with the Stalking Horse Sales Process (the "**Sale Process Order**").

In consideration of the above and for other good and valuable consideration, the Parties agree as follows.

ARTICLE 1 INTERPRETATION

Section 1.1 Definitions.

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

"**Accounts Receivable**" shall have the meaning defined in Section 2.1(c).

"**Administration Charge**" means the charge, if granted by the Court, to secure the fees and expenses of the Administrative Professionals;

"**Administrative Professionals**" means the Vendor's legal counsel, the Proposal Trustee, the Proposal Trustee's legal counsel, and a Trustee in Bankruptcy and its counsel, if one is appointed.

"**Agreement**" means this asset purchase agreement, including all schedules annexed hereto, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"**Approval and Vesting Order**" means an approval and vesting order of the Court in form and substance acceptable to the Parties, acting reasonably, that, among other

things, approves this Agreement and the transactions contemplated hereby, and vests in and to the Purchaser the Purchased Assets free and clear of and from any and all Encumbrances other than Permitted Encumbrances.

“Assigned Contract” means:

- (a) each Collective Agreement; and
- (b) any other contract to which the Vendor is a party and the benefit of which is assigned to the Purchaser in accordance with Article 4 or by way of an Assignment Order.

“Assignment Order” means an order of the Court requiring the assignment to the Purchaser of contracts (designated by the Purchaser) to which the Vendor is a party, in form and substance satisfactory to the Purchaser and the Vendor, each acting reasonably.

“Assumed Liabilities” shall have the meaning defined in Section 3.1.

“Bankruptcy Costs” means the costs of any bankruptcy of the Vendor under the BIA that may be required on the termination of the Proposal Proceedings.

“BIA” shall have the meaning defined in the Recitals.

“Bid Deadline” means 5:00 p.m. on February 15, 2021, extendable at the discretion of Proposal Trustee for up to ten (10) days, as set out in Schedule “A”.

“Bridging Debt” means all indebtedness of the Vendor owing to Bridging Finance Inc., as agent, whether pursuant to: (i) a letter agreement dated March 8, 2017 as amended and restated by letter agreement dated November 15, 2017, as amended; or (ii) otherwise.

“Business” means the businesses operated by the Vendor, which consists of (i) track production, repair and installation, and (ii) signal maintenance, rehabilitation and construction.

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

“Closing” shall have the meaning defined in Section 11.1.

“Closing Date” means the date that is three (3) Business Days after the conditions of Closing in Article 10 of this Agreement are satisfied or waived, or such earlier or later date that the Parties, acting reasonably, may mutually agree.

“Collective Agreement” means any collective agreement, letter of understanding, letter of intent or other written communication or contract with any trade union, association that may qualify as a trade union, council of trade unions, employee

bargaining agent or affiliated bargaining agent, which would cover any of the employees of the Vendor.

“Consent Required Contracts” means the contracts to which the Vendor is a party and which are not assignable in whole or in part without the consent, approval or waiver of the party or parties thereto other than the Vendor.

“Contract Assumed Liabilities” shall have the meaning defined in Section 4.1(2).

“Court” means the Ontario Superior Court of Justice (Commercial List).

“Cure Payment” means a payment solely required to comply with subsection 84.1(5) of the BIA to cure any existing monetary default or breach of the Vendor under any contract which is to become an Assigned Contract as at the date such contract becomes an Assigned Contract.

“Directors” means collectively, anyone who is or was, or may be deemed to be or have been, whether by statute, operation of Law or otherwise, a director or a *de facto* director of the Vendor;

“Directors’ Charge” means the charge, if granted by the Court, in favour of the Vendor’s Directors and Officers securing the Vendor’s indemnity obligations to those Directors and Officers;

“DIP Charge” means the charge, if granted by the Court, to secure all amounts owed to Bridging Finance Inc., as agent, pursuant to the terms of the DIP Facility;

“DIP Facility” means the credit facility made available to the Vendor pursuant to a DIP Term Sheet between Bridging Finance Inc., as agent, and the Vendor, as borrower, dated January 21, 2021;

“Employee Plans” means all the employee benefit, fringe benefit, supplemental unemployment benefit, bonus, incentive, profit sharing, termination, change of control, retirement, pension, registered retirement savings, health, welfare, medical, dental, disability, life insurance and similar plans, programmes, arrangements or practices relating to the current or former directors, officers or employees of the Vendor maintained, sponsored or funded by the Vendor, whether written or oral, funded or unfunded, insured or self-insured, registered or unregistered.

“Encumbrances” means any mortgage, charge, pledge, hypothec, security interest, assignment, lien (statutory or otherwise), easement, license, right of first refusal or first offer, title retention agreement or arrangement, conditional sale, deemed or statutory trust, restrictive covenant, execution, levies, or other financial or monetary claims or encumbrances of any nature (whether at Law or equity), and any contract, option, right or privilege (whether by Law, contract or otherwise) capable of becoming any of the foregoing.

“ETA” shall have the meaning defined in Section 6.1.

“Excluded Assets” shall have the meaning defined in Section 2.2.

“Excluded Liabilities” shall have the meaning defined in Section 3.2(1).

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

“GST/HST” means all goods and services tax and harmonized sales tax imposed under Part IX of the ETA.

“Installment Contract Debt” means all indebtedness of the Vendor owing to 2700902 Ontario Inc., pursuant to an Installment Sale Contract No. 4915 between the Vendor and Progress Rail Equipment Leasing Corporation which was subsequently assigned by Progress Equipment Leasing Corporation to Bridging Finance Inc., as agent, pursuant to an Assignment and Assumption Agreement dated June 6, 2019 and further assigned by Bridging Finance Inc., as agent, to 2700902 Ontario Inc. pursuant to an Assignment and Assumption Agreement dated June 11, 2019.

“Intellectual Property” means domestic and foreign: (i) patents, applications for patents and reissues, divisions, continuations, renewals, extensions and continuations-in-part of patents or patent applications; (ii) proprietary and non-public business information, including inventions (whether patentable or not), invention disclosures, improvements, discoveries, trade secrets, confidential information, know-how, methods, processes, designs, technology, technical data, schematics, formulae and customer lists, and documentation relating to any of the foregoing; (iii) copyrights, copyright registrations and applications for copyright registration; (iv) mask works, mask work registrations and applications for mask work registrations; (v) designs, design registrations, design registration applications and integrated circuit topographies; (vi) trade names, business names, corporate names, domain names, website names and world wide web addresses, common law trade-marks, trade-mark registrations, trade mark applications, trade dress and logos, and the goodwill associated with any of the foregoing; (vii) computer software and programs (both source code and object code form), all proprietary rights in the computer software and programs and all documentation and other materials related to the computer software and programs; and (viii) any other intellectual property and industrial property.

“ITA” shall have the meaning defined in Section 6.3.

“Laws” means any principle of common law and all applicable: (i) laws, constitutions, treaties, statutes, codes, ordinances, orders, decrees, rules, regulations and by-laws; (ii) judgments, orders, writs, injunctions, decisions, awards and directives of any Governmental Authority; and (iii) to the extent that they are treated

as binding by the Governmental Authority or have the force of law, policies, guidelines, notices and protocols of any Governmental Authority.

“Liability” means any debt, loss, damage, adverse claim, fines, penalties, liability or obligation (whether direct or indirect, known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, matured or unmatured, determined or determinable, disputed or undisputed, liquidated or unliquidated, or due or to become due, and whether in or under statute, contract, tort, strict liability or otherwise), and includes all costs and expenses relating thereto (including all fees, disbursements and expenses of legal counsel, experts, engineers and consultants and costs of investigation) (collectively, **“Liabilities”**).

“Material Contracts” means, collectively:

- (a) the contracts, licenses and agreements listed in Schedule “B”; and
- (b) any other contract, license or agreement to which the Vendor is at any time a party or pursuant to which the Vendor has at any time acquired rights and would reasonably be expected to be material to the Business.

“NOI” shall have the meaning defined in the Recitals.

“Notice” shall have the meaning defined in Section 13.1.

“Officers” means collectively, anyone who is or was, or may be deemed to be or have been, whether by statute, operation of Law or otherwise, an officer or a *de facto* officer of the Vendor;

“Ordinary Course” means, with respect to the Vendor, an action consistent with the past practices of the Vendor prior to the filing of the NOI and taken in the ordinary course of the normal day-to-day business and operations of the Vendor, provided that such action is in compliance, in all material respects, with applicable Laws (provided that it is required to comply with the requirements of the NOI proceedings).

“Outside Date” means April 5, 2021, or such later date as may be agreed to in writing by the Parties.

“Parties” shall have the meaning defined in the Recitals.

“Permitted Encumbrances” means all security interests and other interests arising exclusively from the Assumed Liabilities, Contract Assumed Liabilities, the Bridging Debt and the Installment Contract Debt.

“Person” includes an individual, partnership, association, body corporate, trustee, executor, administrator, legal representative, government (including any Governmental Authority) or any other entity, whether or not having legal status.

“Proposal Proceedings” means the NOI proceedings that have been or will be commenced by the Vendor under the BIA.

“Proposal Trustee’s Certificate” shall have the meaning defined in Section 11.1(3).

“Priority Payables” means all amounts owing (including all amounts accrued but not yet payable) by the Vendor as of the Closing Date which rank *pari passu* or in priority to either of the Bridging Debt or the Installment Contract Debt, including, without limitation:

- (a) all source deductions relating to salary, wages, bonuses and other compensation of all employees;
- (b) all GST/HST related to the Business;
- (c) any amounts secured by, or to be secured by, the DIP Charge;
- (d) any amounts secured by, or to be secured by, the Administration Charge; and
- (e) any amounts secured by, or to be secured by, the Directors’ Charge

“Proposal Trustee” means KSV Restructuring Inc., pursuant to its proposed appointment as proposal trustee of the Vendor under the BIA.

“Purchase Price” shall have the meaning defined in Section 5.1.

“Purchased Assets” shall have the meaning defined in Section 2.1.

“Purchaser” shall have the meaning defined in the Recitals.

“Qualified Bid” has the meaning given in the Stalking Horse Sales Process.

“Stalking Horse Sales Process” means the sales process attached as Schedule “A”

“Sales Process Order” shall have the meaning defined in the Recitals.

“Stalking Horse Bid” shall have the meaning defined in Section 10.1(a).

“Tangible Personal Property” means, collectively, all furniture, fixtures, equipment, inventory, leasehold improvements, machinery, tools, vehicles, office equipment, racking, supplies, computers, telephones and other tangible personal property.

“Tax” means: (i) any and all taxes, duties, fees, excises, premiums, assessments, imposts, levies and other charges or assessments of any kind whatsoever imposed by any Governmental Authority, whether computed on a separate, consolidated, unitary, combined or other basis, including those levied on, or measured by, or described with respect to, income, gross receipts, profits, gains, windfalls, capital, capital stock, production, recapture, transfer, land transfer, license, gift, occupation, wealth, environment, net worth, indebtedness, surplus, sales, goods and services,

harmonized sales, use, value-added, excise, special assessment, stamp, withholding, business, franchising, real or personal property, health, employee health, payroll, workers' compensation, employment or unemployment, severance, social services, social security, education, utility, surtaxes, customs, import or export, and including all license and registration fees and all employment insurance, health insurance and government pension plan premiums or contributions; (ii) all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority on or in respect of amounts of the type described in clause (i) above or this clause (ii); (iii) any liability for the payment of any amounts of the type described in clauses (i) or (ii) as a result of being a member of an affiliated, consolidated, combined or unitary group for any period; and (iv) any liability for the payment of any amounts of the type described in clauses (i) or (ii) as a result of any express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any Party.

"Time of Closing" means 12:01 a.m. (Toronto time) on the Closing Date, or such other time as the Parties may agree.

"Transfer Taxes" shall have the meaning defined in Section 6.2.

"Transferred Employees" means all Unionized Employees and all non-union employees of the Vendor who accept offers of employment given in accordance with this Agreement from the Purchaser.

"Trustee in Bankruptcy" means the trustee (as defined in the BIA) appointed over the estate of the Vendor pursuant to the BIA, in the event that the Vendor makes or is deemed to have made an assignment in bankruptcy, or where an application for a bankruptcy order concerning the Vendor is made by a party other than the Vendor.

"Unionized Employees" means employees of the Vendor who are employed under the terms of a Collective Agreement.

"Vendor" shall have the meaning defined in the Recitals.

"Wind Down Amount" means the amount necessary to fund the costs to wind down and complete the Proposal Proceedings after the Closing Date, including, without limitation, any Bankruptcy Costs.

"Wind Down Estimate" means an estimate of the Wind Down Amount that is prepared by the Proposal Trustee, in form and substance satisfactory to the Purchaser, acting reasonably.

"Winning Bidder" shall have the meaning defined in Section 10.1(c).

Section 1.2 Date for Any Action.

If the date on which any action is required to be taken hereunder by a Party is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

Section 1.3 Gender and Number.

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

Section 1.4 Headings, etc.

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

Section 1.5 Currency.

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

Section 1.6 Certain Phrases, etc.

In this Agreement (i) the words "including", "includes" and "include" mean "including (or includes or include) without limitation", and (ii) the phrase "the aggregate of", "the total of", "the sum of", or a phrase of similar meaning means "the aggregate (or total or sum), without duplication, of". Unless otherwise specified, the words "Article" and "Section" followed by a number mean and refer to the specified Article or Section of this Agreement.

Section 1.7 Statutes.

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

Section 1.8 Schedules.

The schedules attached to this Agreement form an integral part of this Agreement for all purposes of it.

**ARTICLE 2
PURCHASED ASSETS**

Section 2.1 Purchased Assets.

Subject to the terms and conditions of this Agreement, except for the Excluded Assets, the Vendor agrees to sell, assign and transfer to the Purchaser and the Purchaser agrees to purchase from the Vendor, on the Closing Date, effective as of the Time of Closing,

all undertakings, property and assets of the Vendor, including any and all assets that relate to or are used in connection with the operation of the Business (collectively, the “**Purchased Assets**”), including but not limited to the following assets, free and clear of all Encumbrances (other than Permitted Encumbrances):

- (a) all cash on hand, cash equivalents and bank deposits;
- (b) all Tangible Personal Property;
- (c) all accounts receivable, notes receivable and other debts due or accruing due to the Vendor (the “**Accounts Receivable**”);
- (d) all prepaid expenses and deposits;
- (e) all customer files;
- (f) the benefit of all of the Assigned Contracts, provided that such benefit shall not be sold, transferred and assigned until the relevant Assigned Contract becomes an Assigned Contract in accordance with Article 4 or pursuant to an Assignment Order;
- (g) all Intellectual Property owned or licensed by the Vendor;
- (h) the proceeds of any and all refunds that may be due to the Vendor from Canada Revenue Agency and from any provincial tax authorities;
- (i) all consents, whether express or implied, granted in favour of the Vendor in accordance with *An Act to promote the efficiency and adaptability of the Canadian economy by regulating certain activities that discourage reliance on electronic means of carrying out commercial activities, and to amend the Canadian Radio-television and Telecommunications Commission Act, the Competition Act, the Personal Information Protection and Electronic Documents Act and the Telecommunications Act* (Canada) (commonly known as “Canada’s Anti-Spam Law” or “CASL”);
- (j) to the extent transferrable, all orders, authorizations, approvals, licenses or permits of any Governmental Authority, owned, held or used by the Vendor;
- (k) all information in any form relating to, or used in connection with, the Business, including books of account, financial and accounting information and records, personnel records (other than records with respect to former employees or employees who do not become Transferred Employees), sales and purchase records, customer and supplier lists, business reports, operating guides and manuals, plans and projections, marketing and advertising materials, corporate records, and all other documents, files, correspondence and other information (whether in written, printed, electronic or computer printout form, or stored on computer discs or other data and software storage and media devices), which for greater certainty, shall not include the books and records set out in Section 2.2;

- (l) all customer guarantees, customer notes, security agreements, financing statements under applicable personal property security legislation, customer deposits or collateral, filings or property securing customer obligations;
- (m) all claims, actions, causes of action, indemnities, warranties (including supplier warranties), guarantees, rights of recovery, rights of set-off and rights of recoupment of the Vendor;
- (n) all telephone numbers;
- (o) all proceeds payable to the Vendor upon any policies of insurance; and
- (p) the goodwill of the Business, including the exclusive right of the Purchaser to represent itself as carrying on the Business in continuation of and in succession to the Vendor (including all business names related thereto).

Section 2.2 Excluded Assets.

Notwithstanding anything herein contained to the contrary, the Purchaser shall not purchase the Vendor's right, title and interest in and to the following assets (collectively, the "**Excluded Assets**"):

- (a) the benefit of any contracts, agreements and/or understandings to which the Vendor is a party other than those contracts that are assigned to the Purchaser pursuant to Article 4 or an Assignment Order; and
- (b) original tax records and books and records pertaining thereto, minute books, corporate seals, taxpayer and other identification numbers and other documents relating to the organization, maintenance, capitalization or existence of the Vendor.

The Purchaser may, at its option, prior to Closing, exclude any of the Purchased Assets from the transactions contemplated hereby by delivering to the Vendor written notice of same, whereupon such asset(s) shall be deemed to form part of the Excluded Assets provided, however, that there shall be no reduction in the Purchase Price as a result of such exclusion.

ARTICLE 3 ASSUMED LIABILITIES

Section 3.1 Assumed Liabilities.

Subject to the Closing, and except for the Excluded Liabilities, the Purchaser agrees to assume, as of the Time of Closing, all of the Vendor's obligations and Liabilities (and no other obligations or Liabilities) relating to (collectively, the "**Assumed Liabilities**"):

- (a) the Purchased Assets arising and accruing in respect of the period after the Time of Closing and not related to any default existing at, prior to or as a consequence of Closing (which excludes all obligations and Liabilities in

connection with the Assigned Contracts, the assumption of obligations and Liabilities of which is dealt with pursuant to Article 4);

- (b) the obligations and Liabilities of the Vendor with respect to the Transferred Employees that are expressly assumed by the Purchaser pursuant to this Agreement;
- (c) the DIP Facility and all security with respect thereto, either, in the sole discretion of Bridging Finance Inc., as agent, in its capacity as lender thereunder, by assumption thereof or refinancing thereof pursuant to exit financing; and
- (d) any other Liability which the Purchaser agrees in writing to assume on or before the Closing Date.

Section 3.2 Excluded Liabilities.

- (1) Other than the Assumed Liabilities and the Contract Assumed Liabilities, the Purchaser shall not assume and shall have no obligation to discharge, perform or fulfill any Liability or obligation of the Vendor or in connection with the Purchased Assets or the Business (the “**Excluded Liabilities**”), whether known, unknown, direct, indirect, absolute, contingent or otherwise arising out of facts, circumstances or events, in existence on or prior to the Time of Closing (with respect to the Assumed Liabilities) or, subject to Article 4, on or prior to the date on which a contract to which the Vendor is a party becomes an Assigned Contract, respectively (with respect to the Contract Assumed Liabilities).
- (2) Without limiting the generality of Section 3.2(1), the Purchaser shall not assume and shall have no obligation in respect of (i) any of the Excluded Assets or (ii) except as expressly provided herein, any Liabilities of the Vendor for Taxes other than as set out in Section 6.1 and Section 6.2.

ARTICLE 4

ASSIGNMENT AND ASSUMPTION OF CONTRACTS AND LEASES

Section 4.1 Assignment of Assigned Contracts.

- (1) On or prior to Closing, the Purchaser may, in its sole discretion, designate any contract to which the Vendor is a party to become an Assigned Contract, provided however that any Consent Required Contract shall be so designated by the Purchaser no later than seven (7) days prior to obtaining the Approval and Vesting Order.
- (2) Subject to Section 4.2, on Closing the Vendor shall be deemed to have assigned the benefit of any Assigned Contract and the Purchaser shall be deemed to have assumed, all of the Vendor’s obligations and Liabilities relating to such Assigned Contract arising and accruing in respect of the period after Closing and not related to any default existing at, prior to or as a consequence of the Closing or of the

assignment of such Assigned Contract (collectively, the “**Contract Assumed Liabilities**”), in each case without payment of any additional consideration.

Section 4.2 Consent Required Contracts.

- (1) Nothing in this Agreement shall be construed as an agreement to assign any Consent Required Contract, unless the consent, approval or waiver required to assign such Consent Required Contract has been given or an Assignment Order has been made with respect to such Consent Required Contract.
- (2) The Vendor and the Purchaser shall use reasonable commercial efforts to obtain the consents, approvals and waivers required for the assignment of the Consent Required Contracts that are designated as Assigned Contracts. Other than the payment of Cure Payments in accordance with this Agreement, which the Purchaser shall be required to pay, the Purchaser and the Vendor shall be under no obligation to pay any money, incur any obligations, commence any legal proceedings, or offer or grant any accommodation (financial or otherwise) to any third party in order to obtain any consent, approval or waiver for any Consent Required Contract.
- (3) Upon request by the Purchaser, such request to be made no later than seven (7) days prior to obtaining the Approval and Vesting Order, the Vendor shall obtain the Assignment Order, should the Purchaser and Vendor not otherwise obtain any of the consents provided for in Section 4.2(2) above.

ARTICLE 5 PURCHASE PRICE

Section 5.1 Purchase Price.

The aggregate purchase price for the Purchased Assets shall be made up of the following amounts (in the aggregate, the “**Purchase Price**”), in each case exclusive of Transfer Taxes:

- (a) an amount equal to the Bridging Debt;
- (b) an amount equal to the Installment Contract Debt;
- (c) an amount required to satisfy the Priority Payables;
- (d) an amount equal to the Assumed Liabilities; and
- (e) an amount required to satisfy the Wind Down Amount.

Section 5.2 Payment of Purchase Price.

The Purchase Price shall be satisfied by the Purchaser as follows, and the Vendor hereby directs the Purchaser to make the payments of the Purchase Price in accordance with this Section 5.2 and this shall be the Purchaser’s good and sufficient authority for so doing:

- (a) as to the amounts referred to in Section 5.1(a) and Section 5.1(b), by the Purchaser assuming the Bridging Debt and the Installment Contract Debt;
- (b) as to the amount referred to in Section 5.1(c), by:
 - (i) wire transfer of immediately available funds to the Vendor on Closing; or
 - (ii) with the consent of the Vendor and the Proposal Trustee, which may be withheld at the discretion of either party (acting reasonably), by assumption of any Priority Payables not paid in such manner on Closing, assumed in a priority position superior to any and all other indebtedness of the Purchaser, as reasonably determined among the Purchaser, the Vendor and the Proposal Trustee;
- (c) as to the amount referred to in Section 5.1(d), by the Purchaser assuming the Assumed Liabilities; and
- (d) as to the amount referred to in Section 5.1(e), payable by wire transfer of immediately available to the Proposal Trustee funds on Closing.

Section 5.3 Allocation of Purchase Price.

The Parties shall agree upon the allocation of the Purchase Price in respect of the Purchased Assets, both acting reasonably, prior to Closing. The Parties shall each report the purchase and sale of the Purchased Assets for all federal, provincial and local tax purposes in accordance with the agreed upon allocation and this Agreement.

Section 5.4 Wind Down Amount.

Prior to Closing, the Proposal Trustee will deliver to the Purchaser the Wind Down Estimate. If the Wind Down Amount exceeds the Wind Down Estimate, the Purchaser shall deliver to the Vendor by wire transfer such additional funds as are required to fund the Wind Down Amount within three (3) Business Days of written request by the Vendor to the Purchaser. If the Wind Down Amount is lower than the Wind Down Estimate, the Vendor shall notify the Purchaser of such excess and deliver to the Purchaser by wire transfer such excess funds as soon as reasonably practicable.

Section 5.5 Adjustment of Purchase Price.

Except as otherwise provided in this Agreement, the Purchase Price shall not be adjusted in any manner whatsoever.

ARTICLE 6 TAX MATTERS

Section 6.1 ETA Elections.

The Purchaser and the Vendor shall, if applicable, jointly elect under subsection 167(1) of the *Excise Tax Act* (Canada) (the “ETA”) and any equivalent or comparable corresponding provision under any applicable provincial or territorial legislation, in the form prescribed for the purposes of each such provision, in respect of the sale and transfer of the Purchased Assets and the Purchaser shall file such elections with the applicable tax authorities within the time and in the manner required by the applicable Law. Notwithstanding such elections, in the event it is determined by a Governmental Authority that there is a Liability of the Purchaser to pay, or of the Vendor to collect and remit, GST/HST (or similar provincial or territorial value-added or multi-staged Tax) in respect of the purchase and sale of the Purchased Assets hereunder, the Purchaser shall forthwith pay such GST/HST (and any similar provincial or territorial value-added or multi-staged Tax) to the applicable Governmental Authority, or to the Vendor for remittance to the appropriate Governmental Authority, as the case may be, and shall indemnify and save harmless the Vendor from any penalties and interest which may be payable by or assessed against the Vendor (or its representatives, agents, employees, directors or officers) under the ETA (and any applicable provincial or territorial legislation) in respect thereof.

Section 6.2 Transfer Taxes.

Subject to any available elections or exemptions contemplated by Section 6.1, the Purchaser shall be liable for and shall pay all federal and provincial sales taxes, transfer taxes, excise taxes, value-added taxes and all other similar Taxes or other like charges of any jurisdiction (“Transfer Taxes”) (for greater certainty, excluding all income or capital taxes of the Vendor) properly payable in connection with the transfer of the Purchased Assets by the Vendor to the Purchaser.

Section 6.3 Income Tax Elections.

- (1) The Purchaser and the Vendor shall, if applicable, elect jointly in the prescribed form under section 22 of the *Income Tax Act* (Canada) (the “ITA”) and the corresponding provisions of any other applicable provincial Tax statute as to the sale of the Accounts Receivable forming part of the Purchased Assets and designate in such election an amount equal to the portion of the Purchase Price allocated to the Accounts Receivable pursuant to Section 5.3. This election, or these elections, shall be made within the time prescribed for such elections.
- (2) The Purchaser and the Vendor shall, if applicable, jointly execute and file an election under subsection 20(24) of the ITA in the manner required by subsection 20(25) of the ITA and under the equivalent or corresponding provisions of any other applicable provincial or territorial statute, in the prescribed forms and within the time period permitted under the ITA and under any other applicable provincial statute as to such amount paid by the Vendor to the Purchaser for assuming future obligations. In this regard, the Purchaser and the Vendor acknowledge that a portion

of the Purchased Assets transferred by the Vendor pursuant to this Agreement and having a value equal to the amount elected under subsection 20(24) of the ITA and the equivalent provisions of any applicable provincial or territorial statute, is being transferred by the Vendor as a payment for the assumption of such future obligations by the Purchaser.

- (3) The Purchaser and the Vendor shall also execute and deliver such other Tax elections and forms as they may mutually agree upon.

ARTICLE 7 EMPLOYEE MATTERS

Section 7.1 Successor Employer

Effective as of the Closing Date, the Purchaser shall become the successor employer under the Collective Agreements, shall continue the employment of all Unionized Employees, and shall: (i) recognize from and after the Closing Date the unions set forth in Schedule "D" as the sole and exclusive collective bargaining agents for the Unionized Employees; and (ii) accept and be bound by the terms and conditions of the Collective Agreements applicable to the Unionized Employees, except that the Purchaser and the applicable collective bargaining agent shall be free (upon mutual agreement) to change the terms and conditions of the Unionized Employees or otherwise modify the applicable Collective Agreement.

Section 7.2 Offers to Non-Union Employees.

- (1) No less than three (3) Business Days in advance of the Closing Date, the Purchaser may, but shall not be obligated to offer employment to any of the Vendor's employees (other than Unionized Employees) to be effective on the Closing Date, conditional on Closing, on terms and conditions that are, in the aggregate, no less favourable than the terms and conditions on which such employees are employed immediately before the Closing Date. Such offers of employment shall recognize the non-union employee's past service with the Vendor for all purposes.
- (2) Nothing in this Section 7.2, express or implied, (i) is intended to or shall confer upon any Person, including any employee of the Vendor, other than the Parties and their respective successors and assigns, any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, (ii) shall establish or constitute an amendment, termination or modification of, or an undertaking to establish, amend, terminate or modify, any Employee Plan, or (iii) shall create any obligation on the part of the Purchaser to employ any Transferred Employee for any period following the Closing Date.

Section 7.3 Employee Plans.

- (1) The Purchaser shall assume the Employee Plans. The Purchaser, on the one hand, and the Vendor, on the other, shall take such actions as are necessary and reasonably requested by the other Party to cause the Purchaser to assume sponsorship of and

responsibility for administration and operation of such Employee Plans as of the Closing and to effect the transfer of all assets and benefit liabilities of the Employee Plans together with all related trust, insurance policies and administrative services agreements, effective as soon as practicable following the Closing. The Vendor and Purchaser shall reasonably cooperate in all matters reasonably necessary to effect the transactions contemplated by this Section 7.3(1) including exchanging information and data relating to workers' compensation, employee benefits and employee benefit plan coverage, and in obtaining any governmental approvals required, except as would result in the violation of any applicable Law, including without limitation, any Law relating to the safeguarding of data privacy.

- (2) Nothing in the provisions of this Section 7.3 express or implied, (i) is intended to or shall confer upon any Person, including any employee of the Vendor, other than the Parties and their respective successors and assigns, any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, (ii) shall establish or constitute an amendment, termination or modification of, or an undertaking to establish, amend, terminate or modify, any Employee Plan, or (iii) shall create any obligation on the part of the Purchaser to employ any Transferred Employee for any period following the Closing Date.

Section 7.4 Employee Liability.

- (1) The Vendor shall be liable for all salary, wages, bonuses, commissions, vacation pay, and other compensation relating to employment of all employees of the Vendor for the period prior to the Closing Date.
- (2) The Vendor shall be liable for statutory notice of termination or payment in lieu of notice obligations and statutory severance obligations in respect of any non-union employees of the Vendor who do not accept the Purchaser's offer of employment.
- (3) Without limiting the Purchaser's obligations in respect of the Transferred Employees, the Purchaser shall be responsible for:
 - (a) all liabilities for salary, wages, bonuses, commissions, vacation pay, and other compensation relating to employment of the Transferred Employees by the Purchaser for the period on and after the Closing Date; and
 - (b) all statutory notice of termination or payment in lieu of notice obligations and statutory severance obligations in respect of the termination by the Purchaser of the employment of any Transferred Employee arising on or after the Closing Date.

**ARTICLE 8
REPRESENTATIONS AND WARRANTIES**

Section 8.1 Vendor Representations and Warranties.

The Vendor represents and warrants as follows to the Purchaser at the date of this Agreement and at the Closing Date and acknowledges and confirms that the Purchaser is relying upon such representations and warranties in connection with the purchase of the Purchased Assets and the assumption of the Assumed Liabilities and the Contract Assumed Liabilities:

- (1) **Incorporation and Qualification.** The Vendor is a corporation duly incorporated and existing under the Laws of its jurisdiction of incorporation and, subject to the granting of the Sale Process Order, has the corporate power to enter into and perform its obligations under this Agreement.
- (2) **Authority to Complete.** Subject to obtaining the Approval and Vesting Order prior to Closing, on Closing the Vendor shall have the power and authority to complete the transactions contemplated hereby, in accordance with the terms and conditions of this Agreement and the Approval and Vesting Order.
- (3) **Enforceability of Obligations.** Subject to the entry of the Sale Process Order, the Approval and Vesting Order and any other orders required by the Court in connection with the transactions contemplated hereby, this Agreement constitutes a valid and legally binding obligation of the Vendor enforceable against the Vendor in accordance with its terms.
- (4) **Residence.** The Vendor is not a non-resident of Canada for purposes of the ITA.
- (5) **Registration.** The Vendor is registered under Part IX of the ETA and its registration number is 105104392 RT0001.
- (6) **Brokers and Finders.** There are no claims for brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement or agreement made by or on behalf of the Vendor.

Section 8.2 Purchaser's Representations and Warranties.

The Purchaser represents and warrants as follows to the Vendor at the date of this Agreement and at the Closing Date and acknowledges and confirms that the Vendor is relying on such representations and warranties in connection with the sale by the Vendor of the Purchased Assets:

- (1) **Incorporation and Qualification.** The Purchaser is an entity duly incorporated and existing under the Laws of its jurisdiction of incorporation and has the corporate power to enter into and perform its obligations under this Agreement.

- (2) **Corporate Authority.** The execution and delivery of and performance by the Purchaser of this Agreement and the consummation of the transactions contemplated by it have been authorized by all necessary corporate action on the part of the Purchaser.
- (3) **Execution and Binding Obligation.** This Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding agreement of the Purchaser, enforceable against it in accordance with its terms subject only to: (A) as of the date hereof, any limitation under applicable Laws relating to (i) bankruptcy, winding-up, insolvency, arrangement, fraudulent preference and conveyance, assignment and preference and other similar Laws of general application affecting the enforcement of creditors' rights, and (ii) the discretion that a court may exercise in the granting of equitable remedies such as specific performance and injunction; and (B) as of the Closing Date, the issuance of the Approval and Vesting Order.
- (4) **Registration.** The Purchaser will, prior to Closing, be registered under Part IX of the ETA and under comparable provincial legislation in each other province where the Purchaser is required to be registered for purposes of any election to be made pursuant to Section 6.1.
- (5) **Brokers and Finders.** There are no claims for brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement or agreement made by or on behalf of the Purchaser.

Section 8.3 Survival.

The representations and warranties contained in this Agreement shall merge on Closing.

Section 8.4 No Other Representations or Warranties of the Vendor; "As Is, Where Is".

- (1) The representations and warranties given by the Vendor in Article 8 are the sole and exclusive representations and warranties of the Vendor in connection with this Agreement and the transactions contemplated by it. Except for the representations and warranties given by the Vendor in Article 8, the Purchaser did not rely upon any statements, representations, promises, warranties, conditions or guarantees whatsoever, whether express or implied (by operation of Law or otherwise), oral or written, legal, equitable, conventional, collateral or otherwise, regarding the assets to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith.
- (2) The Purchaser hereby acknowledges and agrees as follows:
 - (a) except as expressly provided herein, the Purchased Assets are being purchased on an "as is, where is" basis; and

- (b) except as expressly set forth in this Agreement, the Vendor and the Proposal Trustee make no representations, or warranties in favour of the Purchaser concerning the Purchased Assets, which the Purchaser acknowledges are being acquired on an “as is, where is” basis, whether express or implied, statutory or collateral, arising by operation of Laws or otherwise, including express or implied warranties of merchantability, fitness for a particular purpose, title, description, quantity, condition or quality, and that any and all conditions and warranties expressed or implied by the *Sale of Goods Act* (Ontario) or other Laws do not apply to the transactions contemplated herein and are hereby waived by the Purchaser.

ARTICLE 9 COVENANTS

Section 9.1 Conduct of Business in the Ordinary Course.

During the period up to the Closing Date, the Vendor shall use commercially reasonable efforts to (i) conduct the Business in the Ordinary Course consistent with past practice; (ii) maintain and preserve intact its current Business organization and operations; and (iii) preserve the rights, goodwill and relationships of its employees, customers, lenders, suppliers, regulators and others having relationships with the Business, in each case except to the extent required to allow the Vendor to comply with any of its obligations under this Agreement, subject in all cases to any limitation imposed by being subject to the commercial proposal process under the BIA and any Court order relating thereto. Except with the prior written consent of the Purchaser, the Vendor shall not enter into, amend, disclaim, restate or allow there to occur a default under any Material Contract.

Section 9.2 Actions to Satisfy Closing Conditions.

The Vendor and the Purchaser agree to use their respective commercially reasonable efforts to take, or cause to be taken, all actions and make all such filings and submissions, and obtain such authorizations, which are necessary or advisable in order to (i) fulfil their respective obligations under this Agreement; and (ii) assist with the satisfaction of and ensure all conditions for the benefit of the other Party provided for in Section 10.2, Section 10.3 and Section 10.4 are satisfied.

Section 9.3 Access.

Subject to applicable Laws, the Vendor shall (i) upon reasonable notice, permit the Purchaser and its employees, agents, counsel, accountants or other representatives, to have reasonable access during normal business hours to (A) the Purchased Assets, including all books and records whether retained by the Vendor or otherwise, (B) all contracts and leases to which the Vendor is a party, (C) personnel files relating to the employees of the Vendor (which shall be maintained in strict confidence by the Purchaser and only used for the purpose of considering and/or making employment offers to employees), and (D) the senior personnel of the Vendor, so long as the access does not unduly interfere with the ordinary conduct of the Business; and (ii) furnish to the Purchaser or its employees, agents, counsel, accountants or other such representatives such financial and operating data and other

ARTICLE 10
SALES PROCESS AND CONDITIONS OF CLOSING

Section 10.1 Sales Process

- (a) The Vendor shall bring a motion for the Sales Process Order on or before January 22, 2021. The Sales Process Order shall recognize the within offer by the Purchaser and Purchase Price as a baseline or "stalking horse bid" (the "**Stalking Horse Bid**"). The Purchaser acknowledges and agrees that the aforementioned process is in contemplation of determining whether a Qualified Bid (in addition to the Stalking Horse Bid) can be obtained for the Purchased Assets.
- (b) In the event that one or more Persons submits a Qualified Bid on or before the Bid Deadline, the Proposal Trustee shall conduct an auction for the determination and selection of a Winning Bid (the Person submitting such bid being the "**Winning Bidder**"). Upon the selection of the Winning Bidder, there shall be a binding agreement of purchase and sale between the Winning Bidder and the Vendor (subject to Court approval). The Vendor shall forthwith bring a motion following the selection of the Winning Bidder for an order approving the agreement reached with the Winning Bidder and to vest the purchased assets contemplated by such agreement in the Winning Bidder and, if granted, shall proceed with closing the transaction forthwith.
- (c) Notwithstanding anything contained herein to the contrary, in the event that the Purchaser is not the Winning Bidder, then upon the making of the order by the Court contemplated in Section 10.1(b) above to approve a transaction with such Winning Bidder, this Agreement shall be terminated and neither Party hereto shall have any further Liability or obligation, except as expressly provided for in this Agreement.
- (d) If no Qualified Bids are received by the Bid Deadline (other than the Stalking Horse Bid), then the Stalking Horse Bid shall be deemed to be the Winning Bid, and the Vendor shall forthwith bring a motion to the Court to obtain the Approval and Vesting Order and, if granted, shall proceed with completing the transactions contemplated hereby forthwith.

Section 10.2 Conditions for the Benefit of both Parties.

The purchase and sale of the Purchased Assets is subject to the following conditions to be fulfilled or performed on or before the Closing Date:

- (1) **No Court Orders.** No provision of any applicable Law and no judgment, injunction, order or decree that prohibits the consummation of the purchase of the Purchased Assets pursuant to this Agreement shall be in effect;

- (2) **Approval and Vesting Order.** The Approval and Vesting Order shall have been issued and entered and shall not have been stayed, amended, modified, reversed or dismissed as at the Closing Date; and
- (3) **Proceedings by Governmental Authority.** No motion, action or proceedings shall be pending by or before a Governmental Authority to restrain or prohibit the completion of the transactions contemplated by this Agreement.

Section 10.3 Conditions for the Benefit of the Purchaser.

The purchase and sale of the Purchased Assets is subject to the following conditions to be fulfilled or performed on or before the Closing Date, which conditions are for the exclusive benefit of the Purchaser and may be waived, in whole or in part, by the Purchaser in its sole discretion:

- (1) **Representations and Warranties.** The representations and warranties of the Vendor contained in this Agreement shall be true and correct as of the Closing Date in all material respects, with the same force and effect as if such representations and warranties had been made on and as of such date;
- (2) **Covenants.** The Vendor shall have fulfilled or complied with all covenants contained in this Agreement required to be fulfilled or complied with by it in all material respects at or prior to the Closing Date, including delivery by the Vendor of the documents and instruments contemplated by Section 11.2;
- (3) **No Bankruptcy.** The Vendor shall not be and shall not have become a bankrupt under the BIA;
- (4) **Consents.** The Vendor shall have obtained consents from the counterparties to the Consent Required Contracts that have been designated as Assigned Contracts from the counterparties to those agreements and shall have delivered such consents to the Purchaser; and
- (5) **Assignment Order.** The Assignment Order, if requested by the Purchaser, shall have been issued and entered in form and substance satisfactory to the Purchaser.

Section 10.4 Conditions for the Benefit of the Vendor.

The purchase and sale of the Purchased Assets is subject to the following conditions to be fulfilled or performed on or before the Closing Date, which are for the exclusive benefit of the Vendor and which may be waived, in whole or in part, by the Vendor in its sole discretion:

- (1) **Representations and Warranties.** The representations and warranties of the Purchaser contained in this Agreement shall be true and correct as of the Closing Date in all material respects, with the same force and effect as if such representations and warranties had been made on and as of such date; and

- (2) **Covenants.** The Purchaser shall have fulfilled or complied with all covenants contained in this Agreement required to be fulfilled or complied with by it in all material respects at or prior to the Closing Date, including delivery by the Purchaser of the documents and instruments contemplated by Section 11.3.

ARTICLE 11 CLOSING

Section 11.1 General.

- (1) The completion of the transactions of purchase, sale and assumption contemplated by this Agreement (the “**Closing**”) shall take place electronically on the Closing Date.
- (2) As soon as practicable following the determination that this Agreement is the Winning Bid pursuant to the Stalking Horse Sales Process, the Vendor shall file motion materials seeking the issuance of the Approval and Vesting Order, provided that the Purchaser has had a reasonable opportunity to review and comment upon such materials, acting reasonably, in advance of filing with the Court. The Vendor shall serve notice of the motion seeking the issuance and entry of the Approval and Vesting Order on all Persons determined reasonably necessary by the Purchaser and shall provide reasonable advance notice of any Court appearances so that the Purchaser may make arrangements to attend if it so desires.
- (3) The Parties hereby acknowledge and agree that the Proposal Trustee shall be entitled in accordance with the Approval and Vesting Order to file a certificate, substantially in the form attached to the Approval and Vesting Order (the “**Proposal Trustee’s Certificate**”), with the Court upon receiving written confirmation from the Vendor and the Purchaser that all conditions of Closing have been satisfied or waived.

Section 11.2 Vendor’s Closing Deliveries.

At the Closing, the Vendor shall execute and/or deliver or cause to be delivered to the Purchaser the following:

- (a) the Purchased Assets, which shall be delivered *in situ* wherever located as of the Closing;
- (b) a true and complete copy of the Approval and Vesting Order, as entered by the Court;
- (c) if requested by the Purchaser, a true and complete copy of the Assignment Order, as entered by the Court;
- (d) true and complete copies of the Assigned Contracts to which the Vendor is a party, to the extent not delivered prior to Closing;
- (e) such executed Tax elections as are required pursuant to Article 6;

- (f) an executed assignment and assumption agreement evidencing the assumption by the Purchaser of the Assumed Liabilities;
- (g) a true and complete copy of the Proposal Trustee's Certificate executed by the Proposal Trustee (such Proposal Trustee's Certificate to be filed with the Court by the Proposal Trustee following Closing and a copy of such filed Proposal Trustee's Certificate shall be delivered to the Purchaser promptly thereafter); and
- (h) any other documents necessary or desirable in the opinion of the Purchaser, acting reasonably.

Section 11.3 Purchaser's Closing Deliveries.

At the Closing, the Purchaser shall execute and/or deliver or cause to be delivered to the Vendor, or as the Vendor may direct, the following:

- (a) the payments contemplated by Section 5.2(a), Section 5.2(b), Section 5.2(c) and Section 5.2(d);
- (b) evidence of payment of any applicable Transfer Taxes;
- (c) such executed Tax elections as are required pursuant to Article 6;
- (d) an executed assignment and assumption agreement evidencing the assumption by the Purchaser of the Assumed Liabilities; and
- (e) any other documents necessary or desirable in the opinion of the Vendor, acting reasonably.

**ARTICLE 12
TERMINATION**

Section 12.1 Termination of Agreement.

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

- (a) by mutual consent of the Vendor and the Purchaser;
- (b) by either Party upon written notice to the other Party if the conditions set out in Section 10.2 are not satisfied performed or mutually waived on or before the Outside Date;
- (c) by the Purchaser or the Vendor if the Approval and Vesting Order, once granted, shall have been amended or modified in a manner adverse to such Party, or if it is stayed, reversed, dismissed or ceases to be in full force and effect;

- (d) by the Purchaser if the Assignment Order, if requested and once granted, shall have been amended or modified in a manner adverse to the Purchaser, or if it is stayed, reversed or ceases to be in full force and effect;
- (e) automatically if the Closing has not occurred by 11:59 p.m. on the Outside Date.

Section 12.2 Effect of Termination.

- (1) In the event that the Agreement is terminated in accordance with Section 12.1, then each of the Parties shall be relieved of its duties and obligations arising under this Agreement, effective as of the date of such termination and such termination shall be without Liability to the Purchaser and the Vendor, including without limitation in respect of any Liabilities accrued from the date of execution of this Agreement to the date of termination.
- (2) Under no circumstances shall either of the Parties, their representatives or their respective directors, officers, employees or agents be liable for any special, punitive, exemplary, consequential or indirect damages (including loss of profits) that may be alleged to result, in connection with, arising out of, or relating to this Agreement or the transactions contemplated herein.

Section 12.3 Dispute Resolution.

If any dispute arises with respect to any matter related to the transactions contemplated herein or the interpretation or enforcement of this Agreement such dispute will be determined by the Court, or by such other Person or in such other manner as the Court may direct.

**ARTICLE 13
MISCELLANEOUS**

Section 13.1 Notices.

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

- (a) to the Vendor:

Allied Track Services Inc.
169 S Service Rd,
Grimsby, ON L5M 4H6

Attention: Andy Jones
Email: andy.jones@alliedtrack.ca

with a copy to Vendor’s counsel:

Bennett Jones LLP
100 King Street West, Suite 3400
Toronto, ON M5X 1A5

Attention: Sean Zweig and Jesse Mighton
Email: zweigs@bennettjones.com
mightonj@bennettjones.com

with a copy to the Proposal Trustee:

KSV Restructuring Inc.
150 King Street West, Suite 2308
Toronto, ON M5H 1J9

Attention: Noah Goldstein
Email: ngoldstein@ksvadvisory.com

with a copy to the Proposal Trustee's counsel:

Blake, Cassels & Graydon LLP
199 Bay Street, Suite 4000
Toronto, ON M5L 1A9

Attention: Chris Burr
Email: chris.burr@blakes.com

(b) to the Purchaser:

Bridging Finance Inc.
77 King Street West, Suite 2925
Toronto, ON M5K 1K7

Attention: Graham Marr, Senior Managing Director
Email: gmarr@bridgingfinance.ca

with a copy to Purchaser's counsel:

Chaitons LLP
5000 Yonge Street
Toronto, ON M2N 7E9

Attention: Harvey Chaiton and Seth Mandell
Email: harvey@chaitons.com
seth@chaitons.com

A Notice is deemed to be given and received if sent by personal delivery, courier or electronic mail, on the date of delivery if it is a Business Day and the delivery was made prior to 4:00 p.m. (local time in place of receipt) and otherwise on the next Business Day. A Party may change its address for service from time to time by providing a Notice in accordance with the foregoing. Any subsequent Notice must be sent to the Party at its changed address. Any element of a Party's address that is not specifically changed in a Notice will be assumed not to be changed. Sending a copy of a Notice to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the Notice to that party. The failure to send a copy of a Notice to legal counsel does not invalidate delivery of that Notice to a Party.

Section 13.2 Assignment.

Neither this Agreement nor any of the rights or obligations under this Agreement may be assigned or transferred, in whole or in part, by any Party without the prior written consent of the other Parties. Notwithstanding the foregoing, on Closing the Purchaser shall be entitled to direct title to any of the Purchased Assets to one or more Persons provided that such persons shall agree to be jointly and severally liable with the Purchaser in respect of its liabilities and obligations under this Agreement.

Section 13.3 Survival.

Any provision of this Agreement which contemplates performance or the existence of obligations after the Closing Date shall not be deemed to be merged into or waived by the execution, delivery or performance of this Agreement or documents delivered in connection herewith or Closing, but shall expressly survive the execution, delivery and performance of this Agreement, Closing and the execution, delivery and performance of any and all documents delivered in connection with this Agreement and shall be binding upon the Party or Parties obligated thereby (including any trustee-in-bankruptcy appointed in respect of such Party) in accordance with the terms of this Agreement.

Section 13.4 Time of the Essence.

Time shall, in all respects, be of the essence hereof, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Vendor and the Purchaser.

Section 13.5 Enurement.

This Agreement becomes effective when executed by the Vendor and the Purchaser. After that time, it will be binding upon and enure to the benefit of the Parties and their respective successors, legal representatives and permitted assigns.

Section 13.6 Entire Agreement.

This Agreement and the other documents executed in connection herewith constitutes the entire agreement between the Parties with respect to the transactions contemplated in this Agreement and supersede all prior agreements, understandings,

negotiations and discussions, whether oral or written, of the Parties with respect to such transactions. There are no representations, warranties, covenants, conditions or other agreements, express or implied, collateral, statutory or otherwise, between the Parties in connection with the subject matter of this Agreement, except as specifically set forth in this Agreement. The Parties have not relied and are not relying on any other information, discussion or understanding in entering into and completing the transactions contemplated by this Agreement.

Section 13.7 Waiver.

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

Section 13.8 Amendments.

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

Section 13.9 Further Assurances.

- (1) From the Closing Date, each of the Parties covenants and agrees to do such things, to attend such meetings and to execute such further conveyances, transfers, documents and assurances as may be deemed necessary or advisable from time to time in order to effectively transfer the Purchased Assets, the Assumed Liabilities and the Contract Assumed Liabilities to the Purchaser and carry out the terms and conditions of this Agreement in accordance with their true intent.
- (2) Notwithstanding Section 13.9(1) or anything else contained in this Agreement, after Closing the Vendor shall not be required to delay making an assignment in bankruptcy under the BIA if it determines, in its sole discretion, to do so.

Section 13.10 Severability.

If any provision of this Agreement is determined to be illegal, invalid or unenforceable, by any court of competent jurisdiction from which no appeal exists or is taken, that provision will be severed from this Agreement and the remaining provisions will remain in full force and effect.

Section 13.11 Governing Law.

This Agreement is governed by, and will be interpreted and construed in accordance with, the Laws of the Province of Ontario and the federal Laws of Canada applicable therein.

Section 13.12 Jurisdiction.

The Parties hereby irrevocably attorn to the exclusive jurisdiction of the courts of the Province of Ontario with respect to any matter arising under or related to this Agreement.

Section 13.13 Counterparts.

This Agreement may be executed in any number of counterparts, each of which is deemed to be an original, and such counterparts together constitute one and the same instrument. Transmission of an executed signature page by email or other electronic means is as effective as a manually executed counterpart of this Agreement.

[signature page follows]

IN WITNESS WHEREOF the Parties hereto have duly executed this Agreement as of the date first written above.

ALLIED TRACK SERVICES INC.

By: 
Name: Andy Jones
Title: Director

2806401 ONTARIO INC.

By: 
Name: Graham Marr
Title:

Schedule "A"

Stalking Horse Sales Process

See attached.

Schedule "B"

Material Contracts

See attached.

Schedule "C"
Sales Process Order

See attached.

Schedule "D"

Unions

See attached.

Appendix “C”

Allied Track Services Inc.
Projected Statement of Cash Flow
For the period January 18, 2021 to April 6, 2021
(C\$, unaudited)


Note	Week Ending											2 Days Ending	Total	
	24-Jan-21	31-Jan-21	07-Feb-21	14-Feb-21	21-Feb-21	28-Feb-21	07-Mar-21	14-Mar-21	21-Mar-21	28-Mar-21	04-Apr-21	06-Apr-21		
Receipts	2	189,628	172,188	580,260	745,723	456,501	647,861	502,332	502,332	502,332	502,332	561,082	224,433	5,587,006
Disbursements														
Payroll	3	191,835	191,835	337,793	437,793	337,793	337,793	333,043	433,043	333,043	333,043	282,418	112,967	3,662,403
Jobsite expenses		46,440	46,440	46,440	61,830	61,830	61,830	61,830	58,725	58,725	58,725	58,725	23,490	645,030
Repairs and maintenance		49,517	49,517	75,600	75,600	75,600	75,600	89,100	89,100	89,100	89,100	75,600	30,240	863,674
Equipment lease rental		37,800	37,800	21,789	21,789	21,789	21,789	24,678	24,678	24,678	24,678	24,678	9,871	296,017
Fuel		10,800	10,800	16,200	16,200	16,200	16,200	15,120	15,120	15,120	15,120	13,095	5,238	165,213
Insurance		13,258	13,258	16,572	16,572	16,572	16,572	16,572	16,572	16,572	16,572	16,572	6,629	182,297
Trucking and rail transport		7,776	7,776	13,500	13,500	13,500	13,500	16,200	16,200	16,200	16,200	15,120	6,048	155,520
Occupancy costs		-	-	49,680	-	-	-	-	-	-	-	-	-	49,680
Other operating expenses	4	16,475	16,475	20,593	20,593	20,593	20,593	20,726	20,726	20,726	20,726	20,726	8,290	227,242
Capital expenditure		16,200	10,800	64,800	21,600	16,200	10,800	64,800	21,600	16,200	10,800	64,800	25,920	344,520
Interest		-	-	11,000	-	-	-	17,000	-	-	-	26,000	-	54,000
Contingency		100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	40,000	1,140,000
Total Operating Disbursements		490,100	484,700	773,968	785,478	680,078	674,678	759,070	795,765	690,365	684,965	697,735	268,694	7,785,596
Net Cash Flow before the Undershot		(300,472)	(312,513)	(193,708)	(39,755)	(223,577)	(26,817)	(256,737)	(293,432)	(188,032)	(182,632)	(136,652)	(44,261)	(2,198,590)
Restructuring Professional fees	5	-	300,000	-	150,000	-	-	150,000	-	-	-	150,000	-	750,000
		(300,472)	(612,513)	(193,708)	(189,755)	(223,577)	(26,817)	(406,737)	(293,432)	(188,032)	(182,632)	(286,652)	(44,261)	(2,948,590)
Additional Funding Requirement	6	300,472	612,513	193,708	189,755	223,577	26,817	406,737	293,432	188,032	182,632	286,652	44,261	2,948,590
Net Cash Flow		-	-	-	-	-	-	-	-	-	-	-	-	-
Opening Cash Balance	7	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Cash Balance		-	-	-	-	-	-	-	-	-	-	-	-	-


The above financial projections are based on management's assumptions detailed in Appendix "1-1".
The note references correspond to the assumption numbers shown in Appendix "1-1".

The statement of projected cash-flow of Allied Track Services Inc. has been prepared in accordance with the provisions of *The Bankruptcy and Insolvency Act* and should be read in conjunction with the Trustee's Report on Cash-flow Statement.

ALLIED TRACK SERVICES INC.

KSV RESTRUCTURING INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL
AND NOT IN ITS PERSONAL CAPACITY

Per: 
Date: 01/21/21

Per: 
Date: January 21, 2021

Allied Track Services Inc.

Notes to Projected Statement of Cash Flow

For the period January 18, 2021 to April 6, 2021

(C\$; unaudited)

Purpose and General Assumptions

1. The purpose of the projection is to present a forecast of the cash-flow of Allied Track Services Inc. (the "Company") for the period January 18, 2021 to April 6, 2021 (the "Period") in respect of its NOI proceedings under the *Bankruptcy and Insolvency Act*.

The projected cash flow statement has been prepared based on hypothetical and most probable assumptions developed and prepared by the Company.

Hypothetical Assumptions

2. Represents the collection of accounts receivable from the Company's customers, net of early payment discounts.

Most Probable Assumptions

3. Represents payroll costs, source deduction remittances and WSIB remittances. Wage subsidies under programs enacted by the Government of Canada in response to Covid-19 are not forecasted to be received during the Period.
4. Other operating costs include advertising and promotion, meals, travel lodging, corporate vehicles, office expenses, bank charges and non-restructuring professional fees.
5. Represents the professional fees of the Proposal Trustee, its counsel and the Company's counsel.
6. Funding required during the Period is forecasted to be sourced through a DIP financing facility.
7. The Company's receipts are swept on a daily basis to its lender's bank account.

**Report on Cash Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the BIA**

The management of Allied Track Services Inc. (the "Company") has developed the assumptions and prepared the attached statement of projected cash flow of the Company for the period ending April 6, 2021.

The hypothetical and probable assumptions are suitably supported and consistent with the purpose of the projection and the plans of the Company and provide a reasonable basis for the projection. All such assumptions are disclosed in Notes 1 to 7.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in Note 1, using a set of hypothetical and probable assumptions set out in Notes 2 to 7. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, this 21st day of January, 2021.

Allied Track Services Inc.

Per: 

Appendix “D”

**Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)**

The attached statement of projected cash-flow of Allied Track Services Inc., as of the 21st day of January 2021, consisting of a monthly Cash Flow Statement for the period January 18, 2021 to April 6, 2021, has been prepared by the management of the insolvent person for the purpose described in Note 1, using the probable and hypothetical assumptions set out in Notes 2-7.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by the management and employees of the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated this 21st day of January, 2021.

KSV RESTRUCTURING INC.
LICENSED INSOLVENCY TRUSTEE



Per: Noah Goldstein

Appendix “E”

January 21, 2021

Allied Track Services Inc.
169A South Service Road
Grimsby, ON L5M 4H6

Attention: Andy Jones

Dear Sir,

Re: Bridging Finance Inc., as Agent (the “Lender”), interim financing credit facility in favour of Allied Track Services Inc. (the “Borrower”)

We understand that the Borrower intends to file a notice of intention to make a proposal pursuant to the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”) naming KSV Restructuring Inc. as proposal trustee (the “**Proposal Trustee**”), and that in connection with the BIA proceedings (the “**Proposal Proceedings**”) the Borrower requires interim financing and will be seeking an order pursuant to subsection 50.6(1) of the BIA (the “**Interim Financing Order**”) from the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). The Lender is pleased to offer interim financing by way of the credit facility described in this term sheet (the “**Term Sheet**”) subject to the terms and conditions set forth herein. Unless otherwise indicated, all amounts are expressed in Canadian currency. All capitalized terms not otherwise defined in the body of this Term Sheet shall have the meanings ascribed thereto in **Schedule “A”**.

Borrower: Allied Track Services Inc.

Lender: Bridging Finance Inc., as Agent

Facility: A super-priority, debtor-in-possession, non-revolving demand credit facility up to the maximum principal amount of \$3,000,000 (the “**Facility**”).

Purpose: The purpose of the Facility is to fund (i) working capital needs in accordance with the cash flow projections approved by the Proposal Trustee and the Lender from time to time (the “**Cash Flow Projections**”); (ii) the Lender’s Fees and Expenses (as defined below); (iii) professional fees and expenses incurred by the Borrower and the Proposal Trustee in respect of the Proposal Proceedings; and (iv) such other costs and expenses of the Borrower as may be agreed to by the Lender, in writing.

Repayment: The Borrower shall repay all obligations owing under the Facility on the earlier of (the “**Maturity Date**”) (i) demand; (ii) the occurrence of an Event of Default (as defined below); (iii) the date on which the period for

the Borrower to file a proposal in the Proposal Proceedings is not extended or is terminated; (iv) the date on which the Borrower becomes bankrupt; (v) the date upon which a sale of substantially all of the business and assets of the Borrower is completed; and (vi) April 6, 2021.

**Facility
Advances:**

The Facility shall be available by multiple advances (individually, an “**Advance**” and collectively, “**Advances**”), normally to be issued once a week but in any case at the Lender’s sole discretion with regard to timing, in amounts consistent with the Cash Flow Projections or as otherwise agreed to by the Lender in writing, and each such Advance shall be wire transferred to the Borrower’s existing disbursement account with the Bank of Montreal.

The Cash Management System currently in place between the Borrower and the Lender will continue to apply. All Advances by the Lender to the Borrower in excess of the amount owing by the Borrower to the Lender as at the commencement of the Proposal Proceedings under the existing credit facilities made available by the Lender shall be Advances under the Facility.

Nothing in this Term Sheet creates a legally binding obligation on the Lender to advance any amount under the Facility at any time unless the Lender is completely satisfied in its sole discretion, acting reasonably, that the Borrower is in compliance with every provision of this Term Sheet and that no fact exists or event has occurred which materially changes the manner in which the Lender previously evaluated the risks inherent in advancing amounts to the Borrower under the Facility, whether or not the Lender was or should have been aware of such facts or events differently at any time.

**Interest Rate
and Expenses:**

Interest: Interest on the principal amount of each Advance outstanding from time to time shall bear interest at a rate of ten per cent (10%) per annum, which interest shall be calculated on the daily outstanding balance owing under the Facility, not in advance, and shall accrue and be paid on the Maturity Date.

Expenses: The Borrower shall pay all fees and expenses (collectively, the “**Lender’s Fees and Expenses**”) incurred by the Lender in connection with the preparation, registration and ongoing administration of this Term Sheet, the Interim Financing Order, the Interim Financing Charge (as defined below) and with the enforcement of the Lender’s rights and remedies thereunder or at law or in equity, including, without limitation all reasonable legal fees and disbursements incurred by the Lender, on a full indemnity basis. For greater certainty, “Lender’s Fees and Expenses” shall include all reasonable fees and expenses incurred by the Lender in connection with the Proposal Proceedings and all Court attendances in

respect thereof. If the Lender has paid any expense for which the Lender is entitled to reimbursement from the Borrower, such expense shall be added to the Facility and shall accrue interest at the rate set out above. All such fees and expenses and interest thereon shall be secured by the Interim Financing Charge whether or not any funds under the Facility are advanced.

Security:

All debts, liabilities, and obligations of the Borrower under the Facility shall be secured by the Interim Financing Charge and such security agreements charging all of the properties, assets and undertakings of the Borrower, as may be reasonably requested by the Lender.

**Conditions
Precedent:**

The availability of the Facility is subject to and conditional upon the following conditions precedent unless waived in writing by the Lender in its sole discretion:

1. receipt of the entered Interim Financing Order in a form satisfactory to the Lender including:
 - (a) approving this Term Sheet, and the Facility contemplated herein;
 - (b) granting the Lender a priority charge (the “**Interim Financing Charge**”) in and to all present and future properties, assets and undertakings of the Borrower, subject only to (i) an administration charge in the maximum aggregate amount of \$500,000 for the payment of the fees and expenses of the Proposal Trustee, counsel to the Borrower, counsel to the Proposal Trustee, and any trustee in bankruptcy of the Borrower and its counsel (the “**Administration Charge**”); and (ii) a charge in the maximum aggregate amount of \$1,500,000 as security for the indemnity provided to the directors and officers of the Borrower against obligations and liabilities they may incur after the commencement of the Proposal Proceedings (the “**Directors’ Charge**”), subject to the terms and conditions set out in the Interim Financing Order or any other Court order granting such charges;
 - (c) granting the Lender the right, upon the occurrence of an Event of Default, to terminate the Facility and to enforce the rights and remedies available to it, with Court approval obtained on not more than three (3) days’ notice to the Borrower and the Proposal Trustee pursuant to the Interim Financing Order, this Term Sheet, the Interim Financing

Charge, and any additional rights and remedies available to it, at law or in equity;

- (d) declaring that the granting of the Interim Financing Charge, the execution and delivery of all other documents and instruments contemplated herein, and the payment of all amounts by the Borrower to the Lender, including any and all fees and interest, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any Applicable Law;
 - (e) declaring the Interim Financing Order, including the Interim Financing Charge granted thereunder, binding upon a trustee in bankruptcy of the Borrower, the Proposal Trustee, a receiver, interim-receiver, receiver-manager or any other officer of the Court appointed in respect of the Borrower; and
 - (f) declaring the Lender to be an “unaffected creditor” under any proposal made by the Borrower and that the indebtedness to the Lender under the Facility shall not be compromised under any such proposal;
2. receipt of Court approval of a sale process (the “**Sale Process**”), which Sale Process shall include a stalking horse asset purchase agreement to be entered into among the Borrower and a nominee of the Lender (solely for the purpose of acting as the stalking horse bid in the Sale Process) in a form satisfactory to the Lender pursuant to the Interim Financing Order or any other order of the Court (the “**Sale Process Order**”);
 3. the Interim Financing Order and the Sale Process Order shall not have been amended or varied in a manner adverse to the Lender, or stayed, without the consent of the Lender, and shall continue to be in full force and effect;
 4. receipt of a duly executed copy of this Term Sheet; and
 5. delivery by the Borrower to the Lender of any such further security or documentation that the Lender and its lawyers may reasonably require to give effect to the foregoing.

Each of the following is a condition precedent to any Advance to be made hereunder, in each case unless waived in writing by the Lender in its sole discretion:

1. all of the conditions contained in this Term Sheet shall have been satisfied and shall as at the time of the making of the Advance in question continue to be satisfied; and
2. no Event of Default shall have occurred and be continuing.

The making of an Advance hereunder without the fulfillment of one or more conditions set forth in this Term Sheet shall not constitute a waiver of any such condition, unless expressly so waived in writing by the Lender, and the Lender reserves the right to require fulfillment of such condition in connection with any Advance.

Covenants:

The Borrower covenants and agrees with the Lender, so long as any amounts are outstanding by the Borrower to the Lender hereunder, to:

1. pay all sums of money when due hereunder;
2. not request, obtain or consent to a variation of the Interim Financing Order if such variation may be prejudicial to the Lender, without the prior written consent of the Lender, such consent not to be unreasonably withheld or delayed;
3. make all reasonable efforts to provide the Lender with at least three (3) Business Days' notice of all Court filings made by it, together with copies of, and an opportunity to comment on, all related Court materials;
4. provide the Lender with prompt written notice of any event which constitutes, or which, with notice, lapse of time, or both, would constitute an Event of Default, a breach of any covenant or other term or condition of this Term Sheet, or of any document given in connection therewith;
5. use the proceeds of the Facility solely for the purposes provided for herein;
6. keep and maintain books of account and other accounting records in accordance with generally accepted accounting principles;
7. upon reasonable notice, permit the Lender or its representatives, at any time and from time to time with such frequency as the Lender, in its sole discretion, may require, to visit and inspect the Borrower's premises, properties and assets and to examine and obtain copies of the Borrower's records or other information and discuss the Borrower's affairs with the auditors, counsel and other

professional advisors of the Borrower, all at the reasonable expense of the Borrower;

8. carry on the business of the Borrower in the normal course, consistent with past practice and orders of the Court made in the Proposal Proceedings;
9. not incur any expense other than as included in the Cash Flow Projections, without the prior written consent of the Lender not to be unreasonably withheld;
10. to pay or make provision for payment of all Priority Claims due and payable from and after the commencement of the Proposal Proceedings; and
11. keep the Borrower's assets fully insured against such perils and in such manner as would be customarily insured by companies owning similar assets naming the Lender as first loss payee and to ensure all assets secured by the Interim Financing Charge are in existence and in the possession and control of the Borrower.

**Events
of Default:**

Without limiting the right of the Lender to demand payment at anytime, if any one or more of the following events (an "**Event of Default**") has occurred and is continuing:

1. the Borrower fails to pay when due any principal, interest, fees or other amounts due under this Term Sheet;
2. the Borrower breaches any covenant, term, condition or other provision of the Existing Security, this Term Sheet, or any other document delivered to the Lender in respect thereof;
3. if the Interim Financing Order or the Sale Process Order is stayed, set aside or varied in a manner adverse to the Lender, without the consent of the Lender, in its sole discretion, or any other order of the Court in the Proposal Proceedings is made, which is or may be prejudicial to the Lender's interests;
4. the stay of proceedings resulting from the Proposal Proceedings is terminated or lifted in whole or in part without the consent of the Borrower and the Lender;
5. substantially all of the business or assets of the Borrower are sold except pursuant to a transaction resulting from the Sale Process or as may be otherwise approved by the Lender in writing in advance;

6. any default or failure by the Borrower to make any payment of any Priority Claims due and payable from and after the commencement of the Proposal Proceedings; and
7. the Borrower becomes bankrupt or a receiver, receiver and manager, or other officer of the Court is appointed for all or any significant part of the assets of any Borrower;

then, in such event, the Lender may, by written notice to the Borrower, declare all monies outstanding under the Facility to be immediately due and payable and upon seeking an Order of the Court on not more than three (3) days' notice, enforce, without further notice, demand or delay, all of its rights and remedies against the Borrower and its properties, assets and undertakings including, without limitation, the enforcement of the Interim Financing Charge.

Nothing contained in this section shall limit any right of the Lender under this Term Sheet to demand payment of the Facility. On demand or the occurrence of an Event of Default, at the discretion of the Lender, the Borrower shall not be entitled to any further advance under the existing loan facilities or this Facility. Any advance made by the Lender after the occurrence of an Event of Default shall not oblige the Lender to make further advances thereafter.

**Evidence of
Indebtedness:**

The Lender shall maintain records evidencing the Facility. The Lender's accounts and records constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrower to the Lender pursuant to this Term Sheet.

**Representations
and Warranties:**

The Borrower represents and warrants to the Lender that:

1. the Borrower is a corporation duly incorporated, validly existing and duly registered or qualified to carry on business in the Province of Ontario and any other jurisdiction where it may carry on business;
2. subject to the issuance of the Interim Financing Order, the execution, delivery and performance by the Borrower of this Term Sheet has been duly authorized by all necessary actions and do not violate the constating documents or any Applicable Laws or agreements to which the Borrower is subject or by which it is bound;
3. no event has occurred which constitutes, or which, with notice, lapse of time, or both, would constitute, an Event of Default, a

breach of any covenant or other term or condition of this Term Sheet or any document given in connection therewith; and

4. the Borrower has good and marketable title to all of its properties, assets and undertakings.

General:

Non-Merger: The provisions of this Term Sheet shall not merge on the first advance hereunder but shall continue in full force and effect for the benefit of the parties hereto.

Further Assurances and Documentation: The Borrower shall do all things and execute all documents deemed necessary or appropriate by the Lender for the purposes of giving full force and effect to the terms, conditions, undertakings hereof and the Interim Financing Charge to be granted pursuant to the Interim Financing Order.

Severability: If any provision of this Term Sheet is or becomes prohibited or unenforceable in any jurisdiction, such prohibition or unenforceability shall not invalidate or render unenforceable the provision concerned in any other jurisdiction nor shall it invalidate, affect or impair any of the remaining provisions of this Term Sheet.

Governing Law: This Term Sheet shall be construed in accordance with and be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Counterparts: This Term Sheet may be executed in any number of separate counterparts by any one or more of the parties thereto, and all of said counterparts taken together shall constitute one and the same instrument. Delivery of an executed counterpart of this Term Sheet by email, PDF or by other electronic means shall be as effective as delivery of a manually executed counterpart.

Assignment: The Lender may assign all or part of its rights and obligations under this Term Sheet to any affiliate of the Lender without notice to and without the Borrower's consent. The Lender may assign all or part of its rights and obligations under this Term Sheet to a non-affiliate of the Lender (i) prior to the occurrence of an Event of Default with the consent of the Borrower and (ii) at any time after the occurrence of an Event of Default without the consent of the Borrower (provided that the Lender will provide prompt written notice of any such assignment to the Borrower in any event). The Borrower may not assign or transfer all or any part of its rights or obligations under this Term Sheet, without the Lender's prior written consent, in its sole discretion, any such transfer or assignment being null and void and of no force or effect.

This Term Sheet shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

Time: Time is and shall be of the essence in all provisions of this Term Sheet.

Termination by Borrower: At any time following the indefeasible payment in full in immediately available funds of all of the amounts owing under the Facility, including, without limitation, principal, interest, costs and expenses contemplated hereunder, the Borrower shall be entitled to terminate this Term Sheet upon written notice to the Lender.

Whole Agreement, Amendments and Waiver: This Term Sheet and any other written agreement delivered pursuant to or referred to in this Term Sheet constitute the whole and entire agreement between the parties in respect of the Facility. There are no verbal agreements, undertakings or representations in connection with the Facility. No amendment or waiver of any provision of this Term Sheet will be effective unless it is in writing signed by the Borrower and the Lender. No failure or delay on the part of the Lender in exercising any right or power hereunder or under the Interim Financing Charge shall operate as a waiver thereon. No course of conduct by the Lender will give rise to any reasonable expectation which is in any way inconsistent with the terms and conditions of this Term Sheet and the Interim Financing Charge or the Lender's rights thereunder.

**Commercially
Reasonable
Efforts:**

Upon the Borrower's acceptance of this Term Sheet, the Borrower will use its commercially reasonable efforts to obtain the Interim Financing Order.

Expiration:

This Term Sheet must be accepted by the Borrower by no later than 5:00 p.m. on Thursday, January 21, 2021, after which this Term Sheet will expire.

If the terms and conditions of this Term Sheet are acceptable to you, please sign in the space indicated below and return the signed copy of this Term Sheet to us. Acceptance may also be effected by electronic transmission and in counterpart.

We thank you for allowing us the opportunity to provide you with this Term Sheet.

Yours truly,

BRIDGING FINANCE INC., as Agent




Per:
Name: Graham Marr
Title: President

We have authority to bind the corporation.

ACCEPTANCE

The undersigned hereby accepts this Term Sheet this 21st day of January, 2021.

ALLIED TRACK SERVICES INC.



Per: _____
Name: Andrew Stuart Jones
Title: Director

Per: _____
Name:
Title: Director

We have authority to bind the corporation.

SCHEDULE "A"

In addition to terms defined elsewhere in this Term Sheet, the following terms shall have the following meanings:

- (a) **"Applicable Laws"** means, with respect to any person, property, transaction or event, all present or future statutes, regulations, rules, orders, codes, treaties, conventions, judgments, awards, determinations and decrees of any governmental, regulatory, fiscal or monetary body or court of competent jurisdiction, in each case, having the force of law in any applicable jurisdiction.
- (b) **"Existing Security"** means all documents executed by the Borrower in favour of Bridging Finance Inc., as Agent pursuant to the letter agreement dated March 8, 2017 as amended and restated by letter agreement dated November 15, 2017.
- (c) **"Priority Claims"** means the aggregate of any amounts accrued or payable by the Borrower which under any law rank prior to or *pari passu* with the Interim Financing Charge or otherwise in priority to any claim by the Lender for payment of any amounts owing under this Term Sheet, including: (i) wages, salaries, commissions or other remuneration; (ii) vacation pay; (iii) pension plan contributions; (iv) amounts required to be withheld from payments to employees or other persons for federal and provincial income taxes, employee Canadian Pension Plan contributions and employee Employment Insurance premiums, additional amounts payable on account of employer Canada Pension Plan contributions and employer Employment Insurance premiums; (v) harmonized sales tax; (vi) provincial sales or other consumption taxes; (vii) Workers' Compensation Board and Workplace Safety and Insurance Board premiums or similar premiums; (viii) real property taxes; (ix) rent and other amounts payable in respect of the use of real property; (x) amounts payable for repair, storage, transportation or construction or other services which may give rise to a possessory or registerable lien; (xi) claims which suppliers could assert pursuant to Section 81.1 or Section 81.2 of the BIA; and (xii) WEPPA Claims; and (xii) amounts under the Administration Charge and the Directors' Charge.
- (d) **"WEPPA Claims"** means any claims made against the Borrower pursuant to the *Wage Earner Protection Program Act*, S.C. 2005, c. 47, s.1, as the same may be amended, restated or replaced from time to time.

Words importing the singular include the plural thereof and vice versa and words importing gender include the masculine, feminine and neuter genders.

Appendix “F”

Schedule of Debtor-in-Possession Financing Terms

January 1, 2018 to January 21, 2021

(\$, 000)

Debtor	Lender	Proceeding Type	Trustee	Filing Date	Jurisdiction	Industry	Commitment	Interest Rate	Estimated Effective Interest Rate (%)	Fees	Estimated Fees (%)
2505243 Ontario Limited	Peter and Paul's Gifts Limited	NOI	KSV	September 24, 2020	Ontario	Food & Accomodation	300	5.0%	5.0%	N/A	0.0%
2607380 Ontario Inc.	Meridian	CCAA	Richter	February 26, 2020	Ontario	Real Estate	7,200	9.3%	9.3%	Commitment fee of \$107, availability fee of \$2 per month.	1.8%
33 Laird Inc. et al.	An Affiliate of Beaux Properties International Inc.	NOI	MNP	December 3, 2020	Ontario	Real Estate	250	10.0%	10.0%	N/A	0.0%
3834310 Canada Inc. (Groupe Capitales Medias)	Investissement Quebec	NOI	PwC	August 19, 2019	Quebec	Media	5,000	Confidential	Confidential	Confidential	Confidential
Accel Energy Canada Limited	Third Eye Capital Corporation (as agent) and ICC Credit Holdings Ltd. and other parties as lenders.	NOI	PwC	October 21, 2019	Alberta	Oil and Gas	30,000	12.0%	12.0%	\$600 closing fee	2.0%
AgMedica Bioscience Inc.	SV V Bridge III, LP	CCAA	EY	December 2, 2019	Ontario	Cannabis	7,500	9.5%	9.5%	N/A	0.0%
AgMedica Bioscience Inc.	Hillmount Capital Inc.	CCAA	EY	December 2, 2019	Ontario	Cannabis	7,500	9.5%	9.5%	2.25% commitment fee	2.3%
Air Georgian Limited	2229275 Alberta Ltd.	NOI	KPMG	January 31, 2020	Ontario	Aviation	800	12.0%	12.0%	N/A	0.0%
Aralez Pharmaceuticals Inc. and Aralez Pharmaceuticals Canada Inc.	Deerfield Management Company, L.P.	CCAA	Richter	August 10, 2018	Ontario	Pharmaceuticals	10,000	10.0%	10.0%	1% commitment fee, 1% extension fee	2.0%
Argex Titanium Inc.	11345974 Canada Inc.	NOI	PwC	July 2, 2019	Quebec	Technology	1,500	18.5%	18.5%	2% commitment fee	2.0%
Ascent Industries Corp.	Pillar Capital Corporation	CCAA	EY	March 1, 2019	British Columbia	Cannabis	2,000	15.0%	15.0%	3% structuring fee, monthly monitoring fee of \$.75 and due diligence fee of \$.63.	3.8%
Aspen Air	C.F. Capital Corporation	NOI	KSV	June 12, 2018	Alberta	Manufacturing	300	10.0%	10.0%	2% commitment fee, 2% exit fee, professional costs of lender	4.0%
Bellatrix Exploration Ltd.	Names of lenders redacted	CCAA	PwC	October 2, 2019	Alberta	Oil and Gas	15,000 USD	10.0%	10.0%	USD \$750, earned as follows: i) USD \$250 on the date of initial advance, ii) USD \$250 if not repaid within 30 days, and iii) USD \$250 if not repaid within 60 days.	5.0%
Bioamber Canada & Bioamber Sarnia Inc.	Maynbridge Capital	CCAA	PwC	May 24, 2018	Ontario	Manufacturing	3,500	9.0%	9.0%	3% commitment fee, 2% standby fee, 3% break fee, early repayment penalties, professional costs of lender	3.0%
Biomod Concepts Inc.	T Investment Corp.	NOI	Richter	April 8, 2019	Quebec	Technology	700	15%	15.0%	N/A	0.0%
Bondfield Construction Company Limited	Zurich Insurance Company Ltd.	CCAA	EY	April 3, 2019	Ontario	Construction	8,000	6.0%	6.00%	N/A	0.0%
Bondfield Construction Company Limited	Bridging Finance, as agent	CCAA	EY	April 3, 2019	Ontario	Construction	6,000	14.0%	14.0%	N/A	0.0%
Burry's Shipyard	BDC	NOI	Deloitte	July 10, 2018	Newfoundland	Manufacturing	300	BDC's Floating Base Rate + 6.45% (12.25% effective rate)	15.3%	Loan processing fee of \$6, monthly administration fee of \$0.25, professional costs of lender.	3.0%
DEL Equipment Inc.	Diesel Equipment Limited	CCAA	MNP	October 22, 2019	Ontario	Automotive	1,000	7%	6.5%	N/A	0.0%
Divestco Inc.	Krik Popadynetz, Wade Darryl Brillon, Marvin Lefebvre, Monashees Vernon Liquor Store Ltd. and Michael Brent Gough	CCAA	Grant Thornton	March 4, 2019	Alberta	Oil and Gas	1,500	18.0%	18.0%	\$25 facility fee, professional costs of lender.	1.7%
Donaldson & James Ltd. and the Agency Employment Services Ltd.	FundThrough Inc.	NOI	Farber	January 23, 2019	Ontario	Staffing	3,000	24%	24.0%	1.5% facility fee, professional costs of the lender	1.5%
Energold Drilling Corp.	Energold DIP Lender, LLC	CCAA	FTI Consulting	September 13, 2019	British Columbia	Mining	3,800	8% for the first 45 days post-filings, 12% for the next 30 days, 18% thereafter	16.3%	\$90 closing fee, \$90 agent fee and \$90 exit fee	7.1%
Eureka 93 Inc.	Spouter Corporation Inc., David and Donna VanSegbrook	NOI	Deloitte	February 14, 2020	Ontario	Cannabis	2,300	15.0%	15.0%	Commitment fee of \$320.	13.9%

Schedule of Debtor-in-Possession Financing Terms

January 1, 2018 to January 21, 2021

(\$, 000)

Debtor	Lender	Proceeding Type	Trustee	Filing Date	Jurisdiction	Industry	Commitment	Interest Rate	Estimated Effective Interest Rate (%)	Fees	Estimated Fees (%)
Fluid Brands Inc.	CIBC	NOI	Richter	October 25, 2018	Ontario	Retail	25,300	In accordance with company's pre-filing credit agreement with lender.	0.052	\$165 commitment fee; professional costs of lender.	0.006521739
Forme Development Group Inc.	Kingsett Mortgage Corporation	CCAA	KSV	November 30, 2018	Ontario	Real Estate	5,000	RBC's prime rate + 4.55% (minimum rate of 8.5%)	8.5%	\$75 commitment fee, extension fee of \$25 on each 4-month extension; professional costs of the lender.	2.0%
Fortress Global Enterprises Inc.	Investissement Quebec	CCAA	Deloitte	December 16, 2019	Quebec	Forestry	6,000	10.0%	10.0%	N/A	0.0%
Gedex Systems Inc.	FCMI Parent Co.	CCAA	Zeifmans	August 12, 2019	Ontario	Technology	600	In accordance with company's pre-filing credit agreement with lender.	Unknown	Unknown	Unknown
Gestion KnightsBridge Inc. and Investissements KnightsBridge S.E.C.	Claric Drolet Limited Partnership and Claric Bromont Limited Partnership	NOI	Richter	November 15, 2019	Quebec	Real Estate	100	10%	10.0%	N/A	0.0%
Harvest Fraser Richmond Organics	Pillar Capital Corporation	CCAA	EY	October 12, 2018	British Columbia	Cleantech	1,000	14.0%	14.0%	Unknown	Unknown
Harvest Fraser Richmond Organics	Maynbridge Capital	CCAA	EY	October 12, 2018	British Columbia	Cleantech	1,000	10.0%	10.0%	4% commitment fee, 2% standby fee	4.0%
Hollander Sleep Products Canada Limited (Canadian borrower of US group under Chapter 11 bankruptcy protection)	Syndicate of prepetition ABL lenders	Foreign order recognition	KSV	May 23, 2019	Ontario	Manufacturing	sublimit of 20,000)	Effective interest estimated to be 6.5%	6.5%	\$1,350 closing fee (1.5% of committed amount)	1.5%
ILTA Grain Inc.	Farm Credit Canada	CCAA	PwC	July 7, 2019	British Columbia	Agriculture	8,000	8%	8.0%	2.5% commitment fee	2.5%
Invictus MD Strategies	ATB Financial	CCAA	PwC	February 13, 2020	British Columbia	Cannabis	3,000	10.0%	10.0%	\$60 upfront fee (2% of total commitment, \$5/mo. monitoring fee.	2.2%
Jack Cooper Ventures	Prepetition ABL Lenders	Foreign order recognition	Alvarez & Marsal	August 9, 2019	Ontario	Automotive	85,000	LIBOR plus 3.5% or Base Rate plus 2.5%	6.3%	0.25% standby fee	0.0%
James E. Wagner Cultivation Ltd. et al	Trichome Financial Corp.	CCAA	KSV	April 1, 2020	Ontario	Cannabis	4,000	10.0%	10.0%	\$12 upfront fee (3% of total commitment)	3.0%
Kolsy Homes	KV Capital Corporation	CCAA	Bowra Group	July 9, 2018	Alberta	Real Estate	600	Unknown	Unknown	Unknown	Unknown
Le groupe S.M. Inc. et als	Integrated Asset	CCAA	Deloitte	August 24, 2018	Quebec	Construction	2,000	9.0%	9.0%	1% standby fee	0.0%
Miniso Canada	MIHK Management Inc.	CCAA	Alvarez & Marsal	July 11, 2019	British Columbia	Retail	2,000	10.0%	10.0%	N/A	0.0%
Nautilus Minerals Inc.	Deap Sea Mining Finance Ltd.	CCAA	PwC	February 21, 2019	British Columbia	Mining	4,000	8.0%	8.0%	Professional costs of the lender	0.0%
North American Fur Auctions Inc.	Waygar Capital Inc.	CCAA	Deloitte	October 31, 2019	Ontario	Distribution	5,000 USD	12%	12.0%	2% closing fee	2.0%
Ontario Graphite	Orionis Corporation	CCAA	Deloitte	February 12, 2020	Ontario	Mining	2,800	15.0%	15.0%	N/A	0.0%
OpenHydro	OpenHydro Group Limited (In Liquidation)	CCAA	Grant Thornton	November 7, 2018	Nova Scotia	Biotech	500	N/A	N/A	N/A	N/A
Orbcare Inc.	iGan Partners Inc.	NOI	MNP	May 25, 2019	Ontario	Technology	1,200	10%	10.0%	250	20.8%
Pier 1 Imports (U.S.), Inc.	Various pre-petition lenders	Foreign order recognition	Alvarez & Marsal	February 18, 2020	Ontario	Retail	256,000 USD	Revolving loans: LIBOR + 3% FILO Loans: LIBOR + 4.5% ABL Term Loan: LIBOR + 8%	5.4%	\$2,400 in aggregate fees (equal to 0.9% of the total financing)	0.9%
Prendville Industries Ltd.	CIBC	NOI	EY	December 5, 2019	Ontario	Forestry	1,000	CIBC prime rate + 4.0%	8.0%	N/A	0.0%
Purcell Basin Minerals Inc. et al.	Braveheart Resources Inc.	CCAA	MNP	May 29, 2018	British Columbia	Mining	200	12.0%	12.0%	Professional costs of lender	0.0%
Purcell Basin Minerals Inc. et al.	MLM Pacific LLC	CCAA	MNP	May 29, 2018	British Columbia	Mining	600	7.0%	7.0%	Finance fee equal to 10% of each advance, professional costs of lender	10.0%
Purewal Blueberry Farms Ltd.	Blueberry Holding (GP) Ltd.	NOI	FTI Consulting	April 30, 2018	British Columbia	Agriculture	500	15.0%	15.0%	\$15 lending fee upon court acceptance	3.0%
Ranch Energy Corporation et al.	Third Eye Capital Corporation	CCAA	EY	July 10, 2018	Alberta	Oil and Gas	1,400	12.0%	12.0%	Unknown	0.0%
Rebuts Solides Canadiens inc. et al	RECYC-QUÉBEC	CCAA	PwC	February 3, 2020	Quebec	Recycling	7,000	5.0%	5.0%	N/A	0.0%
Resource Capital Gold	Sprott Private Resource Lending (Collector) LP	NOI	PwC	January 28, 2019	British Columbia	Mining	2,200	18.0%	18.0%	Professional costs of the lender	0.0%
Stantive Technologies Group Inc.	1968392 Ontario Inc. and 233073 Ontario Inc.	NOI	EY	November 14, 2018	Ontario	Technology	800	12.0%	12.0%	2% commitment fee.	2.0%

Schedule of Debtor-in-Possession Financing Terms

January 1, 2018 to January 21, 2021

(\$, 000)

Debtor	Lender	Proceeding Type	Trustee	Filing Date	Jurisdiction	Industry	Commitment	Interest Rate	Estimated Effective Interest Rate (%)	Fees	Estimated Fees (%)
Stornaway Diamond Corporation	Osisko Gold Royalties Ltd., CDPQ Resources Inc., 1078243 Canada Limited and Diaquem Inc.	CCAA	Deloitte	September 9, 2019	Quebec	Mining	20,000	12.5%	12.5%	N/A	0.0%
TELEoIP Inc.	Adarsan Holdings Limited and Dicot Holdings Ltd.	CCAA	PwC	June 27, 2018	Ontario	Technology	1,500	5.0%	5.0%	Professional costs of lender	0.0%
Trade Secret Web Printing Inc.	B&Y Property Holdings Inc.	NOI	Crowe Soberman	November 22, 2019	Ontario	Printing	300	5%	5.0%	2% closing fee	2.0%
Vari-Form	11032569 Canada Inc. (also the stalking horse bidder in these proceedings).	CCAA	PwC	January 8, 2019	Ontario	Automotive	22,800	5.0%	5.0%	N/A	0.0%
Viafoura Inc.	InterCap Equity Inc.	NOI	KSV	December 1, 2019	Ontario	Technology	1,000	RBC prime rate plus 2%	6.0%	1% of loan payable upon each extension of loan maturity beyond January 30, 2020.	1.0%
VistaCare Communications Services of Canada Inc., et als	Bank of Montreal and Roynat Inc.	NOI	Grant Thornton	June 19, 2019	Nova Scotia	Telecommunications	2,700	9.5%	9.5%	\$25 commitment fee	0.9%
Wayland Group Corp. et al	The House of Turlock Ltd.	CCAA	PwC	December 2, 2019	Ontario	Cannabis	1,100	13.0%	13.0%	\$50 initial commitment fee, subsequent commitment fee equal to the greater of \$125 and \$4% of the difference between the maximum DIP availability and the amount of the initial advance.	15.9%
Yukon Zinc	Century Acquisitions Inc.	NOI	PwC	July 31, 2019	British Columbia	Mining	3,000	0.18	18.0%	N/A	0.0%
Discovery Air Inc.	CEP IV Co-Investment Limited Partnership	CCAA	KSV	March 21, 2018	Ontario	Transportation	12,600	10.0%	10.0%	Professional costs of lender	0.0%
Société en commandite Tilly de Laval et Promotions Anne Delisle Inc.	La Financiere Transcapitale Inc.	CCAA	Lemieux Nolet Inc.	February 14, 2018	Quebec	Construction	800	Unknown	Unknown	Unknown	Unknown
Manitok Energy	SCCC Petroleum Corporation	NOI	FTIConsulting	January 10, 2018	Alberta	Oil and Gas	800	8.0%	8.0%	2% standby fee, \$150 commitment fee, 2% prepayment fee, exit fee of \$150, professional costs of lender	37.5%