

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

IN THE MATTER OF Section 101 of the *Courts of Justice Act*, R.S.O. 1990 c.C.43, as amended, and in the matter of Section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended

B E T W E E N:

HSBC BANK CANADA

Applicant

- and -

**COMSALE COMPUTER INC., COMSALE INC., COMSALE GROUP INC.,
COMSALE HONG KONG LIMITED AND COMSALE MALAYSIA SDN. BHD.**

Respondents

MOTION RECORD
(Returnable December 20, 2019)

December 13, 2019

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INDEX

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IN THE MATTER OF Section 101 of the *Courts of Justice Act*, R.S.O. 1990 c.C.43,
as amended, and in the matter of Section 243(1) of the *Bankruptcy and Insolvency Act*,
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INDEX

Tab	Document
1	Notice of Motion dated December 13, 2019
2	First Report to the Court of the Receiver dated December 13, 2019
Appendix “A”	Receivership Order and Endorsement dated November 5, 2019
Appendix “B”	US Provisional Order dated November 15, 2019
Appendix “C”	Malaysian Recognition Order dated November 27, 2019
Appendix “D”	Corporate search of Comsale Singapore Private Limited
Appendix “E”	Copy of proforma invoice referencing Comsale Singapore Private Limited
3	Draft Order

Tab 1

**ONTARIO
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(COMMERCIAL LIST)**

IN THE MATTER OF Section 101 of the *Courts of Justice Act*, R.S.O. 1990 c.C.43, as amended, and in the matter of Section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended

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COMSALE COMPUTER INC., COMSALE INC., COMSALE GROUP INC., COMSALE HONG KONG LIMITED AND COMSALE MALAYSIA SDN. BHD.

Respondents

**NOTICE OF MOTION
(Returnable December 20, 2019)**

GRANT THORNTON LIMITED, in its capacity as court-appointed receiver and manager (the “**Receiver**”) of Comsale Computer Inc. (“**Comsale Computer**”), Comsale Group Inc., Comsale Inc., Comsale Hong Kong Limited (“**Comsale Hong Kong**”) and Comsale Malaysia Sdn. Bhd. (“**Comsale Malaysia**”) (collectively, the “**Comsale Entities**”) will make a motion to a Judge presiding over the Commercial List on December 20, 2019, at 10:00 a.m. or as soon after that time as the motion can be heard at the Courthouse located at 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: This Motion is to be heard orally.

THIS MOTION IS FOR:

1. An Order, *inter alia*:
 - (a) adding Comsale Singapore Private Limited (“**Comsale Singapore**”) as a Respondent in these proceedings;
 - (b) approving the sale process as described in the Receiver’s First Report to the Court dated December 13, 2019 (the “**First Report**”); and
 - (c) approving the First Report and the activities described therein.

THE GROUNDS FOR THE MOTION are as follows:

Background

2. By Order (the “**Receivership Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated November 5, 2019 (the “**Receivership Order**”), Grant Thornton Limited was appointed Receiver of the Comsale Entities pursuant to section 101 of the *Courts of Justice Act*, R.S.O. 1990 c.C.43, as amended, and, with respect to Comsale Computer, Comsale Group Inc. and Comsale Inc., section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3. The within proceedings are herein referred to as the “**Receivership Proceedings**”;
3. Pursuant to a credit agreement most recently dated June 4, 2018 (the “**Credit Agreement**”), HSBC Bank Canada (the “**Bank**”) made available certain credit facilities to Comsale Computer. Each of the Comsale Entities were a signatory to the Credit Agreement;

4. Comsale Group Inc. and Comsale Inc. each guaranteed the obligations of Comsale Computer to the Bank pursuant to unlimited guarantees;
5. As security for its obligations to the Bank, each of Comsale Computer, Comsale Group Inc. and Comsale Inc. granted security over all of their personal property to the Bank pursuant to general security agreements;
6. Comsale Hong Kong and Comsale Malaysia, along with the other Comsale Entities, executed a Negative Pledge Agreement in favour of the Bank;
7. Prior to the date of the Receivership Proceedings, Comsale Computer refurbished used electronic equipment and accessories, including desktop and laptop computers and cell phones. Through its related entities, it operated in Ontario, the United States (in Nevada and Ohio), India, Malaysia and Hong Kong;
8. Comsale Computer would acquire second hand electronic equipment to be refurbished and reconfigured. Suppliers would ship the equipment to Comsale Computer's warehouse located in St. Catherines, Ontario, which Comsale Computer would then ship to Comsale Malaysia's warehouse in Malaysia, where it would be stripped into parts and then shipped back to the premises located in either St. Catherines, Memphis or Reno to be assembled into finished goods and sold to customers;
9. Management and employees of the Comsale Entities advised the Receiver that the Comsale Entities experienced three cyber-attacks in October 2019, which destroyed the electronic

books and records of the Comsale Entities. This has affected the Receiver's ability to access historical data, leading the Receiver to rely on limited books and records and discussions and information from management and retained employees;

10. Since the date of the Receivership Order, the Receiver sought recognition of the Receivership Proceedings (i) in the United States Bankruptcy Court for the Southern District of New York (the "**U.S. Court**") pursuant to Chapter 15 of the United States Bankruptcy Code with respect to Comsale Computer, Comsale Group Inc. and Comsale Inc., the final recognition of which was heard by the U.S. Court on December 11, 2019; and (ii) in the High Court of Malaya at Kuala Lumpur, in the Federal Territory of Kuala Lumpur (Commercial Division) (the "**Malaysian Court**") with respect to Comsale Computer pursuant to an Order dated November 27, 2019;
11. The Receiver is considering its options with respect to the recognition of the Receivership Order in Hong Kong with respect to Comsale Hong Kong and Comsale Computer and has contacted counsel in Hong Kong;

Comsale Singapore

12. Comsale Singapore is a wholly owned subsidiary of Comsale Group Inc. and is an entity related to the Comsale Entities. Comsale Singapore was incorporated after the date of the Credit Agreement and is therefore not a party to any security or loan documentation with the Bank. As a result, the Bank did not seek to include Comsale Singapore as a Respondent in the Receivership Order;

13. However, the Receiver has seen references to Comsale Singapore in documentation included with the records of the other Comsale Entities and in discussions with key stakeholders;
14. For example, the Receiver is in possession of a proforma invoice issued on behalf of Comsale Computer to a customer situated in Hong Kong, which requests the customer of Comsale Computer to pay for the supply via a wire transfer to Comsale Singapore's account with HSBC Singapore;
15. As a result, it appears that Comsale Singapore is an entity doing business on behalf of Comsale Computer in Singapore and may be in possession of assets belonging to Comsale Computer. The Receiver considers it prudent to include Comsale Singapore as a Respondent in the Receivership Proceedings for the purposes of, amongst other things, reviewing any available records of Comsale Singapore to determine whether any assets of Comsale Computer can be recovered;
16. Therefore, the Receiver requests an Order expanding the definition of "Comsale Entities" in the Receivership Order to include Comsale Singapore and adding Comsale Singapore as a Respondent in the within Receivership Proceedings;
17. If such relief is granted, the Receiver may take steps to have the Receivership Order with respect to Comsale Singapore and Comsale Computer recognized in Singapore;

Sale Process

18. The Receiver seeks authority to take steps to sell the assets and inventory of the Comsale Entities (which, if the relief requested herein is granted, and subject to the Receiver's discretion, includes Comsale Singapore) in accordance with the sale process described in the First Report (the "**Sale Process**"), with such amendments thereto as the Receiver may reasonably deem necessary in its discretion;
19. The assets available for sale will include (i) inventory currently secured in St. Catharines, Reno, Memphis and Malaysia (which includes finished goods and/or goods that are readily able to be converted into finished goods); (ii) the majority of the in-transit inventory; and (iii) fixed assets such as machinery and equipment, furniture and fixtures, motor vehicles and leasehold improvements;
20. The first phase of the Sale Process will include the preparation of (i) solicitation letter summarizing the opportunity; (ii) form of non-disclosure letter to be executed by prospective purchasers to gain access to confidential information; (iii) form of offer and asset purchase agreement; (iv) a data room that will contain confidential information about the Comsale Entities; and (c) a listing of prospective purchasers;
21. The second phase of the Sale Process will include (i) sending the solicitation letter and form of non-disclosure agreement to prospective purchasers and granting such parties that have executed same access to the data room; (ii) advertising the assets for sale in

newspapers in each of Canada, the United States and Malaysia; (iii) responding to diligence requests; and (iv) receiving offers;

22. The final phase of the Sale Process will include (i) reviewing all submitted offers and consulting with the Bank in respect of same; (ii) determining the superior offer in consideration of total value offered, terms and conditions of the offer, and likelihood of successful closing; and (iii) negotiating and executing a final form of asset purchase agreement;
23. The Receiver will maintain separate accounting for the sale proceeds in respect of the assets of each of the Comsale Entities;

Approval and activities

24. The Receiver is also seeking approval of the conduct and activities of the Receiver described in the Second Report;
25. The Bank consents to the granting of the requested Order; and
26. Such other grounds as counsel may advise and this Honourable Court may deem just.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of this application:

1. The Receiver's First Report to the Court dated December 13, 2019; and

2. Such further and other evidence as counsel may advise and this Honourable Court may permit.

December 13, 2019

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AND TO:	EXPORT DEVELOPMENT CANADA 150 Slater Street Ottawa, Ontario K1A 1K3 Katie Furfaro Email: KFurfaro@edc.ca

IN THE MATTER OF Section 101 of the *Courts of Justice Act*, R.S.O. 1990 c.C.43, as amended, and in the matter of Section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended

HSBC BANK CANADA

and
Applicant

COMSALE COMPUTER INC. et al.

Respondents

Court File No.: CV-19-630501-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
Proceedings commenced at Toronto

NOTICE OF MOTION

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Lawyers for the Court-appointed Receiver

Tab 2

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

**IN THE MATTER OF SECTION 101 OF THE *COURTS OF JUSTICE ACT*,
R.S.O. 1990 C.C.43, AS AMENDED, AND IN THE MATTER OF SECTION
243(1) OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C.B-3,
AS AMENDED.**

B E T W E E N:

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- and -

**COMSALE COMPUTER INC., COMSALE INC., COMSALE GROUP INC., COMSALE HONG
KONG LIMITED AND COMSALE MALAYSIA SDN. BHD.**

Respondents

**FIRST REPORT TO THE COURT OF GRANT THORNTON LIMITED IN ITS CAPACITY AS
RECEIVER**

DECEMBER 13, 2019



**Grant Thornton Limited
200 King Street West, 11th Floor
Toronto, Ontario
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TABLE OF CONTENTS

INTRODUCTION AND PURPOSE OF THE FIRST REPORT.....	1
RESTRICTIONS AND TERMS OF REFERENCE.....	3
BACKGROUND OF THE COMSALE ENTITIES (INCLUDING COMSALE SINGAPORE)	4
THE RECEIVER’S ACTIVITIES	6
STEPS UNDERTAKEN TO SAFEGUARD PROPERTY AND BOOKS AND RECORDS.....	10
Cyber-Attacks	10
Safeguarding Property.....	12
FOREIGN RECOGNITION OF RECEIVERSHIP ORDER.....	15
Comsale Malaysia	15
Comsale Hong Kong Limited	16
Comsale Singapore Private Limited	18
MICROSOFT CORPORATION	20
OVERVIEW OF ASSETS	21
The Comsale Entities’ Operations	21
Trade Receivables.....	22
The Fry’s Settlement.....	23
Inventory	24
Fixed Assets	25
Intellectual Property	26
Assets Available for Sale	26
Items Excluded from Sale.....	27
SALES PROCESS	28
The Receiver’s Comments	31
CONCLUSION AND RECOMMENDATION	32

APPENDICES

Appendix A Receivership Order and Endorsement dated November 5, 2019

Appendix B US Provisional Order dated November 15, 2019

Appendix C Malaysian Recognition Order dated November 27, 2019

Appendix D Corporate search of Comsale Singapore Private Limited

Appendix E Copy of the proforma invoice with Comsale Singapore Private Limited bank details

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Respondents

**FIRST REPORT TO THE COURT OF GRANT THORNTON LIMITED
IN ITS CAPACITY AS RECEIVER**

DECEMBER 13, 2019

INTRODUCTION AND PURPOSE OF THE FIRST REPORT

1. This report (the “**First Report**”) is filed by Grant Thornton Limited (“**GTL**”) in its capacity as receiver and manager (the “**Receiver**”) of Comsale Computer Inc. (“**Comsale Computer**”), Comsale Inc. (“**Comsale US**”), Comsale Group Inc. (“**Comsale Group**”), Comsale Hong Kong Limited (“**Comsale Hong Kong**”) and Comsale Malaysia Sdn. Bhd. (“**Comsale Malaysia**” and, collectively, the “**Comsale Entities**”).

2. On November 5, 2019, the Ontario Superior Court of Justice (Commercial List) (the “**Canadian Court**”) granted an order appointing GTL as Receiver, without security, over all the assets, undertakings and properties of the Comsale Entities (the “**Receivership Order**”). Copies of the Receivership Order and the Endorsement of The Honourable Justice Conway are collectively attached hereto as **Appendix “A”**.
3. On November 15, 2019, the United States Bankruptcy Court for the Southern District of New York (the “**US Court**”) granted provisional relief Order (the “**US Provisional Order**”) pursuant to Chapter 15 of the United States Bankruptcy Code, recognizing the appointment of GTL as the Receiver of Comsale Computer, Comsale US and Comsale Group pursuant to the Receivership Order. On December 11, 2019, the US Court granted the final recognition of the Receivership Order specific to the abovementioned entities, a copy of which will be provided to the Receiver by the US Court shortly. A copy of the US Provisional Order, as granted by the Honourable James L. Garrity, Jr. is attached hereto as **Appendix “B”**.
4. On November 27, 2019, the High Court of Malaya at Kuala Lumpur, in the Federal Territory of Kuala Lumpur (Commercial Division) (the “**Malaysian Court**”) granted an order recognizing the appointment of GTL as the Receiver of Comsale Computer pursuant to the Receivership Order in Malaysia (the “**Malaysian Order**”). A copy of the Malaysian Order granted by the Honorable Judge Azizul Azmi Bin Adnan is attached hereto as **Appendix “C”**.
5. The purpose of this First Report is to provide the Court with an update on the proceedings and to provide information to support the Receiver’s request for an order:

- (a) expanding the Receivership Order to include Comsale Singapore Private Limited (“**Comsale Singapore**”) as an additional respondent subject to the Receivership Order;
- (b) approving the Receiver’s proposed Sales Process for the Assets Available for Sale (as each term is defined herein); and
- (c) approving this First Report and the conduct and activities of the Receiver since its appointment, as detailed herein.

RESTRICTIONS AND TERMS OF REFERENCE

- 6. In preparing this First Report the Receiver has relied upon unaudited financial information, Comsale Entities’ books and records, to the extent available, certain financial information, discussions with the Comsale Entities’ former employees and officers, and discussions with other parties. The Receiver’s work does not constitute an audit or verification of such information for accuracy, completeness or compliance with Generally Accepted Accounting Principles (“**GAAP**”), International Financial Reporting Standards (“**IFRS**”) or Generally Accepted Auditing Standards (“**GAAS**”). Accordingly, the Receiver expresses no opinion or other form of assurance pursuant to GAAP, IFRS or GAAS with respect to such information.
- 7. This First Report has been prepared to provide general information by way of a status update to the Court and to provide the Court with context for the Receiver’s request for the relief sought. Accordingly, the reader is cautioned that this First Report may not be appropriate for any other purpose. The Receiver will not assume responsibility or liability for losses incurred by any other party which uses this First Report for any other purpose.

8. Capitalized terms not defined in this First Report shall have the meaning ascribed to such terms in the Receivership Order. All references to dollars are in Canadian currency, unless otherwise noted.
9. Copies of materials filed in these proceedings to date, including with respect to the foreign proceedings, are available on the Receiver's case website at: www.GrantThornton.ca/Comsale.

BACKGROUND OF THE COMSALE ENTITIES (INCLUDING COMSALE SINGAPORE)

10. Neil Shaul and Wenqiang (Ken) Feng are each 50% shareholders of Comsale Computer and Comsale Group. Comsale Group wholly owns Comsale Malaysia, Comsale US and Comsale Hong Kong, as well as Comsale Singapore (Comsale Singapore is not currently a respondent in this proceeding, but is sought to be added to the Receivership Order herein).
11. HSBC Bank Canada ("**HSBC**") extended credit facilities to Comsale Computer pursuant to a Credit Facility Agreement dated June 4, 2018 (the "**Credit Agreement**"), the obligations of which were guaranteed by Comsale US and Comsale Group pursuant to unlimited guarantees granted to HSBC. The Credit Agreement and security documentation are detailed in the affidavit of John Borch sworn November 5, 2019 filed in support of HSBC's application to appoint the Receiver.
12. The Comsale Entities were in the business of refurbishing and reconfiguring used electronic equipment and accessories including, but not limited to, desktops, laptop computers and tablets.
13. The following locations were used by the Comsale Entities as at the date of the receivership:

- (a) 300 Spinnaker Way, Concord, ON, Canada L4K 4N4 (the “**Head Office**”);
 - (b) Suite #323, 18B-3200 Dufferin Street, Toronto, ON, Canada M6A 0A1 (the “**Canada Postal Box**”);
 - (c) Suite #211, 266 Elmwood Street, Buffalo, NY, US 14222 (the “**US Postal Box**”);
 - (d) 70 Niagara Street, St. Catharines, ON, Canada L2R 4L1 (the “**St. Catharines Warehouse**”);
 - (e) Port Klang Free Zone, Jalan FZ4-P3, 42920 Pulau Indah, Selangor, Malaysia (the “**Malaysian Warehouse**”);
 - (f) 1021 E. Glendale Ave, Sparks, NV, US 89431 (the “**Reno Warehouse**”); and
 - (g) 4040 Willow Lake Blvd, Memphis, TN, US 38118 (the “**Memphis Warehouse**”).
14. Based on the Comsale Entities' website: www.comsale.com, available books and records and the Receiver's discussions with former officers and employees of the Comsale Entities, the following locations appear to have been previously used by the Comsale Entities:
- (a) 4800 Van Epps Rd #105, Brooklyn Heights, OH, US 44131 (the “**Ohio Premises**”);
 - (b) Unit 1203, 12/F, CEO Tower, 77 Wing Hong Street, Cheung Sha Wan, Hong Kong (the “**Hong Kong Premises**”); and
 - (c) A3-143, Rajlaxmi Complex, Old Padra Road, Vadodara, Gujarat, 390012 (the “**India Premises**”).
15. Based on discussions with Neil Shaul and other former employees of the Comsale Entities, the Receiver was advised that no assets or books and records of the Comsale Entities are located at the Ohio Premises, the Hong Kong Premises or the India Premises.

16. Based on discussions with former employees of the Comsale Entities and some paper records of the Comsale Entities, the Receiver understands the operations that existed prior to the receivership were as follows:
- (a) the Comsale Entities would acquire second hand electronic equipment to be refurbished and reconfigured. This inventory was often shipped from suppliers to the St. Catharines Warehouse and then to the Malaysian Warehouse to be stripped of the majority of all parts, leaving only the CTO (i.e. the shell of the electronic equipment). The majority of CTO's were then shipped back to either the St. Catharines Warehouse, the Memphis Warehouse or the Reno Warehouse;
 - (b) the CTO's, together with various parts, were assembled into finished goods and sold from the St. Catharines Warehouse, the Memphis Warehouse, the Reno Warehouse or the Malaysian Warehouse;
 - (c) the majority of sales made from the St. Catharines Warehouse and the Malaysian Warehouse were business-to-business customers. The majority of sales made from the Memphis Warehouse and the Reno Warehouse were to e-commerce customers through platforms such as www.amazon.com; and
 - (d) warranty services were provided by the Comsale Entities, the majority of which were performed at the Malaysian Warehouse.

THE RECEIVER'S ACTIVITIES

17. Since the commencement of the receivership proceedings, the Receiver has:
- (a) taken possession of the Head Office, the St. Catharines Warehouse, the Memphis Warehouse and the Reno Warehouse and safeguarded the assets within each of these premises. The Receiver undertook various actions to safeguard the Canada

Postal Box and the US Postal Box and the inventory stored within the Malaysian Warehouse. Further details about the steps undertaken by the Receiver to safeguard property and books and records is provided later in this First Report;

- (b) together with its counsel, Thornton Grout Finnigan LLP ("**TGF**"), sought recognition of the Receivership Order in the US and Malaysia. This required liaising with and instructing counsel in the US, being Linklaters LLP ("**Linklaters**"), and in Malaysia, being Shearn Delamore & Co ("**Shearn**");
- (c) engaged Grant Thornton Consulting Sdn. Bhd. ("**GT Malaysia**") as its agent in Malaysia. The Receiver and GT Malaysia continue to liaise with each other in relation to all Malaysian matters;
- (d) notified various institutions of the Receivership Order and requested any accounts held by Comsale Computer, Comsale US or Comsale Group to be frozen, with credit funds swept to the Receiver's applicable bank accounts;
- (e) established internal accounts for the Comsale Entities to maintain and report any proceeds received from the realization and/or recovery of assets for the specific entity;
- (f) dealt with the termination of employees and contractors as follows:
 - (i) terminated all employees and contractors at the Head Office and the St. Catharines Warehouse on behalf of Comsale Computer;
 - (ii) terminated all employees of Memphis Warehouse and the Reno Warehouse on behalf of Comsale US; and

- (iii) corresponded with management of the Malaysian Warehouse (Comsale Malaysia employees had been provided with notice of the shutdown of Comsale Malaysia by management on November 5, 2019 but have not been terminated for reasons discussed later in this First Report).
- (g) retained certain former employees as individual contractors to assist the Receiver with its duties as Receiver over Comsale Computer and Comsale US (the **"Retained Contractors"**);
- (h) undertaken the following with respect to former employees located in the Head Office and the St. Catharines Warehouse (i.e. those employees located in Canada):
 - (i) issued Records of Employment to the former employees;
 - (ii) filed and mailed to former employees their Wage Earner Protection Program (**"WEPP"**) package; and
 - (iii) assisted former employees with their claim for unpaid entitlements through the WEPP.
- (i) notified the landlords of the leased real property of the Receivership Order and discussed with them the occupation of the premises by the Receiver during the receivership;
- (j) reviewed insurance policies to ensure adequate insurance coverage during the receivership, paid outstanding premiums, and requested that the Receiver be added as an additional insured and loss payee to the policies;

- (k) with the assistance of a third-party contractor, took steps to preserve the electronic books and records of the Comsale Entities;
- (l) contacted the leasing and financing companies registered against Comsale Computer on the Personal Property Security Register (the "**PPSR**") and against Comsale US on the Uniform Commercial Code Filing Database ("**UCCFD**"), to request the security documents and lease agreements of the leased equipment used by these entities;
- (m) disclaimed interest in two vehicles where the financing company was found to have a valid security interest;
- (n) prepared the notice and statement of Receiver in accordance with the provisions of Sections 245 and 246(1) of the *Bankruptcy and Insolvency Act* (the "**BIA**") based on the Comsale Entities' limited available books and records;
- (o) initiated discussions with customers about the possibility of processing customers' orders;
- (p) reviewed and administered property claims from third parties to assets held by the Comsale Entities;
- (q) liaised with Export Development Canada ("**EDC**") and their counsel, Clyde & Co ("**Clyde**"), on the status of a payment owing to Comsale Computer pursuant to the Fry's Settlement Proceeds (as defined later in this First Report);
- (r) liaised with debtors for outstanding receivables owed to Comsale Computer;
- (s) engaged Gordon Brothers Asset Advisors, LLC and GB Appraisal Canada ULC (collectively, "**Gordon Brothers**") to perform a test count and appraisal of the inventory;

- (t) liaised with freight forwarders and shipping companies to secure In-Transit Inventory (as defined in this First Report);
- (u) searched for property not in the Receiver's possession but believed to be owned by the Comsale Entities;
- (v) prepared asset listings for the proposed Sales Process (as defined later in this First Report);
- (w) prepared the proposed Sales Process;
- (x) corresponded and met with HSBC and TGF on numerous occasions;
- (y) responded to numerous enquiries from creditors, customers and other stakeholders;
- (z) administered the Case Website in accordance with the E-Service Protocol; and
- (aa) prepared this First Report to seek the relief as detailed herein and to update the Court with respect to the receivership proceedings.

STEPS UNDERTAKEN TO SAFEGUARD PROPERTY AND BOOKS AND RECORDS

Cyber-Attacks

18. The Receiver was advised by Neil Shaul and certain employees of the Comsale Entities that the majority of the electronic books and records were inaccessible and/or destroyed as a result of a series of three cyber-attacks which occurred in October, 2019. The cyber-attacks were said to target some of the servers, systems and devices used to store information electronically (the "**Electronic Systems**"). Unavailable information included, but was not limited to, the Comsale Entities' accounting system called "QuickBooks" and

the Comsale Entities' accounting email account (accounting@comsale.com). The Receiver was advised that no electronic backup records survived the attacks.

19. Upon attendance at the Head Office, the St. Catharines Warehouse, the Memphis Warehouse and the Reno Warehouse, the Receiver was able to locate limited paper books and records of the Comsale Entities.
20. The Receiver was advised by former officers of the Comsale Entities that the infrastructure and maintenance of the Electronic Systems was remotely done by former employees from the India Premises.
21. On November 15, 2019, the Receiver and a former employee from the India Premises discussed the Electronic Systems. This former employee:
 - (a) confirmed that former employees in the India Premises would remotely access the Electronic Systems using a virtual private network (VPN) to access and maintain them;
 - (b) explained that his understanding was that that the Electronic Systems had not been maintained since the last cyber-attack; and
 - (c) confirmed that the India Premises had been vacated prior to the receivership.
22. Neil Shaul claims that the domain Comsale.com, which hosts the Comsale Entities website, email exchange and phone numbers, is owned by him personally. As at the date of this First Report, Neil Shaul has provided limited documentation to support this assertion, which the Receiver is currently reviewing.
23. Throughout the receivership, the Receiver has requested access to the Electronic Systems from former employees. On December 4, 2019, the Receiver sent a letter to several former employees and officers, requesting passwords and access details and

reminding these individuals of their duty to assist the Receiver in accessing the books and records pursuant to the Receivership Order. Limited information has been received to date.

24. As at the date of this First Report, representatives of the Receiver and a third party contractor are working to access certain information from the Electronic Systems. The Receiver has so far been unable to verify the assertion by management that the lack of data on the Electronic Systems was the result of cyber-attacks.
25. As at the date of this report, the third party contractor has been able to recover the accounting email account (accounting@comsale.com) and some other email accounts, although some emails appear to be missing around the same dates of the alleged cyber-attacks.

Safeguarding Property

26. At the Head Office, the St. Catharines Warehouse, the Memphis Warehouse and the Reno Warehouse, the Receiver undertook the following actions to take possession and safeguard the property of the Comsale Entities:
 - (a) engaged a local locksmith to change the locks at each of the above premises and the surrounding areas (where applicable);
 - (b) collected all keys and access codes for assets within each premise;
 - (c) placed notices around each of the premises to notify the public of the receivership;
and
 - (d) notified each of the landlords that the Receiver would continue occupying the premises until it could realize on all of the assets stored at the respective premises, or until further notice.

27. The Receiver was advised that it could not arrange a mail redirection through Canada Post for either the Canada Postal Box or the US Postal Box, as these postal boxes are United Postal Service (“**UPS**”) boxes. As such, the Receiver notified the local UPS shops in which the Canada Postal Box and the US Postal Box are located, of the Receivership Order to ensure that only the Receiver and its representatives can collect the mail. The Receiver has arranged for a regular sweep of mail to be delivered to the Receiver’s office from the Canada Postal Box. The Receiver has requested on multiple occasions, via email and telephone, a regular sweep of the mail at the US Postal Box and is awaiting confirmation.
28. Inventory owned by Comsale Computer is stored within the Malaysian Warehouse. As detailed later in this report, the Receiver did not seek recognition over Comsale Malaysia and has not taken any steps to deal with that company in Malaysia. To safeguard the inventory within the Malaysian Warehouse owned by Comsale Computer, the Receiver:
- (a) requested and received the consent of Neil Shaul to enter the Malaysian Warehouse for the purpose of dealing with the inventory as Comsale Malaysia is the tenant of the premises in which Comsale Computer’s inventory is located;
 - (b) engaged local security guards to monitor and safeguard the Malaysian Warehouse;
 - (c) engaged GT Malaysia to, amongst other things, frequently attend the Malaysian Warehouse to view the inventory;
 - (d) engaged employees of Comsale Malaysia as contractors of the Receiver of Comsale Computer to, among other things, assist in preserving the inventory; and

- (e) issued correspondence to the landlord of the Malaysian Warehouse requesting their agreement to allow the Receiver to continue occupying the warehouse to secure the inventory owned by Comsale Computer.
29. As detailed earlier in this First Report, it appears to have been common practice for the Comsale Entities to ship containers of inventory between their various warehouses (the **"In-Transit Inventory"**). As at the date of this report, the Receiver continues to deal with the known In-Transit Inventory that was in circulation prior to the receivership, to secure this inventory.
30. The Receiver used the limited available books and records of the Comsale Entities to identify institutions that held accounts for the Comsale Entities prior to the receivership. The Receiver provided each of the institutions for these accounts with a copy of the Receivership Order and instructed them to freeze accounts. The Receiver also requested banking records for each of these accounts. Additionally, the Receiver issued a copy of the Receivership Order to other major banking institutions in Canada and requested such institutions to advise the Receiver if they held any accounts in the name of Comsale Computer, Comsale US or Comsale Group.
31. Further, immediately after the Receivership Order was issued, HSBC requested a block on all accounts held within its institution in the name of any of the Comsale Entities. On November 27, 2019, at the request of the Receiver, HSBC swept the balance of credit funds (in the amount of US\$25,604) held in a Comsale US bank account with HSBC Bank USA to the Receiver's bank account. Foreign locations of HSBC require recognition of the Receivership Order in their respective jurisdiction in order to: (i) grant the Receiver the authority to deal with any monies transacted through the account; (ii) provide any books

and records relating to bank accounts to the Receiver; and (iii) provide the Receiver any other information for bank accounts held in the name of any of the Comsale Entities.

32. Based on pre-receivership insurance policies, there were some motor vehicles listed which are currently not in the possession of the Receiver. The Receiver is liaising with the former employees of the Comsale Entities as well as conducting searches to determine the status and ownership of these motor vehicles.

FOREIGN RECOGNITION OF RECEIVERSHIP ORDER

Comsale Malaysia

33. Pursuant to the Receivership Order, the Receiver is appointed over the assets, property and undertaking of various entities including Comsale Malaysia. The Receiver explored seeking recognition of the Receivership Order in Malaysia for that entity. Based on discussions with Shearn, the Receiver was advised that GTL cannot be recognized as a Receiver of Comsale Malaysia, since only an individual practitioner (and not a company) may be recognized as receiver of a company that is incorporated in Malaysia. Proceeding in this manner would be inconsistent with the structure of the Receiver's appointment pursuant to the Receivership Order. As Comsale Computer is an entity incorporated in Ontario, no similar issue exists in seeking recognition in Malaysia of the Receivership Order as it relates to that entity.
34. GT Malaysia conducted a property securities search in Malaysia and based on the results, no secured parties had registered any interests. Based on internally prepared statements for Comsale Malaysia as at November 11, 2019 and GT Malaysia's discussions with employees of Comsale Malaysia, the following are estimated asset and liabilities in

Canadian Dollars and Malaysian Ringgits (“**RM**”) using an exchange rate of 0.3194 as at November 11, 2019:

- (a) assets include: fixed assets (excluding leasehold improvements) at a net book value of \$662,186 (RM 2,073,217), deposits paid to landlords in the amount of \$92,398 (RM 289,284) and cash deposited in a bank account in the amount of \$9,983 (RM 31,255); and
 - (b) liabilities include, but are not limited to: unpaid employees entitlements and statutory contributions in the amount of \$140,377 (RM 439,502) and trade payables in the amount of \$125,023 (RM 391,431). Liabilities for other payables, amounts due to holding companies and deferred tax liabilities, if any, were unable to be determined.
35. The Receiver understands that Comsale Computer owns the Comsale Entities’ inventory located in Malaysia.
36. Based on (i) the potential hurdles associated with seeking recognition of the Receivership Order as against Comsale Malaysia in Malaysia; (ii) the fact that the inventory located in Malaysia is owned by Comsale Computer; and (iii) the low estimated recoveries for any assets owned by Comsale Malaysia, the Receiver, in consultation with TGF, Shearn and HSBC, decided to not pursue recognition of the Receivership Order for Comsale Malaysia in Malaysia. Rather, based on the advice of Shearn, the Receiver sought and obtained recognition in Malaysia of the Receivership Order as it relates to Comsale Computer only.

Comsale Hong Kong Limited

37. Pursuant to the Receivership Order, the Receiver is appointed over the assets, property and undertaking of Comsale Hong Kong.

38. Based on internally prepared statements for Comsale Hong Kong as at March 31, 2019 using a conversion of 1 Hong Kong Dollar (“**HKD**”) to 0.1700 Canadian Dollars:
- (a) for the fifteen months prior to March 31, 2019, Comsale Hong Kong earned sales in the amount of \$8,287,670 (HKD 48,751,000) and generated a net profit in the amount of \$4,165 (HKD 24,500);
 - (b) the two most significant assets at book value were cash deposited in a bank account in the amount of \$2,040 (HKD 12,000) and a loan to a related party in the amount of \$1,700 (HKD 10,000); and
 - (c) accounts payable was the only liability reported in the amount of \$85 (HKD 500).
39. As stated earlier in this First Report, the Receiver is advised that no assets or books and records are stored at the Hong Kong Premises.
40. The Receiver has reviewed copies of the Comsale Hong Kong bank accounts established with HSBC Bank Hong Kong, as per the Receivership Order, and notes there are immaterial credit balances available.
41. In order to satisfy itself as to existence of any assets, including cash in any foreign bank accounts in the name of Comsale Hong Kong, or the movement of any cash, the Receiver intends to seek recognition of the Receivership Order in Hong Kong. HSBC supports the Receiver’s intention to seek recognition of the Receivership Order in Hong Kong. To that end, the Receiver’s counsel TGF has made contact with representatives of Linklaters’ offices in Hong Kong, facilitated by Linklaters’ US office, which is the Receiver’s US counsel.

Comsale Singapore Private Limited

42. Comsale Singapore was incorporated on August 23, 2018, shortly after the date of the Credit Agreement among the Comsale Entities and HSBC. Pursuant to a search with the Accounting and Corporate Regulatory Authority in Singapore (a copy of which is attached hereto as **Appendix “D”**), Comsale Singapore is a wholly owned subsidiary of Comsale Group, which is an entity subject to the Receivership Order. Its directors are Neil Shaul, Huang Li and Wenquang Feng. We understand that Mr. Li may have resigned or is in the process of resigning as a director of Comsale Singapore.
43. The Receiver is advised by HSBC that, as Comsale Singapore was not in existence at the time the Credit Agreement with HSBC was executed, HSBC did not seek or obtain security from that entity as part of its loan and security documentation, as it otherwise would have required. For that reason, Comsale Singapore was not originally included as a respondent in this proceeding and made subject to the Receivership Order.
44. The Receiver has seen references to Comsale Singapore in documentation included with records of the other Comsale Entities and discussions with some key stakeholders.
45. These paper records included:
- (a) Internally prepared statements for Comsale Singapore as at March 31, 2019 and using an exchange rate of 1 Singapore Dollar (“**SGD**”) to 1.0148 Canadian Dollars the Receiver understands:
 - (i) for the seven months prior to March 31, 2019, Comsale Singapore earned sales in the amount of \$125,835 (SGD124,000) and broke even for this same period;

- (ii) the two most valuable assets at book value were inventory in the amount of \$48,710 (SGD 48,000) and cash deposited in a bank account in the amount of \$22,326 (SGD 22,000); and,
 - (iii) the largest liability was a loan from a related party in the amount of \$96,406 (SGD 95,000).
 - (b) A proforma invoice issued on behalf of Comsale Computer to a customer situated in Hong Kong, which requests the customer of Comsale Computer to pay for the supply via wire transfer to an account held by Comsale Singapore with HSBC Singapore. A copy of this proforma invoice is attached as **Appendix “E”**.
46. During discussions with key stakeholders, the Receiver was advised of the following:
- (a) Comsale Singapore’s registered office, being 1 Rochor Canal Road, #04-13A Sim Lim Square, Singapore 188504 (the “**Singapore Premises**”), served as a retail shop for customers who preferred to buy goods from an entity established and based in Singapore as opposed to an entity incorporated in Canada (i.e. Comsale Computer). The Receiver is advised that Comsale Computer would sell inventory to Comsale Singapore, which would then sell to customers;
 - (b) the Singapore Premises was closed prior to June 2019; and
 - (c) no physical assets or books and records are stored at the Singapore Premises.
47. It appears that Comsale Singapore is an entity doing business on behalf of Comsale Computer in Singapore, and may have been dealing with assets of Comsale Computer at a point in time. As such, the Receiver considers it prudent to include Comsale Singapore as a respondent to the Receivership Order, for the purpose, amongst other things, of

reviewing any available records of Comsale Singapore to determine whether any assets of Comsale Computer remain or can be recovered.

48. Based on the above, and in order to more fully carry out the terms of the Receivership Order, the Receiver requests that the Court amend the Receivership Order to include Comsale Singapore as a respondent subject to same. If such requested relief is granted by the Court, the Receiver will take steps to seek recognition of the Receivership Order in Singapore. To that end, the Receiver's counsel, TGF, has connected with representatives of Linklaters' office in Singapore. If recognition is granted in Singapore and material assets are identified by the Receiver, these assets would be included in the Sales Process (as defined herein).

MICROSOFT CORPORATION

49. The Receiver understands that the majority of the product sold by the Comsale Entities use software developed by Microsoft Corporation ("**Microsoft**"). On November 11, 2019, Thomas Lucey, the former chief financial officer of the Comsale Entities, responded to an e-mail from a representative in the collections department of Microsoft notifying them of the Receivership Order. This was followed by an e-mail from the Receiver including a copy of the Receivership order. Microsoft was also provided with notice of the US Provisional Order.
50. On December 4, 2019, approximately one month after the date of the Receivership Order, the Receiver received a letter from Gilbert's LLP ("**Gilberts**") advising that it represents Microsoft. In the letter, Gilberts states that it is Microsoft's opinion "that Comsale Computer Inc. may have, for some time, been producing, causing to be produced, or acquiring counterfeit Microsoft Certificates of Authenticity ("**COAs**") and/or product keys decoupled from the software they were intended to activate, and distributing the same to

customers.” The letter further requires “that all addressees of this letter [including the Receiver] immediately cease and desist from acquiring, distributing, installing, selling and/or offering to sell, any and all unauthorized COAs and/or product keys, and otherwise stop acquiring, distributing, installing, selling and offering to sell all unauthorized copies of Microsoft software.”

51. On December 9, 2019, the Receiver, TGF and Gilberts discussed Microsoft’s concerns and agreed in principle that:
- (a) Microsoft will not contest the Receiver selling finished goods of Comsale in which the COAs may have been configured prior to the receivership; and
 - (b) If the Receiver wishes to install COAs into finished goods during the receivership, the Receiver will first obtain written confirmation from Microsoft as to the legitimacy of the COAs.

OVERVIEW OF ASSETS

52. Detailed herein is an overview of each of the key assets owned by the Comsale Entities:

The Comsale Entities’ Operations

53. As advised above, all employees and contractors of the Comsale Entities working in Canada, the US and Malaysia were terminated by the Receiver or advised by management that operations had ceased, on or about November 5, 2019.
54. The Receiver has explored with the Retained Contractors and former employees the degree to which each location had sufficient parts to assemble finished goods.
55. The Receiver engaged in discussions with customers to determine whether they would be willing to: (i) complete any open orders placed with the Comsale Entities prior to the

receivership, or (ii) place new orders during the currency of the receivership. Some customers who had open orders were interested in completing these orders, however, the Receiver had insufficient time to produce for US Thanksgiving orders and the lack of return rights or warranties appear to be a significant concern for many customers. The Receiver has not processed new e-commerce orders since its appointment.

56. As at the date of this First Report, the Receiver continues to attempt to sell inventory to customers. The Receiver has also entered into discussions with one of the Comsale Entities' competitors about the possibility of that competitor providing return rights and warranties in exchange for payment, but no agreement has been reached at this time.

Trade Receivables

57. As noted earlier in this First Report, much of the data from the Electronic Systems is presently unavailable. Using older accounts receivable subledger and e-mails, the Receiver attempted to reconstruct an accounts receivable subledger. Based on this reconstruction of the books and records of the Comsale Entities, it appears that the Comsale Trade Receivables were \$5,005,743 at book value as at the date of the Receivership Order (the "**Comsale Trade Receivables**").
58. Based on the reconstruction of the books and records of the Comsale Entities, it appears that:
- (a) the majority of the Comsale Trade Receivables are owed by customers located outside of Canada; and
 - (b) some of the Comsale Trade Receivables are owed by customers who had open orders with the Comsale Entities as at the date of the receivership, as well as claims against the Comsale Entities as creditors.

59. The Receiver has begun and will continue its collection efforts relating to the Comsale Trade Receivables.

The Fry's Settlement

60. The Receiver has been made aware of the following:
- (a) on May 26, 2015, Comsale Computer entered into a vendor agreement with Fry's Electronics Inc. ("**Fry's**") to supply goods;
 - (b) on October 26, 2018, Comsale Computer filed suit against Fry's for breach of contract, claiming US\$1,367,237 (the "**Claimed Amount**");
 - (c) around November of 2018, Comsale Computer lodged a claim against its insurance with EDC to recover the Claimed Amount. EDC distributed approximately 59.67% (US\$815,875) of the Claimed Amount to Comsale Computer;
 - (d) on November 27, 2018, EDC and Comsale Computer entered into an assignment agreement to, amongst other things, confirm that EDC was entitled to 59.67% of any proceeds recovered from Fry's with the balance payable to Comsale Computer; and
 - (e) on October 15, 2019, Comsale Computer, EDC and Fry's executed a settlement agreement whereby Fry's would pay to Clyde (as counsel for EDC) US\$1,033,713 within 20 days of the date of the agreement (the "**Fry's Settlement Proceeds**").
61. As at the date of this First Report, the Receiver has received US\$415,806, representing Comsale Computers' 40.33% of the Fry's Settlement Proceeds less the applicable portion of EDC's legal fees.

Inventory

62. Comsale Computer owns: (i) the inventory currently secured in the St. Catharines Warehouse, Reno Warehouse, Memphis Warehouse and Malaysian Warehouse; and (ii) the majority of the In-Transit Inventory, as described earlier in this report (collectively, the **“Comsale Inventory”**).
63. The Comsale Entities’ systems are unable to produce a book value of the inventory as the date of the Receivership Order because of the inaccessible accounting systems. Based on the books and records of the Comsale Entities’ as at August 31, 2019, the book value of the Comsale Inventory was stated to be \$23,727,145.
64. Prior to the receivership, Comsale Computer managed its inventory using a proprietary system called “Computer Parts 2000”. This system keeps track of the universal product code, number of units and other particulars, but does not providing costing data for each product. The Receiver extracted inventory listings from this system as at November 7, 2019 (the **“Nov 7 Listings”**).
65. On November 9, 2019, the Receiver engaged Gordon Brothers to perform a test count and appraisal of the Comsale Inventory. Given the significant volume, high turnover and regular conversion of the type of inventory, the Receiver considered it necessary for an independent third party to undertake a test count.
66. Gordon Brothers attended each of the above locations and performed a test count of a minimum of 60% of the total book value of the Nov 7 Listings (the **“Test Count Threshold”**).
67. Certain count irregularities were uncovered at each location. Subsequent to Gordon Brothers’ test counts, the Retained Contractors have completed full inventory listings for the Comsale Inventory stored within North America, which are slightly different to the Nov

7 Listings, for reasons, amongst other things, that some of these locations received In-Transit Inventory after November 7, 2019.

68. Gordon Brothers uncovered significant discrepancies with the Test Count Threshold in Malaysia and determined that only 44% of the product listed per Comsale Computer's records was identifiable in the Malaysian Warehouse. Gordon Brothers provided a draft estimated value range for inventory verified in Malaysia. At the date of this report, the Receiver is liaising with the Retained Contractors and GT Malaysia in Malaysia to arrange for a full listing of the Comsale Inventory to be completed, to ensure there is an accurate listing available during the Sales Process (as defined herein).
69. At the date of this report, Gordon Brothers have completed their test counts and are preparing their appraisal report. The Receiver intends on liquidating the majority of the inventory, including the inventory in Malaysia, through the Sales Process described later in this First Report.

Fixed Assets

70. The Receiver is seeking approval through the Sales Process to deal with all fixed assets owned by the Comsale Entities, other than those owned by Comsale Malaysia and located in Malaysia (since the Receivership Order has not been formally recognized in Malaysia in respect of Comsale Malaysia). Fixed assets include, but are not limited to, machinery and equipment, furniture and fixtures, motor vehicles and leasehold improvements (collectively, the "**Comsale Fixed Assets**").
71. Based on the books and records of the Comsale Entities as at August 31, 2019, the Comsale Fixed Assets had a net book value of \$980,867.

72. The Comsale Fixed Assets include fixed assets encumbered in favour of secured creditors.
73. As at the date of this report, with the exception of HSBC, the Receiver has written to all parties having a registered security interest as reflected on the PPSR and UCC to inform them of the receivership and enquired about their security registrations against any Comsale Fixed Assets listed as collateral.
74. It is the intention of the Receiver to attempt to realize, with the approval of the respective secured creditor, and subject to any arrangements being reached with such secured creditor including as to costs, any encumbered Comsale Fixed Assets which appear to have equity available, for the benefit of the Comsale Entities.

Intellectual Property

75. Based on the books and records of the Comsale Entities, computer software was reported at a net book value of \$19,663 as at August 31, 2019. Computer Parts 2000 and the domain www.comsale.com appear to be the two primary intellectual property assets used by the Comsale Entities (the “**Comsale Intellectual Property**”).
76. The Receiver has been advised by certain Retained Contractors that any new type of inventory that was not historically recorded through Computer Parts 2000 would have to be manually added by a person familiar with the program (i.e. a former employee of the Comsale Entities). It is unclear what the commercial value of Computer Parts 2000 or www.comsale.com could be. The Receiver is continuing to review this issue.

Assets Available for Sale

77. Based on the above overview of assets, the Receiver intends on making available only the Comsale Inventory and the Comsale Fixed Assets (including those encumbered fixed

assets which the Receiver estimates will have equity available) for sale at this time (the **“Assets Available for Sale”**).

78. The Receiver considers there to be minimal to no interest in a sale of the Comsale Entities’ operations as a going concern, for the following reasons:

- (a) all operations ceased prior to or on the day of the receivership. As at the date of this First Report, the Receiver has not operated during the receivership (as detailed above);
- (b) a buyer would have to honour warranties and accept returns in order to attract sufficient interest from the Comsale Entities’ customers and it would be difficult for a buyer to estimate the cost of doing so;
- (c) the Comsale Inventory is stored in various locations and jurisdictions;
- (d) the interest expressed by competitors in acquiring assets thus far in the receivership has only included the Comsale Inventory and/or the Comsale Fixed Assets; and
- (e) there appears to be minimal Comsale Intellectual Property.

As such, the Receiver considers it uneconomical to pursue a sale of the operations as a going concern.

Items Excluded from Sale

79. For the reasons listed above, as well as the perceived difficulty in collecting the Comsale Trade Receivables given the varying jurisdictions of the debtors, the Receiver does not consider it economical to attempt to sell the Comsale Trade Receivables, at this time. The Receiver will attempt to recover these debts through collections in the receivership.

80. Further, the Receiver does not intend on selling any electronic devices, servers, storage devices, or similar items, used by the Comsale Entities to maintain their books and records prior to the receivership, as it estimates the recovery to be less than the associated cost.
81. As is discussed earlier in this First Report, the Receiver has not sought foreign recognition of the Receivership Order as it relates to Comsale Malaysia in Malaysia. The Receiver will not sell any assets that it determines are owned by Comsale Malaysia and located in Malaysia, unless and until foreign recognition of the Receivership Order is obtained in the future.

SALES PROCESS

82. The Receiver will continue its efforts to sell finished goods and/or goods that are readily able to be converted into finished goods, during the ordinary course of the receivership. The Receiver continues to negotiate the completion and sale of some open orders to existing customers. The Receiver is advised by customers and the Retained Contractors that the demand for refurbished electronics is likely to diminish after the Christmas period. The Receiver will not install any Microsoft software when undertaking these sales, if required, without first addressing Microsoft's concerns as set out above, and such sales will be confined to the sale thresholds outlined in the Receivership Order, meaning that no individual sale will exceed \$500,000 and aggregate sales will not exceed \$1,500,000.
83. The Receiver will sell all remaining Assets Available for Sale in accordance with the below detailed sale process ("**Sales Process**") if approved and authorized by the Canadian Court and US Court. The Receiver has been advised by Shearn that if the Sales Process is approved by the Canadian Court, the Receiver will be authorized to conduct a sale of Comsale Computer's assets in Malaysia and will not be required to seek recognition of the sale process order in Malaysia.

Phase 1: Preparation

84. The Receiver, together with TGF, Linklaters and Shearn, where applicable, will:

- (a) prepare the following documentation:
 - (i) a form of solicitation letter summarizing the Sales Process and soliciting parties to express their interest in same (the "**Solicitation Letter**");
 - (ii) a form of non-disclosure agreement (the "**NDA**") to be executed in order to access the Data Room (as defined below) and receive a copy of the APA (as defined below) to further participate in the Sales Process; and
 - (iii) a form of offer and a form of Asset Purchase Agreement ("**APA**").
- (b) prepare a data room (the "**Data Room**") containing, to the extent that such information is available from the Comsale Entities' records, detailed asset listings, virtual tour videos of the warehouses and Assets Available for Sale as filmed by capable third parties, photos of the Assets Available for Sale, detailed costings of the rent and utilities for each warehouse, lease agreements (if any) and any other information located to be shared with prospective purchasers subsequent to receiving an executed NDA; and
- (c) identify and prepare a list of potential purchasers for the Assets Available for Sale ("**Potential Purchasers**"), including those parties who have already submitted unsolicited offers.

Phase 2: Marketing the Assets Available for Sale – Estimated Timeframe: 40 days

85. During Phase 2, the Receiver, together with TGF, Linklaters and Shearn, where applicable, will:

- (a) send the Solicitation Letter and NDA to the Potential Purchasers identified in Phase 1 and any further Potential Purchasers who are subsequently identified;
- (b) advertise the sale of the Assets Available for Sale in newspapers in each of the following locations:
 - (i) Canada;
 - (ii) the United States; and
 - (iii) Malaysia;
- (c) allow any Potential Purchasers who execute the NDA to access the Data Room;
- (d) permit Potential Purchasers to inspect the Assets Available for Sale and respond to additional reasonable diligence requests;
- (e) maintain the Data Room; and
- (f) receive offers from Potential Purchasers.

Phase 3: Entering into APA – Estimated Timeframe: 15 days

86. During Phase 3, the Receiver, together with TGF, Linklaters and Shearn, where applicable, will:

- (a) review all offers submitted in Phase 2 and discuss same with the applicable offeror;
- (b) consult with HSBC and other secured creditors as and if applicable;

(c) if there is more than one acceptable offer, determine the offer that, in the Receiver's view, is superior (the "**Superior Offer**") by considering, among other things:

(i) the total value offered;

(ii) the terms and conditions of the offer; and

(iii) the Receiver's opinion of the likelihood of successfully completing the transaction contemplated by the offer; and

(d) inform the offeror of the Superior Offer that their offer will be proceeding, negotiate and execute an APA with said offeror and, subject to court approval, close the transaction.

87. The Receiver is requesting the discretion to amend or vary the Sales Process, as may be determined appropriate in its discretion, in order to maximize value for stakeholders, including, but not limited to, (i) the ability to terminate the Sales Process if the Receiver believes that there are no interested parties for the assets and that it is reasonably appropriate in the circumstances; and (ii) the ability to remove any asset by type or location from the Assets Available for Sale either before or during the Sales Process, provided that if removed during the proposed Sales Process, all Potential Purchasers are notified.

The Receiver's Comments

88. The time period contemplated in the proposed Sale Process provides interested parties with 55 days to submit offers to the Receiver after Phase 1 is complete. The Receiver believes this time period to inspect the Assets Available for Sale and submit offers is appropriate because:

- (a) competitors and customers of the Comsale Entities, who have businesses in North America and Malaysia, have already expressed interest in the Assets Available for Sale;
- (b) the Receiver is incurring considerable holding costs as a result; and
- (c) HSBC, the largest secured creditor in these proceedings, is supportive of the time frame.

89. The sale of the Assets Available for Sale is conditional upon the Courts approval of the recommended purchaser(s) and the terms of the APA. The Receiver will attend before the Courts upon the completion of the proposed Sales Process to seek approval of the recommended purchaser(s) and the APA prior to closing any sale transaction(s).

CONCLUSION AND RECOMMENDATION

90. For the reasons set out in this First Report, the Receiver is of the view that the relief requested is reasonable and appropriate in the circumstances and respectfully recommends that the Court make the Order granting the requested relief.

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ALL OF WHICH IS RESPECTFULLY SUBMITTED this 13 day of December, 2019.

**GRANT THORNTON LIMITED,
IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER OF
COMSALE COMPUTER INC., ET. AL. AND NOT IN ITS PERSONAL
OR CORPORATE CAPACITY**

Per:



Michael Creber, CPA, CA, CIRP, LIT
Senior Vice-President

Appendix “A”

Court File No. CV-19-630501-0006

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE

TUESDAY THE 5TH

JUSTICE CONWAY

DAY OF NOVEMBER, 2019



IN THE MATTER OF Section 101 of the *Courts of Justice Act*, R.S.O. 1990 c.C.43, as amended, and in the matter of Section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended.

BETWEEN:

HSBC BANK CANADA

Applicant

- and -

COMSALE COMPUTER INC., COMSALE INC., COMSALE GROUP INC., COMSALE HONG KONG LIMITED AND COMSALE MALAYSIA SDN. BHD.

Respondents

ORDER
(appointing Receiver)

THIS APPLICATION made by HSBC Bank Canada (the “**Applicant**” or the “**Bank**”) for an Order pursuant to section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the “**CJA**”) and section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, appointing Grant Thornton Limited as receiver and manager (in such capacities, the “**Receiver**”) without security, of all of the assets, undertakings and properties of Comsale Computer Inc., Comsale Group Inc., Comsale Inc., Comsale Hong Kong Limited and

Comsale Malaysia Sdn. Bhd. (collectively, the "**Comsale Entities**") acquired for, or used in relation to a business carried on by the Comsale Entities, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of John Borch sworn November 5, 2019 and the Exhibits thereto and on hearing the submissions of counsel for the Applicant and the Receiver, no one else appearing or served, and on reading the consent of Grant Thornton Limited to act as the Receiver and upon being advised that the Respondents consent to the immediate appointment of a Receiver by this Court,

SERVICE

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

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 101 of the CJA and section 243(1) of the BIA, Grant Thornton Limited is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of Comsale Computer Inc., Comsale Group Inc. and Comsale Inc. acquired for, or used in relation to a business carried on by such entities, including all proceeds thereof (the "**Debtor Property**").

3. THIS COURT ORDERS that pursuant to section 101 of the CJA, Grant Thornton Limited is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of Comsale Malaysia Sdn. Bhd. and Comsale Hong Kong Limited, acquired for, or used in relation to a business carried on by such entities, including all proceeds thereof (together with the Debtor Property, the "**Property**").

RECEIVER'S POWERS

4. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality

of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, arranging for provision of utilities, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the Comsale Entities, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Comsale Entities;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Comsale Entities or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Comsale Entities and to exercise all remedies of the Comsale Entities in collecting such monies, including, without limitation, to enforce any security held by the Comsale Entities;

- (g) to settle, extend or compromise any indebtedness owing to the Comsale Entities;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Comsale Entities, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Comsale Entities, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
 - (i) without the approval of this Court in respect of any transaction not exceeding \$500,000, provided that the aggregate consideration for all such transactions does not exceed \$1,500,000; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, or section 31 of the Ontario *Mortgages Act*, as the case may be, shall not be required.

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

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

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

5. THIS COURT ORDERS that (i) the Comsale Entities, (ii) all of their current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on their instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

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

7. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto

paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

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

NO PROCEEDINGS AGAINST THE RECEIVER

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

NO PROCEEDINGS AGAINST THE COMSALE ENTITIES OR THE PROPERTY

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

NO EXERCISE OF RIGHTS OR REMEDIES

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

NO INTERFERENCE WITH THE RECEIVER

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

CONTINUATION OF SERVICES

13. THIS COURT ORDERS that all Persons having oral or written agreements with the Comsale Entities or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Comsale Entities are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Comsale Entities' current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Comsale Entities or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

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

EMPLOYEES

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

PIPEDA

16. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all

material respects identical to the prior use of such information by the Comsale Entities, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

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

LIMITATION ON THE RECEIVER'S LIABILITY

18. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

19. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless

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

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

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

FUNDING OF THE RECEIVERSHIP

22. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow from the Bank by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$750,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

INTERIM COMEBACK PERIOD

23. THIS COURT ORDERS that, pending further Order of the Court, for a period of fifteen (15) calendar days following the date of this Order (the “**Interim Comeback Period**”), the Receiver’s Charge and the Receiver’s Borrowing Charge shall not extend to collateral that is subject to a properly perfected security interest that is in priority to the Bank’s security, including purchase money security interests. Any secured creditor that wishes to take the position that the priority charges granted pursuant to this Order should not extend to collateral subject to their security interest shall serve a motion on notice to the Receiver and the Bank within fifteen (15) calendar days of the date of this Order, seeking such relief. In the absence of an Order being granted in respect of such motion that is served within the Interim Comeback Period, all priority charges under this Order including the Receiver’s Charge set forth in paragraph 19 above and the Receiver’s Borrowings Charge set forth in paragraph 22 above, will apply to all assets, including those subject to purchase money security interests, equipment leases or other interests that may be in priority to the Bank’s security, immediately upon the conclusion of the Interim Comeback Period without any further steps being taken.

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

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

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

SERVICE AND NOTICE

27. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of

documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: www.GrantThornton.ca/Comsale.

28. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, email, or facsimile transmission to the Comsale Entities' creditors or other interested parties at their respective addresses as last shown on the records of the Comsale Entities and that any such service or distribution by courier, personal delivery, email, or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

RETENTION OF LAWYERS

29. THIS COURT ORDERS that the Receiver may retain solicitors to represent and advise the Receiver in connection with the exercise of the Receiver's powers and duties, including without limitation, those conferred by this Order. Such solicitors may include Thornton Grout Finnigan LLP, solicitors for the Applicant herein, in respect of any matter where there is no conflict of interest. The Receiver shall, however, retain independent solicitors in respect of any legal advice or services where a conflict exists, or may arise.

GENERAL

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

31. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of any of the Comsale Entities.

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

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

34. THIS COURT ORDERS that the Applicant shall have its costs of this Application, up to and including entry and service of this Order, provided for by the terms of the Application security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Comsale Entities' estates with such priority and at such time as this Court may determine.

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

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

NOV 05 2019

PER / PAR: *RW*

Conway

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that Grant Thornton Limited, the receiver (the "**Receiver**") of the assets, undertakings and properties of Comsale Computer Inc., Comsale Group Inc., Comsale Inc., Comsale Hong Kong Limited and Comsale Malaysia Sdn. Bhd. (collectively, the "**Comsale Entities**") acquired for, or used in relation to a business carried on by the Comsale Entities, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the 5th day of November, 2019 (the "**Order**") made in an action having Court file number CV-19-_____, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$_____, being part of the total principal sum of \$_____ which the Receiver is authorized to borrow under and pursuant to the Order.

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

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

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

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver

to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

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

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

DATED the _____ day of _____, 20__.

Grant Thornton Limited, solely in its capacity
as Receiver of the Property, and not in its
personal capacity

Per: _____

Name:

Title:

IN THE MATTER OF Section 101 of the *Courts of Justice Act*, R.S.O. 1990 c. C.43, as amended, and in the matter of Section 243(1) of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended.

HSBC BANK CANADA

- and -

COMSALE COMPUTER INC. et al.

Applicant

Respondents

Court File No. CV-19- 630501-0066

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

Proceedings commenced at Toronto

**ORDER
(appointing Receiver)**

Thornton Grout Finnigan LLP

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Toronto, ON M5K 1K7
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Lawyers for the Applicant, HSBC Bank Canada



COUNSEL SLIP

COURT FILE NO. _____

DATE: NOV 5 / 2019

No. ON LIST ADD ON

TITLE OF
PROCEEDING

HSBC BANK CANADA V COMSALE COMPUTER INC

COUNSEL FOR:

HSBC Bank Canada

Phone & Fax No

Plaintiff (s)

Rachel Bengino

Applicant (s)

T: 416 304 1153

Petitioner (s)

F: 416 304 1313

COUNSEL FOR:

Phone & Fax No

Defendant (s)

Respondent (s)

Nov 5/19

The Bank seeks an urgent appointment of a Receiver over the assets, property & undertaking of the Comsale entities". The Debtor, Comsale Computer Inc, together with the guarantors Comsale Inc & Comsale Group Inc. have consented to the immediate enforcement of the Bank's security. The ^{two} related companies in Hong Kong and Malaysia have likewise consented to the appointment of a Receiver over their assets as well. The Bank holds security over the assets of CCI, CI and CGI and has negative pledge agreements from the Hong Kong & Malaysia companies.

The loan is in default. The Debtor has elected to cease operations and tell employees not to return to work. The Bank has not received all required reporting. The Debtor has experienced cyberattacks that compromise the Bank's ability to obtain data to assess its exposure.

The appointment of a Receiver, based on this record, is necessary to stabilize operations & realize on collateral for the benefit of all stakeholders.

~~And~~ The Bank's counsel has alerted me to the

Priority interests of BDC over certain assets of CGI.
Para 23 of the Order provides for an interim
comeback period for BDC and any other creditor that
asserts a priority interest to come back to court
within 15 days to address these issues.

I am satisfied that it is just & convenient to
appoint a Receiver for CCI, CI & CGI under s. 243 BIA
and 101 of the COJA and for the HK and Malaysia companies
under s. 101 COJA.

Conway

Appendix “B”

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re

Comsale Group Inc. *et al.*,¹

Debtors in a Foreign Proceeding.

Chapter 15

Case No. 19-13625 (JLG)

**ORDER GRANTING MOTION OF THE FOREIGN REPRESENTATIVE
FOR PROVISIONAL RELIEF PURSUANT TO SECTIONS 105(a) AND
1519 OF THE BANKRUPTCY CODE**

Upon the motion (the “Motion”) of Grant Thornton Limited, solely in its capacity as court-appointed receiver and manager and not in its personal or corporate capacity (the “Receiver”) and authorized foreign representative (the “Foreign Representative”) of Comsale Group Inc. (“CGI”), Comsale Computer Inc. (“CCI” or the “Borrower”) and Comsale Inc. (“CI” and together with CGI and CCI, the “Debtors”), each of which was placed in a receivership on November 5, 2019 by order (the “Receivership Order”) of the Superior Court of Justice (Commercial List) in Ontario, Canada (the “Canadian Court”), Court File No.: CV-19-630501-00CL (the “Canadian Proceeding”), for entry of provisional order under sections 105(a) and 1519(a) of title 11 of the United States Code (the “Bankruptcy Code”); and upon this Court’s review and consideration of the Motion, the Verified Petition and the Stelzer Declaration; and this Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334, and 11 U.S.C. §§ 109 and 1501; and consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(P); and venue being proper before this Court

¹ The Debtors in these chapter 15 cases, along with the last four digits of each Debtor’s U.S. Federal Tax Identification Number or other unique identifier are: Comsale Group Inc. (7355) (Ontario Corporation Number); Comsale Computer Inc. (7508) (Ontario Corporation Number); and Comsale Inc. (0354) (FEIN). The Receiver and Foreign Representative is Grant Thornton Limited, located at 200 King St. W. 11th Floor, Toronto, Ontario, Canada M5H 3T4.

pursuant to 28 U.S.C. § 1410(1) and (3); and appropriate, sufficient and timely notice of the filing of the Motion and the hearing thereon having been given pursuant to Rule 2002(q) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”); and upon the record established at ~~such~~ **hearing the hearing on the Motion held on November 15, 2019, the record of which is incorporated herein [JLG]**; and the Court having found and determined that the provisional relief sought in the Motion is in the best interest of the Debtors, their creditors, and parties in interest, and is in the interest of international comity and not inconsistent with United States policy, and that the legal and factual basis set forth in the Motion establish just cause for the relief granted herein; and no objections or other responses having been filed that have not been overruled, withdrawn or otherwise resolved; and after due deliberation and sufficient cause appearing therefor, **IT IS HEREBY FOUND AND DETERMINED THAT:**²

A. There is a substantial likelihood that the Foreign Representative will successfully demonstrate that the Canadian Proceeding constitutes a “foreign main proceeding” as defined in section 1502(4) of the Bankruptcy Code.

B. The commencement or continuation of any action or proceeding in the United States against the Debtors should be enjoined pursuant to sections 105(a) and 1519 of the Bankruptcy Code to permit the expeditious and efficient administration of the Canadian Proceeding, and such relief will either (a) not cause an undue hardship to other parties in interest or (b) any hardship to parties is outweighed by the benefits of the relief requested.

² The findings and conclusions set forth herein and in the record of the hearing on the Motion constitute this Court’s findings of facts and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure, as made applicable herein by Bankruptcy Rules 7052 and 9014. To the extent any of the findings of fact herein constitute conclusions of law, they are adopted as such. To the extent any of the conclusions of law herein constitute findings of fact, they are adopted as such.

C. Unless a preliminary injunction is issued, there is a material risk that the Debtors' creditors or other parties-in-interest in the United States could use the Canadian Proceeding and these chapter 15 cases as a pretext to exercise certain remedies or to terminate executory contracts or unexpired leases against the Debtors and their assets located within the territorial jurisdiction of the United States.

D. Such acts could (a) interfere with the jurisdictional mandate of this Court under chapter 15 of the Bankruptcy Code, (b) interfere with and cause harm to the Receiver's efforts to administer the Canadian Proceeding, (c) interfere with the Receiver's management of and control over the Debtors' assets, and (d) undermine the Receiver's efforts to achieve an equitable result for the benefit of all of the Debtors' creditors. Accordingly, there is a material risk that the Debtors may suffer immediate and irreparable harm, and it is therefore necessary that the Court enter this Order.

E. The Foreign Representative and the Debtors are entitled to the full protections and rights available pursuant to section 1519(a)(1)-(3) of the Bankruptcy Code.

F. All creditors and other parties in interest, including the Debtors, are sufficiently protected in the grant of the relief ordered hereby in compliance with section 1522(a) of the Bankruptcy Code.

BASED ON THE FOREGOING FINDINGS OF FACT AND AFTER DUE DELIBERATION AND SUFFICIENT CAUSE APPEARING THEREFORE, IT IS HEREBY ORDERED THAT:

1. Beginning on the date of this **Provisional Relief Order [JLG]** and continuing until the entry of an order of this Court recognizing the Canadian Proceeding as "foreign main proceeding" as defined in section 1502(4) of the Bankruptcy Code and the Foreign Representative

as a “foreign representative” as defined in section 101(24) of the Bankruptcy Code (unless otherwise extended pursuant to section 1519(b) of the Bankruptcy Code):

- a. the Foreign Representative shall be the representative of the Debtors with full and sole authority to administer the Debtors’ assets and affairs in the United States on a provisional basis.
- b. section 362 and 365 of the Bankruptcy Code shall apply with respect to each of the Debtors and the property of each of the Debtors that is located within the territorial jurisdiction of the United States. Without limiting the generality of the foregoing, the Provisional Relief Order shall impose a stay within the territorial jurisdiction of the United States of:
 - (i) the commencement or continuation, including the issuance or employment of process of, any judicial, administrative or any other action or proceeding involving or against the Debtors or their assets or proceeds thereof, or to recover a claim or enforce any judicial, quasi-judicial, regulatory, administrative or other judgment, assessment, order, lien or arbitration award against the Debtors or their assets or proceeds thereof, or to exercise any control over the Debtors’ assets located in the United States except as authorized by the Foreign Representative in writing;
 - (ii) the creation, perfection, seizure, attachment, enforcement, or execution of liens or judgments against the Debtors’ property in the United States or from transferring, encumbering or otherwise disposing of or interfering with the Debtors’ assets or agreements in the United States without the express written consent of the Foreign Representative;
 - (iii) any act to collect, assess, or recover a claim against any of the Debtors that arose before the commencement of the Debtors’ chapter 15 cases;
 - (iv) the setoff of any debt owing to any of the Debtors that arose before the commencement of the Debtors’ chapter 15 cases against any claim against any of the Debtors;
 - (v) the transfer, relinquishment or disposal of any property of the Debtors to any entity (as that term is defined in section 101(15) of the Bankruptcy Code) other than the Foreign Representative and its expressly authorized representatives and agents; and
 - (vi) the termination, modification, refusal to perform, or otherwise acceleration of obligations or exercise of remedies under any contract with any of the Debtors on the basis of (i) the insolvency or financial condition of the Debtors at any time before the closing of these cases; (ii) the commencement of the Canadian Proceeding, the entry of the Receivership

Order, or the commencement of these chapter 15 cases under this title; or
(iii) the appointment of and taking possession by the Receiver of the Debtors' assets and contracts.

- c. for counterparties to certain of the Debtors' executory contracts and unexpired leases, section 365(e) of the Bankruptcy Code shall apply with respect to each of the Debtors and the property of each of the Debtors that is located within the territorial jurisdiction of the United States.
- d. the Foreign Representative shall have the rights and protections to which the Foreign Representative is entitled under chapter 15 of the Bankruptcy Code, including, but not limited to, the protections limiting the jurisdiction of United States courts over the Foreign Representative in accordance with section 1510 of the Bankruptcy Code and the granting of additional relief in accordance with section 1519(a)(3) of the Bankruptcy Code.
- e. notwithstanding any provision in the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") to the contrary, (i) the Provisional Relief Order shall be effective immediately and enforceable upon entry, (ii) the Foreign Representative is not subject to any stay in the implementation, enforcement, or realization of the relief granted in the Provisional Relief Order, and (iii) the Foreign Representative is authorized and empowered, and may, in its discretion and without further delay, take any action and perform any act necessary to implement and effectuate the terms of the Provisional Relief Order.

2. The Foreign Representative, in connection with his appointment as the Debtors' Receiver in the Canadian Proceeding or as the "foreign representative" in these chapter 15 cases, and the Debtors are hereby granted the full protections and rights available pursuant to section 1519(a)(1)-(3) of the Bankruptcy Code.

3. Notwithstanding anything to the contrary contained herein, this **Provisional Relief Order [JLG]** not be construed as (a) enjoining the police or regulatory act of a governmental unit, including a criminal action or proceeding, to the extent not stayed under section 362 of the Bankruptcy Code, or (b) staying the exercise of any rights that section 362(o) of the Bankruptcy Code does not allow to be stayed.

4. The Foreign Representative, the Debtors and each of their successors, representatives, advisors, or counsel shall be entitled to the protections contained in sections 306 and 1510 of the Bankruptcy Code.

5. Pursuant to Bankruptcy Rule 7065, the security provisions of Rule 65(c) of the Federal Rules of Civil Procedure are waived.

6. This Order, the proposed order recognizing the Canadian Proceeding as a “foreign main proceeding” as defined in section 1502(4) of the Bankruptcy Code and the Foreign Representative as a “foreign representative” as defined in section 101(24) of the Bankruptcy Code and notice of the hearing on the Petition shall be served on: (i) the United States Trustee for the Southern District of New York; (ii) the Debtors; (iii) Comsale Malaysia Sdn. Bhd.; (iv) Comsale Hong Kong Limited; (v) Neil Shaul and Wenqiang Feng, shareholders of CGI and CCI; (vi) all persons or bodies authorized to administer foreign proceedings of the Debtors, including the Canadian Proceeding; (vii) all entities against whom provisional relief is being sought under section 1519 of the Bankruptcy Code; (viii) all known creditors and contract counterparties of the Debtors in the United States; (ix) all parties to litigation pending in the United States to which any of the Debtors is a party at the time of the filing of the Petition; and (x) all parties that have filed a notice of appearance in these chapter 15 cases.

7. Service in accordance with this Order shall be deemed good and sufficient service and adequate notice for all purposes. The Foreign Representative, the Debtors, and their respective agents are authorized to serve or provide any notices required under the Bankruptcy Rules or local rules of this Court.

8. The banks and financial institutions with which the Debtors maintain bank accounts or on which checks are drawn or electronic payment requests made in payment of prepetition or

postpetition obligations are authorized and directed to continue to service and administer the Debtors' bank accounts without interruption and in the ordinary course and to receive, process, honor and pay any and all such checks, drafts, wires and automatic clearing house transfers issued, whether before or after the Petition Date and drawn on the Debtors' bank accounts by respective holders and makers thereof at the direction of the Foreign Representative.

9. The Foreign Representative and its agents are authorized and empowered to take all actions necessary to effectuate the relief granted under this Order in accordance with the Motion.

10. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

11. This Court shall retain jurisdiction with respect to the enforcement, amendment or modification of this Order, any requests for additional relief or any adversary proceeding brought in and through these chapter 15 cases, and any request by an entity for relief from the provisions of this Order, for cause shown, that is properly commenced and within the jurisdiction of this Court.

Dated: November 15, 2019
New York, New York

/s/ James L. Garrity, Jr.

THE HONORABLE JAMES L. GARRITY, JR.
UNITED STATES BANKRUPTCY JUDGE

Appendix “C”

H0272101 WA1319563112 04/12/2019 12:55:03

DALAM MAHKAMAH TINGGI DI KUALA LUMPUR

DI WILAYAH PERSEKUTUAN KUALA LUMPUR80.00 x 1
(BAHAGIAN DAGANG) Jumlah RM*****80.00

SAMAN PEMULA: WA-24NCC-638-11/2019

Dalam perkara Aturan-aturan 7, 28,
dan Aturan 92 Kaedah 4 Kaedah-
Kaedah Mahkamah Tinggi 2012

Dan

Dalam Perkara Bidang Kuasa Sedia
Ada Mahkamah Yang Mulia Ini

Dan

Dalam Perkara Perintah "*Ontario
Superior Court of Justice
(Commercial List)*" bertarikh
5.11.2019 didapatkan di guaman
nombor CV-19-630501-00CL

ANTARA

Grant Thornton Limited

(dalam kapasitinya sebagai penerima dan
pengurus dilantik Mahkamah untuk
Comsale Computer Inc.)

...Pemohon

DAN

Comsale Computer Inc.

[No. Syarikat Onatrio.: 1250114-K]

...Responden

DI HADAPAN HAKIM
AZIZUL AZMI BIN ADNAN
PADA 27^{HB} NOVEMBER 2019

DALAM KAMAR

PERINTAH
[KANDUNGAN 1]

ATAS PERMOHONAN Pemohon dinamakan di atas yang ditetapkan untuk bicara pada hari ini DAN SETELAH MEMBACA Saman Pemula Ex Parte bertarikh 25hb November 2019 dan kesemuanya yang difailkan di sini DAN SETELAH MENDENGAR Rabindra S Nathan (Vong Sze Xin dan Lim Wei Xeng bersamanya) peguamcara bagi Pemohon ADALAH PADA HARI DIPERINTAHKAN seperti berikut:-

- (1) Perintah "Ontario Superior Court of Justice (Commercial List)" bertarikh 5hb November 2019 didapatkan dalam kes nombor CV-19-630501-00CL ("Perintah Ontario")(seperti yang dilampirkan di sini sebagai "Lampiran A") diiktirafkan dan diberi kuasa sebagai perintah Mahkamah Tinggi Malaya, selaras dengan bidang kuasa sedia ada Mahkamah Mulia ini, setakat mana Mahkamah Mulia ini mengiktirafkan Pemohon sebagai penerima dan pengurus harta, aset-aset dan perusahaan Comsale Computer Inc. di Malaysia, dan mempunyai semua fungsi dan kuasa dinyatakan dalam Perintah Ontario berkaitan dengan Comsale Computer Inc..
- (2) Deklarasi bahawa Pemohon mempunyai hak dan diberi kuasa, tetapi tidak diwajibkan untuk menjalankan semua hak, fungsi dan kuasa yang dinyatakan

dalam Perintah Ontario berkaitan dengan harta, aset-aset, dan pengusahaan
Comsale Computer Inc. di Malaysia.



Bertarik 21 November 2019

MALARSELVI A/P SANMUGAM
Timbalan Pendaftar
Mahkamah Tinggi Malaya
.....Kuala Lumpur.....

Timbalan Pendaftar
Mahkamah Tinggi di Kuala Lumpur

Perintah ini difailkan oleh Tetuan Shearn Delamore & Co., peguamcara bagi pihak Pemohon di mana alamat penyerahannya adalah di Tingkat 7, Wisma Hamzah-Kwong Hing, No. 1 Leboh Ampang, 50100 Kuala Lumpur.

SD (DR) 4518155 (RSN/VSX/LWX)

TRANSLATION

S/N qkHy8WIVeUqpDbMiUu537w

****Note :** Serial number will be used to verify the originality of this document via eFILING portal

**IN THE HIGH COURT OF MALAYA AT KUALA LUMPUR
IN THE FEDERAL TERRITORY OF KUALA LUMPUR
(COMMERCIAL DIVISION)**

ORIGINATING SUMMONS NO: WA-24NCC-638-11/2019

In the Matter of Orders 7 and 28, and
Order 92 Rule 4 of the Rules of Court
2012

And

In the Matter of the Inherent
Jurisdiction of this Honourable Court

And

In the Matter of an Order of the
Ontario Superior Court of Justice
(Commercial List) dated 5.11.2019
obtained in Case No.: CV-19-630501-
00CL

BETWEEN

Grant Thornton Limited

(in its capacity as Court appointed receiver of
Comsale Computer Inc.)

...Applicant

AND

Comsale Computer Inc.

[Ontario Corporation No.: 1767508]

...Respondent

BEFORE THE HONOURABLE JUDGE
AZIZUL AZMI BIN ADNAN
ON 27TH NOVEMBER 2019

IN CHAMBERS

ORDER
[ENCLOSURE 1]

UPON THE APPLICATION of the abovenamed Applicant **AND UPON**
READING the Ex Parte Originating Summons dated 25th November 2019 and all filed
herein **AND UPON HEARING** Rabindra S Nathan (Vong Sze Xin and Lim Wei Xeng
with him) of Counsel for the Applicant **IT IS HEREBY ORDERED THAT:**

- (1) The Order of the Ontario Superior Court of Justice (Commercial List) dated 5th November 2019 obtained in Case No.: CV-19-630501-00CL (the "Ontario Order") (as annexed hereto as "Annexure A") be recognized and given effect as an Order of the High Court of Malaya, in accordance with the inherent jurisdiction of this Honourable Court, to the extent that this Honourable Court recognizes the Applicant as Receiver of the property, assets and undertaking of Comsale Computer Inc. in Malaysia, as having all the functions and powers set out in the Ontario Order in connection with Comsale Computer Inc.
- (2) A declaration that the Applicant is entitled and authorized, but not obligated, to exercise all rights, functions and powers set out in the Ontario Order in

connection with the assets, undertakings and properties of Comsale Computer Inc. in Malaysia.

Dated this 27th day of November 2019.

.....
Deputy Registrar
High Court of Malaya
Kuala Lumpur

This **Order** is filed by Messrs Shearn Delamore & Co., solicitors for Applicant whose address for service is at 7th Floor, Wisma Hamzah Kwong Hing, No. 1, Leboh Ampang 50100 Kuala Lumpur.

SD(DR) 4518155 (RSN/VSX/LWX)

ANNEXURE - A

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**Note : Serial number will be used to verify the originality of this document via eFILING portal

Court File No. CV-19-630501-0006

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE

TUESDAY THE 5TH

JUSTICE CONWAY

DAY OF NOVEMBER, 2019



IN THE MATTER OF Section 101 of the *Courts of Justice Act*, R.S.O. 1990 c.C.43, as amended, and in the matter of Section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended.

BETWEEN:

HSBC BANK CANADA

Applicant

- and -

COMSALE COMPUTER INC., COMSALE INC., COMSALE GROUP INC., COMSALE
HONG KONG LIMITED AND COMSALE MALAYSIA SDN. BHD.

Respondents

ORDER
(appointing Receiver)

THIS APPLICATION made by HSBC Bank Canada (the "Applicant" or the "Bank") for an Order pursuant to section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") and section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, appointing Grant Thornton Limited as receiver and manager (in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of Comsale Computer Inc., Comsale Group Inc., Comsale Inc., Comsale Hong Kong Limited and

Comsale Malaysia Sdn. Bhd. (collectively, the "**Comsale Entities**") acquired for, or used in relation to a business carried on by the Comsale Entities, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of John Borch sworn November 5, 2019 and the Exhibits thereto and on hearing the submissions of counsel for the Applicant and the Receiver, no one else appearing or served, and on reading the consent of Grant Thornton Limited to act as the Receiver and upon being advised that the Respondents consent to the immediate appointment of a Receiver by this Court,

SERVICE

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

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 101 of the CJA and section 243(1) of the BIA, Grant Thornton Limited is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of Comsale Computer Inc., Comsale Group Inc. and Comsale Inc. acquired for, or used in relation to a business carried on by such entities, including all proceeds thereof (the "**Debtor Property**").

3. THIS COURT ORDERS that pursuant to section 101 of the CJA, Grant Thornton Limited is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of Comsale Malaysia Sdn. Bhd. and Comsale Hong Kong Limited, acquired for, or used in relation to a business carried on by such entities, including all proceeds thereof (together with the Debtor Property, the "**Property**").

RECEIVER'S POWERS

4. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality

of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, arranging for provision of utilities, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the Comsale Entities, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Comsale Entities;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Comsale Entities or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Comsale Entities and to exercise all remedies of the Comsale Entities in collecting such monies, including, without limitation, to enforce any security held by the Comsale Entities;

- (g) to settle, extend or compromise any indebtedness owing to the Comsale Entities;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Comsale Entities, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Comsale Entities, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
 - (i) without the approval of this Court in respect of any transaction not exceeding \$500,000, provided that the aggregate consideration for all such transactions does not exceed \$1,500,000; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, or section 31 of the Ontario *Mortgages Act*, as the case may be, shall not be required.

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

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

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

5. THIS COURT ORDERS that (i) the Comsale Entities, (ii) all of their current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on their instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

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

7. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto

paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

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

NO PROCEEDINGS AGAINST THE RECEIVER

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

NO PROCEEDINGS AGAINST THE COMSALE ENTITIES OR THE PROPERTY

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

NO EXERCISE OF RIGHTS OR REMEDIES

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

NO INTERFERENCE WITH THE RECEIVER

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

CONTINUATION OF SERVICES

13. THIS COURT ORDERS that all Persons having oral or written agreements with the Comsale Entities or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Comsale Entities are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Comsale Entities' current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Comsale Entities or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

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

EMPLOYEES

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

PIPEDA

16. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all

material respects identical to the prior use of such information by the Comsale Entities, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

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

LIMITATION ON THE RECEIVER'S LIABILITY

18. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

19. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless

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

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

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

FUNDING OF THE RECEIVERSHIP

22. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow from the Bank by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$750,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

INTERIM COMEBACK PERIOD

23. THIS COURT ORDERS that, pending further Order of the Court, for a period of fifteen (15) calendar days following the date of this Order (the "**Interim Comeback Period**"), the Receiver's Charge and the Receiver's Borrowing Charge shall not extend to collateral that is subject to a properly perfected security interest that is in priority to the Bank's security, including purchase money security interests. Any secured creditor that wishes to take the position that the priority charges granted pursuant to this Order should not extend to collateral subject to their security interest shall serve a motion on notice to the Receiver and the Bank within fifteen (15) calendar days of the date of this Order, seeking such relief. In the absence of an Order being granted in respect of such motion that is served within the Interim Comeback Period, all priority charges under this Order including the Receiver's Charge set forth in paragraph 19 above and the Receiver's Borrowings Charge set forth in paragraph 22 above, will apply to all assets, including those subject to purchase money security interests, equipment leases or other interests that may be in priority to the Bank's security, immediately upon the conclusion of the Interim Comeback Period without any further steps being taken.

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

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

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

SERVICE AND NOTICE

27. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of

documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: www.GrantThornton.ca/Comsale.

28. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, email, or facsimile transmission to the Comsale Entities' creditors or other interested parties at their respective addresses as last shown on the records of the Comsale Entities and that any such service or distribution by courier, personal delivery, email, or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

RETENTION OF LAWYERS

29. THIS COURT ORDERS that the Receiver may retain solicitors to represent and advise the Receiver in connection with the exercise of the Receiver's powers and duties, including without limitation, those conferred by this Order. Such solicitors may include Thornton Grout Finnigan LLP, solicitors for the Applicant herein, in respect of any matter where there is no conflict of interest. The Receiver shall, however, retain independent solicitors in respect of any legal advice or services where a conflict exists, or may arise.

GENERAL

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

31. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of any of the Comsale Entities.

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

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

34. THIS COURT ORDERS that the Applicant shall have its costs of this Application, up to and including entry and service of this Order, provided for by the terms of the Application security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Comsale Entities' estates with such priority and at such time as this Court may determine.

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

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

NOV 05 2019

PER/FAR: *RW*

Conway

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that Grant Thornton Limited, the receiver (the "**Receiver**") of the assets, undertakings and properties of Comsale Computer Inc., Comsale Group Inc., Comsale Inc., Comsale Hong Kong Limited and Comsale Malaysia Sdn. Bhd. (collectively, the "**Comsale Entities**") acquired for, or used in relation to a business carried on by the Comsale Entities, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the 5th day of November, 2019 (the "**Order**") made in an action having Court file number CV-19-_____, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$_____, being part of the total principal sum of \$_____ which the Receiver is authorized to borrow under and pursuant to the Order.

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

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

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

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver

to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

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

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

DATED the ____ day of _____, 20__.

Grant Thornton Limited, solely in its capacity
as Receiver of the Property, and not in its
personal capacity

Per: _____

Name:

Title:

IN THE MATTER OF Section 101 of the *Courts of Justice Act*, R.S.O. 1990 c. C.43, as amended, and in the matter of Section 243(1) of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended.

HSBC BANK CANADA

- and -

COMSALE COMPUTER INC. et al.

Applicant

Respondents

Court File No. CV-19- 630501-0026

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

ORDER
(appointing Receiver)

Thornton Grout Finnigan LLP
TD West Tower, Toronto-Dominion Centre
100 Wellington Street West, Suite 3200
Toronto, ON M5K 1K7
Fax: (416) 304-1313

D.J. Miller (LSO# 34393P)
Email: djmillier@tgf.ca / Tel: (416) 304-0559

Rachel Bengino (LSO# 68348V)
Email: rbengino@tgf.ca / Tel: (416) 304-1153

Lawyers for the Applicant, HSBC Bank Canada

Appendix “D”

INFORMATION RESOURCES

ANNEX A

WHILST EVERY ENDEAVOR IS MADE TO ENSURE THAT INFORMATION PROVIDED IS UPDATED AND CORRECT. THE AUTHORITY DISCLAIMS ANY LIABILITY FOR ANY DAMAGE OR LOSS THAT MAY BE CAUSED AS A RESULT OF ANY ERROR OR OMISSION.

**Business Profile (Company) of COMSALE SINGAPORE PRIVATE LIMITED
(201828925K)**

Date: 13/11/2019

The Following Are The Brief Particulars of :

Registration No.	:	201828925K
Company Name.	:	COMSALE SINGAPORE PRIVATE LIMITED
Former Name if any	:	
Incorporation Date.	:	23/08/2018
Company Type	:	PRIVATE COMPANY LIMITED BY SHARES
Status	:	Live Company
Status Date	:	23/08/2018

Principal Activities

Activities (I)	:	WHOLESALE OF COMPUTER HARDWARE AND PERIPHERAL EQUIPMENT (EXCEPT CYBERSECURITY RELATED HARDWARE AND PERIPHERAL EQUIPMENT) (46511)
Description	:	
Activities (II)	:	WHOLESALE OF COMPUTER ACCESSORIES (EG MEMORY CARDS, COMPUTER CABLES) (46513)
Description	:	

Capital

Issued Share Capital (AMOUNT)	Number of Shares *	Currency	Share Type
100	1000	SINGAPORE, DOLLARS	ORDINARY

* Number of Shares includes number of Treasury Shares

Paid-Up Capital (AMOUNT)	Number of Shares	Currency	Share Type

COMPANY HAS THE FOLLOWING ORDINARY SHARES HELD AS TREASURY SHARES

Number Of Shares	Currency

INFORMATION RESOURCES

WHILST EVERY ENDEAVOR IS MADE TO ENSURE THAT INFORMATION PROVIDED IS UPDATED AND CORRECT. THE AUTHORITY DISCLAIMS ANY LIABILITY FOR ANY DAMAGE OR LOSS THAT MAY BE CAUSED AS A RESULT OF ANY ERROR OR OMISSION.

**Business Profile (Company) of COMSALE SINGAPORE PRIVATE LIMITED
(201828925K)**

Date: 13/11/2019

Registered Office Address : 1 ROCHOR CANAL ROAD
#04-13A
SIM LIM SQUARE
SINGAPORE (188504)

Date of Address : 30/11/2018

Date of Last AGM :

Date of Last AR :

FYE As At Date of Last AR :

Audit Firms**NAME**

LEE & JONATHAN PAC

Charges

Charge No.	Date Registered	Currency	Amount Secured	Chargee(s)
------------	-----------------	----------	----------------	------------

Officers/Authorised Representative(s)

Name	ID	Nationality	Source of Address	Date of Appointment
Address		Position Held		
SHAUL NEIL	HM107136	CANADIAN	ACRA	23/08/2018
158 WALLENBERG DRIVE, MAPLE, ONTARIO, L6A 4M2, CANADA		Director		
HUANG LI	S8481904B	SINGAPORE CITIZEN	ACRA	23/08/2018
164 GANGSA ROAD #03-82 SINGAPORE (670164)		Director		
FENG WENQIANG	HP743632	CANADIAN	ACRA	23/08/2018
517-39 PEMBERTON AVENUE, TORONTO, ONTARIO, M2M 4L6, CANADA		Director		
SOH KIAN HWA	S8009494I	SINGAPORE CITIZEN	ACRA	23/08/2018

Authentication No. : O19824540E

INFORMATION RESOURCES

WHILST EVERY ENDEAVOR IS MADE TO ENSURE THAT INFORMATION PROVIDED IS UPDATED AND CORRECT. THE AUTHORITY DISCLAIMS ANY LIABILITY FOR ANY DAMAGE OR LOSS THAT MAY BE CAUSED AS A RESULT OF ANY ERROR OR OMISSION.

**Business Profile (Company) of COMSALE SINGAPORE PRIVATE LIMITED
(201828925K)**

Date: 13/11/2019

Officers/Authorised Representative(s)

Name	ID	Nationality	Source of Address	Date of Appointment
Address		Position Held		
259C COMPASSVALE ROAD #14-633 SINGAPORE (543259)		Secretary		

Shareholder(s)

Name	ID	Nationality/Place of incorporation/Origin	Source of Address	Address Changed
Address				
1	COMSALE GROUP INC.	T18UF6507G	CANADA	ACRA
18B-3200 DUFFERIN STREET SUITE 323, TORONTO ONTARIO M6A 0A1, CANADA				
Ordinary(Number)	Currency			
1000	SINGAPORE, DOLLARS			

Abbreviation

UL - Local Entity not registered with ACRA

UF - Foreign Entity not registered with ACRA

AR - Annual Return

AGM - Annual General Meeting

FS - Financial Statements

FYE - Financial Year End

OSCARS - One Stop Change of Address Reporting Service by Immigration & Checkpoint Authority.

Note :

- The information contained in this Business Profile is extracted from lodgements filed by this entity with ACRA.

- The list of officers for this entity is available for online authentication within 30 days from the date of purchase of this Business Profile. Please scan the QR code available on the last page of this profile to access the authentication page. For more information, please visit www.acra.gov.sg.

Authentication No. : O19824540E

INFORMATION RESOURCES

WHILST EVERY ENDEAVOR IS MADE TO ENSURE THAT INFORMATION PROVIDED IS UPDATED AND CORRECT. THE AUTHORITY DISCLAIMS ANY LIABILITY FOR ANY DAMAGE OR LOSS THAT MAY BE CAUSED AS A RESULT OF ANY ERROR OR OMISSION.

**Business Profile (Company) of COMSALE SINGAPORE PRIVATE LIMITED
(201828925K)**

Date: 13/11/2019



TAN YONG TAT

FOR REGISTRAR OF COMPANIES AND BUSINESS NAMES
SINGAPORE

RECEIPT NO. : ACRA191113173862

DATE : 13/11/2019

CERTIFICATE OF PRODUCTION OF STATEMENT BY COMPUTER

This is to certify that the computer printed statement dated 13/11/2019 in respect of

Name of Company : **COMSALE SINGAPORE PRIVATE LIMITED**

Registration No. : **201828925K**

annexed hereto marked 'A'

(a) was produced by the Authority's computer system ('the computer') during a period over which the computer was used regularly for the purpose of the activities regularly carried on over the period of this authority.

(b) contains information of the kind that was regularly supplied to the computer in the ordinary course of the activities carried on by this authority over the period.

(c) was produced during the material part of that period when the computer was operating properly and,

(d) contains information which is reproduced or derived from information supplied to the computer in the ordinary course of the activities carried out by the authority.



TAN YONG TAT

ASST REGISTRAR OF COMPANIES AND BUSINESS NAMES

ACCOUNTING AND CORPORATE REGULATORY AUTHORITY (ACRA)

SINGAPORE

RECEIPT NO. : ACRA191113173862



Authentication No. : O19824540E

Appendix “E”



COMSALE COMPUTER INC

11ST / GST REG NO. B00845010

PROFORMA INVOICE

COMSALE COMPUTER INC
111 Snidercroft Rd, Unit B
Concord, ON L4K 2J8, Canada
Phone: 905-761-6466 Fax: 1-888-526-0190
Sales Person: Sam Tse
Tel/WA: +8615913176170

DATE: 05/28/19
INVOICE #: MP1/CA/19/05/008
TERM:
PURCHASE ORDER: 5520190528_L
SALES ORDER: MSO/CA/19/05/008
PAGE: 1/1

BILL TO

SIU SUM INDUSTRIAL (HK) LIMITED
Shop 78, 1/F., Golden Computer Centre,
Yen Chow St.,
Sham Shui Po, Kowloon
Hong Kong
Contact Person: Ms Iris Tsang (Tel: 852-94346826)

SHIP TO

SIU SUM INDUSTRIAL (HK) LIMITED
Shop 78, 1/F., Golden Computer Centre,
Yen Chow St.,
Sham Shui Po, Kowloon
Hong Kong
Contact Person: Ms Iris Tsang (Tel: 852-94346826)

No.	DESCRIPTION	H.S. CODE	UNIT PRICE	QUANTITY	AMOUNT
1	DESKTOP HP 800G1 (SFF) 15-4TH 8GB 256SSD Win 10 Home		\$ 220.00	40	\$8,800.00
2	DESKTOP HP 800G1 (SFF) 15-4TH 8GB 256SSD Win 10 Pro		\$ 230.00	10	\$2,300.00
3	DESKTOP HP 800G1 (USFF) 15-4TH 8GB 256SSD Win 10 Home		\$ 220.00	20	\$4,400.00
4	DESKTOP DELL 7020 (SFF) 15-4TH 8GB 256SSD Win 10 Home		\$ 220.00	20	\$4,400.00
5	DESKTOP LENOVO M92-P (USFF) 15-3TH 8GB 256SSD Win 10 Home		\$ 189.00	20	\$3,780.00

USD Twenty Three Thousand Six Hundred Eighty Dollars and No Cents

Total Amount without GST	110	\$23,680.00
GST	Zero Rated	\$0.00
Total Amount with GST		\$23,680.00
Currency		USD

Please wire transfer to, Comsale Singapore Private Limited | The Hongkong and Shanghai Banking Corporation Limited Account Number 052-538543-001(SGD) or 260-231329-178(USD)
Branch Address - 21 Collyer Quay, HSBC Building Level 1, Singapore 049320, Bank Code 7232 and Swift Code HSBCSGSG

This document is generated by computer, no signature is required

IN THE MATTER OF Section 101 of the *Courts of Justice Act*, R.S.O. 1990 c. C.43, as amended, and in the matter of Section 243(1) of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended.

HSBC BANK CANADA

and

COMSALE COMPUTER INC. et. al.

Applicant

Respondents

Court File No.: CV-19-630501-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding commenced at Toronto

FIRST REPORT OF THE RECEIVER
DATED DECEMBER 13, 2019

THORNTON GROUT FINNIGAN LLP
Barristers & Solicitors
100 Wellington Street W Suite 3200
Toronto, Canada M5K 1K7

D.J. Miller
E: djmiller@tgf.ca
T: (416) 304-0559

Rachel Bengino
E: rbengino@tgf.ca
T: (416) 304-1153

Lawyers for the Court-appointed Receiver

Tab 3

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	FRIDAY THE 20TH
	)	
JUSTICE	)	DAY OF DECEMBER, 2019

IN THE MATTER OF Section 101 of the *Courts of Justice Act*, R.S.O. 1990 c.C.43, as amended, and in the matter of Section 243(1) of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended.

B E T W E E N:

HSBC BANK CANADA

Applicant

- and -

COMSALE COMPUTER INC., COMSALE INC., COMSALE GROUP INC., COMSALE HONG KONG LIMITED AND COMSALE MALAYSIA SDN. BHD.

Respondents

ORDER
(Expanding Receivership Order and Approving Sale Process)

THIS MOTION made by Grant Thornton Limited in its capacity as the Court-appointed receiver and manager (the “**Receiver**”) of the undertaking, property and assets of Comsale Computer Inc., Comsale Group Inc., Comsale Inc., Comsale Hong Kong Limited and Comsale Malaysia Sdn. Bhd. (collectively, the “**Comsale Entities**”) for an order (i) adding Comsale Singapore Private Limited (“**Comsale Singapore**”) as a Respondent in these proceedings; (ii) approving the sale process as described in the Receiver’s First Report to the Court dated December 13, 2019 (the “**First Report**”); and (iii) approving the Receiver’s activities as set out in the First Report and was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the First Report and on hearing the submissions of counsel for the Applicant and the Receiver, no one else appearing for any other person on the service list, although properly served as appears from the affidavit of Rachel Bengino sworn December 12, 2019;

COMSALE SINGAPORE PRIVATE LIMITED

1. THIS COURT ORDERS that the definition of “Comsale Entities” in the Order granted by this Court on November 5, 2019 (the “**Receivership Order**”) shall be expanded to include Comsale Singapore pursuant to section 101 of the *Courts of Justice Act*, R.S.O. 1990 c.C.43. Further, the definition of “Property” in the Receivership Order shall be expanded to include the business carried on by Comsale Singapore, including all proceeds thereof. The style of cause of the within proceedings shall be amended to include Comsale Singapore as a Respondent.

APPROVAL OF SALE PROCESS

2. THIS COURT ORDERS that the sale process, as described in the First Report (the “**Sale Process**”), be and is hereby approved and the Receiver is hereby authorized and directed to take such steps as it deems necessary or advisable to carry out the Sale Process, with such amendments thereto as the Receiver reasonably requires is necessary in its discretion.

3. THIS COURT ORDERS that the Receiver shall maintain separate accounting of any sale proceeds realized in the Sale Process for each of the Comsale Entities.

4. THIS COURT ORDERS that the Receiver shall have no personal or corporate liability with respect to any losses, claims, damages or liability of any nature or kind to any person in connection with or as a result of performing its duties under the Sale Process (including, without limitation, through the disclosure of any and all information or documentation regarding the Comsale Entities), except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct of the Receiver, as determined by the Court.

APPROVAL OF ACTIVITIES

5. THIS COURT ORDERS that the First Report and actions, decisions and conduct of the Receiver as set out in the First Report are hereby authorized and approved; provided, however,

that only the Receiver, in its personal capacity and only with respect to its own personal liability, shall be entitled to rely upon or utilize in any way such approval.

GENERAL

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

IN THE MATTER OF Section 101 of the *Courts of Justice Act*, R.S.O. 1990 c. C.43, as amended, and in the matter of Section 243(1) of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended.

HSBC BANK CANADA

- and -

COMSALE COMPUTER INC. et al.

Applicant

Respondents

Court File No. CV-19-630501-00CL

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

Proceedings commenced at Toronto

**ORDER
(Expanding Receivership Order and Approving Sale
Process)**

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Lawyers for the Court-appointed Receiver

IN THE MATTER OF Section 101 of the *Courts of Justice Act*, R.S.O. 1990 c.C.43, as amended, and in the matter of Section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended

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**MOTION RECORD
(Returnable December 20, 2019)**

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