Court File No.: CV-19-00612265-0000

ONTARIO

SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

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

B E T W E E N:

TEMISKAMING DEVELOPMENT FUND CORPORATION,

Applicant

- and -

1793082 ONTARIO LTD., o/a K.D. QUALITY PELLETS

Respondent

FIRST REPORT OF THE RECEIVER

May 14, 2019

GrantThornton

Grant Thornton Limited
200 King Street West, 11th Floor
Toronto, Ontario
M5H 3T4

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CONFIDENTIAL APPENDICES

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FIRST REPORT OF THE RECEIVER

May 14, 2019

INTRODUCTION

1. This report (the "**First Report**") is filed by Grant Thornton Limited ("**GTL**") in its capacity as receiver and manager (in such capacities, the "**Receiver**") of 1793082 Ontario Ltd., o/a K.D. Quality Pellets ("**KD Pellets**" or the "**Company**") pursuant to an order issued by the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated February 22,

2019 (the “**Receivership Order**”). A copy of the Receivership Order and corresponding endorsement are collectively attached hereto as **Appendix “1”**.

PURPOSE OF THIS FIRST REPORT

2. The purpose of this First Report is to update the Court on these receivership proceedings (the “**Receivership Proceedings**”) and to provide information to the Court to support the Receiver’s request for:

(a) an order (the “**Approval and Vesting Order**”):

(i) approving a transaction (the “**Sale Transaction**”) contemplated by the agreement of purchase and sale entered into by the Receiver and BioNorth Technology Holdings Corporation (“**Bionorth**” or the “**Purchaser**”) dated April 17, 2019 (as amended, the “**Sale Agreement**”) and vesting the right, title and interest of the Company, if any, in and to the Purchased Assets (as defined in the Sale Agreement) in the Purchaser free and clear of all claims and encumbrances;

(ii) upon the closing of the Sale Transaction, the Receiver is directed to hold the Disputed Collateral Escrow Amount (as defined below) and the Disputed Collateral (as defined below) in escrow pending resolution of claims in respect of the Disputed Collateral;

(iii) sealing **Confidential Appendices “1”**, **“2”**, and **“3”** to this First Report until the completion of the Sale Transaction, or further Order of this Court;

(b) an order:

(i) directing Kenneth Andrew Doupe (“**Mr. Doupe**”), the principal of KD Pellets, to (1) provide the Receiver and its counsel with any and all outstanding Books and Records (as defined below) and specifically certain requested financial and tax related information as it pertains to the Company and as required by the Receiver for a proper account reconciliation and assessment of the Company for tax purposes (the "**Financial Information**"); and (2) immediately return the Missing Assets to the Premises (both as defined herein);

(ii) approving the Interim Receiver's Report, the Proposed Receiver's Report (both as defined herein), the First Report, and the conduct and activities of GTL as respectively described therein;

(iii) approving the fees and disbursements of the Receiver and its legal counsel, Cassels Brock & Blackwell LLP ("**Cassels**"); and

(c) such further and other relief as counsel may advise and this Court may permit.

RESTRICTIONS AND TERMS OF REFERENCE

3. In preparing this First Report, the Receiver has relied upon unaudited and certain audited financial information, the Company's books and records, certain financial information obtained by third parties, and discussions with various individuals (collectively, the "**Information**"). The Information has not been audited by the Receiver as to its accuracy or completeness, nor has it necessarily been prepared in accordance with Generally Accepted Accounting Principles ("**GAAP**") or International Financial Reporting Standards (**"IFRS**") and the reader is therefore cautioned that this First Report may not disclose all significant matters about the Company.

4. This First Report has been prepared for the use of this Court to provide general information and an update relating to the Receivership Proceedings for the purpose of assisting the Court in making a determination as to whether to approve the relief sought. This First Report should not be relied on for any other purpose. The Receiver will not

assume responsibility or liability for losses incurred as a result of the circulation, publication, reproduction or use of this First Report contrary to the provisions of this paragraph.

5. A copy of this First Report and other relevant documents with respect to these Receivership Proceedings are available on the Receiver's case website: www.GrantThornton.ca/KDQP (the "**Case Website**").

6. Capitalized terms not defined in this First Report have the meanings ascribed to them in the Initial Application and/or the Proposed Receiver's Report (each as defied below).

7. All references to dollars are in Canadian currency unless otherwise noted.

BACKGROUND

Company Overview

8. KD Pellets operated a purpose built pellet processing plant (the "**Pellet Plant**"), constructed in 2013, capable of producing 90,000 tonnes of industrial and residential grade wood pellets. The Pellet Plant is located on a 89.93 acre parcel of land located at 999582 Highway 11 North, Harley, Ontario[1] (the "**Real Property**" or the "**Premises**") and consists of four (4) buildings that include, among others, (i) a 12,100 sq. ft. pellet processing plant, including an office space attached to same, and (ii) a 14,880 sq. ft. open storage facility for the storage of wood fibre.

9. The Company completed construction of the Pellet Plant in December 2013 and began operations in January 2014. From inception up to January 2016, the Pellet Plant was

[1] Legal description: PT N 1/2 LT 7 CON 4 HARLEY PT 2 54R5414; PT N 1/2 LT 8 CON 4 HARLEY PT 1, 54R5437 HARLEY; DISTRICT OF TIMISKAMING; PIN 61311-0291; SUBJECT TO AN EASEMENT IN GROSS OVER PT 3 54R-5732 AS IN DT46532; SUBJECT TO AN EASEMENT IN GROSS OVER PT 3 54R-5732 AS IN DT46533

focused on producing industrial grade pellets for bulk sale to biomass power generation facilities. When constructed, the Pellet Mill was engineered to house five (5) full pellet production lines (capable of producing 200,000 tonnes per annum), plus fibre drying, and finished pellet bagging capabilities.

10. In mid-2015, KD Pellets' largest customer (accounting for revenues approximately in excess of 70%) terminated its contract with the Company resulting in a significant reduction in revenue. To replace some of the lost revenue, KD Pellets sourced a contract to produce pellets to be sold for residential use in retail chains in Northern Ontario such as Wal-Mart, TSC, and Canadian Tire.

11. In late-2015, due to the issues with the residential pellets produced by the Company, KD Pellets' sourced customer was unable to secure future sales with retailers and, as a result, began defaulting on its payments to KD Pellets, creating cash flow challenges for the Company.

12. To be able to produce and sell residential pellets of acceptable quality, the Company requires a specialized pellet dryer system (a "**Dryer System**") to reduce the moisture content of the wood fibre to an acceptable level. Due to a lack of working capital and available funding, KD Pellets was not able to purchase the Dryer System necessary to produce acceptable residential pellets. As a result, since January 2016, KD Pellets has not operated the Pellet Plant in any significant capacity.

Initial Application & January 10th Order

13. Temiskaming Development Fund Corporation ("**Temfund**" or the "**Applicant**"), a secured creditor of the Company sent the Company a Notice to Enforce Security on December 11, 2018 under section 244 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") and thereafter on January 9, 2019 filed an

application with the Court (the "**Initial Application**") seeking, among other things, an order:

(a) appointing GTL as monitor, without security, over all of the property, assets, and undertakings of the Company;

(b) appointing GTL as receiver and manager, without security, over all of the property, assets, and undertakings of the Company, the hearing of which to be made on at least seven (7) days' notice; and

(c) approving and authorizing a proposed sale process (the "**Sale Process**") of the properties, assets, and undertakings (collectively, the "**Property**") as outlined in a report issued by GTL, as the "proposed receiver" dated January 7, 2019 (the "**Proposed Receiver's Report**"), a copy of which is attached hereto as **Appendix "2"**.

14. On January 10, 2019, the Court issued an order (the "**January 10th Order**") that, among other things:

(a) granted Temfund the right to appoint an authorized representative (in such capacities, the "**Representative**"), with respect to its secured interest in the Property of the Company;

(b) granted Temfund or its appointed Representative immediate, reasonable and unrestricted access to the Premises and the Pellet Plant;

(c) permitted the Applicant to appoint GTL as its Representative; and

(d) directed the Company to maintain the Property and the Premises including paying all utilities and insurance payments in respect of same.

A copy of the January 10th Order and corresponding endorsement are collectively attached hereto as **Appendix "3"**.

15. On January 15, 2019, pursuant to an engagement letter between GTL and Temfund, GTL was engaged to act in the capacity of Representative on behalf of Temfund in accordance with the January 10th Order.

16. Upon its appointment as Representative, GTL engaged in various discussions with Mr. Doupe, Evans Bragagnolo & Sullivan LLP, the Company's counsel, and certain creditors of KD Pellets. In its discussions with the aforementioned individuals, among other things, GTL was made aware of the following:

    (a) there was no active insurance coverage over the Premises or the property contained therein, in contravention of the January 10th Order;

    (b) the Company's hydro provider, Hydro One Networks Inc. ("**Hydro One**"), had repeatedly contacted Mr. Doupe threatening to disconnect and discontinue the hydro services in the absence of payment to Hydro One and arrears of approximately six (6) months was owing to Hydro One;

17. Furthermore, GTL had been advised by Mr. Doupe that KD Pellets did not have the funding required to secure the required insurance nor pay the arrears owing to Hydro One. As a result of this information, Temfund became concerned with the Company's non-compliance with the January 10th Order and the absence of a timeline for which the Company may become compliant.

18. As a result of the non-compliance with the January 10th Court Order, specifically the threat of Hydro One disconnecting services to the Premises, Temfund's counsel, accompanied by a representative from GTL, attended Court on January 18, 2019 on an

emergency basis. On that day, the Honourable Justice Mr. McEwen issued an endorsement (the "**Hydro Endorsement**") that, among other things:

(a) scheduled a hearing on January 22, 2019 to hear arguments for potential interim relief to be granted to Temfund; and

(b) ordered Hydro One to continue to provide ongoing services to the Premises pending the hearing scheduled on January 22, 2019.

A copy of the Hydro Endorsement is attached hereto as **Appendix "4"**.

<u>Interim Receivership Order</u>

19. On January 22, 2019, the Court issued an Order (the "**Interim Receivership Order**") that, among other things, appointed GTL as the interim receiver and manager (in such capacities, the "**Interim Receiver**") of the Property. As outlined in paragraph three (3) of the Interim Receivership Order, the Interim Receiver was authorized to take possession of and exercise control over the Property and perform reasonable steps to protect and preserve same. In addition to the Interim Receivership Order, Mr. Justice McEwen issued an endorsement that scheduled a return date of February 12, 2019 for the matter of the appointment of a receiver and manager to be heard. A copy of the Interim Receivership Order and supporting endorsement are collectively attached hereto as **Appendix "5"**.

20. During the interim receivership proceedings (the "**Interim Receivership Proceedings**"), the Interim Receiver filed a report to Court dated February 8, 2019 (the "**Interim Receiver's Report**") which, among other things, outlined the activities of the Interim Receiver since its appointment. A copy of the Interim Receiver's Report, without appendices, is attached hereto as **Appendix "6"**.

Receivership Order

21. On February 12, 2019, the Court heard Temfund's application to appoint GTL as receiver and manager of KD Pellets pursuant to Subsection 243(1) of the BIA and Section 101 of the *Courts of Justice Act*, R.S.O. 1990 c. C.43. In addition to Temfund's counsel, GTL, and Cassels, the following parties attended the hearing:

(a) Ken Orser ("**Orser**") – an individual who stated he was representing the interests of KD Pellets and opposed the relief being sought by Temfund;

(b) Jules Roy ("**Roy**") – a subordinated secured creditor on the personal property of KD Pellets; and

(c) Frank Benincasa ("**Benincasa**") – president of Bionorth Technology Holdings Corporation ("**BioNorth**"), a secured creditor of the Company.

22. Prior to the hearing, Orser advised Temfund, BioNorth, and GTL (as Interim Receiver) that it was able to obtain financing to satisfy the outstanding debts of the Company and requested that Temfund allow for additional time to negotiate a mutual settlement and payment arrangement outside of the relief being sought. After protracted discussions, Temfund, BioNorth, and Orser (on behalf of KD Pellets) agreed to adjourn Temfund's application for a receiver and manager to March 1, 2019 to allow for additional time to negotiate a mutual agreement, provided that:

(a) Orser, on behalf of KD Pellets, advance an amount of $25,000 to the Interim Receiver by no later than February 14, 2019 to cover the costs incurred by the Interim Receiver since its appointment to preserve the Property (the "**IR Funding Amount**"); and

(b) Orser, on behalf of KD Pellets, advance additional amounts, if required, up to a maximum of $25,000 to cover any additional costs incurred by the Interim Receiver up to the scheduled March 1, 2019 hearing date; and

(c) if the above payments were not received as stated above, a receivership order was to be issued.

23. On February 12, 2019, Mr. Justice McEwen issued an endorsement (the "**February 12 Endorsement**") outlining the above agreement between the parties. A copy of the February 12 Endorsement is attached hereto as **Appendix "7"**.

24. Notwithstanding additional extensions provided by Temfund, the IR Funding Amount was never received. Accordingly, on February 21, 2019, counsel to Temfund attended Court for the issuance of the receivership order and an order approving the Sale Process. Orser also attended the hearing and requested that the Court provide an additional 24 hour extension for him to provide the IR Funding Amount; an endorsement was subsequently issued by the Court approving Orser's request. A copy of the endorsement issued by Mr. Justice McEwen is attached hereto as **Appendix "8"**.

25. On February 22, 2019, after still not receiving the IR Funding Amount, counsel to Temfund attended at Court and Mr. Justice McEwen issued the Receivership Order. In addition, on February 22, 2019 the Applicant sought an order approving a proposed Sale Process, pursuant to paragraph 12 of the Proposed Receiver's Report (the "**Sale Process Approval Order**"). In an effort to maximize realizations, the Receiver recommended to the Court that the Sale Process be conducted in an efficient and expedited timeline in part due to: (i) the high occupancy costs of the Premises relative to the estimated recovery from KD Pellets' assets; (ii) the fact that the Receiver was not operating the Company's business; and (iii) the fact that parties had already expressed interest in purchasing some or all of the Property.

26. On February 22, 2019, Mr. Justice McEwen granted the Sale Process Order. A copy of the Sale Process Approval Order is attached hereto as **Appendix "9"**.

SUMMARY OF SALE PROCESS

27. Paragraph 2 of the Sale Process Approval Order authorized the Receiver to market for sale any or all of the assets of the Company and to negotiate the terms and conditions of sale as the Receiver deemed appropriate.

28. The assets of KD Pellets are comprised of: (i) the Premises; (ii) the Pellet Plant; (iii) general machinery and equipment; and (iv) office furniture and equipment. The Receiver excluded the Company's books and records, accounts receivable, and intellectual property from the Sale Process.

29. As discussed below, the Receiver has very limited Books and Records (as defined below) pertaining to the Company. With the assistance of the previous plant manager of KD Pellets, who was retained by the Receiver (the "**Retained Employee**") on a contract basis, and based on the Company's limited books and records, the Receiver reviewed and categorized all of the known assets into nine (9) separate parcels (collectively, the "**Parcels**" and individually, a **"Parcel**"). When setting the Parcels, the Receiver also considered the various security registrations made by various creditors on assets and/or groups of assets to ensure that proceeds from a sale of same could be appropriately allocated and distributed. A summary of the Parcels included in the Sale Process was included in the table below (a more detailed listing of the assets contained in each Parcel is attached to the Offer Form contained in the Information Memorandum, both as defined herein):

Parcel	Parcel Name	Parcel Description
Parcel 1	Land & Buildings	The Premises and the four (4) buildings totaling 27,220 sq. ft. situation on same
Parcel 2	Pellet Mill Equipment	Two (2) pellet processing lines installed in the and the exterior silos & auger system that feeds the same
Parcel 3	Lab Equipment	Various testing / quality measurement instrument equipment
Parcel 4	CAT Loader	A 2012 Caterpillar 950K Wheel Loader
Parcel 5	Train Grain Loaders	Two 2014 “Lode King” Grain Loaders
Parcel 6	Horizontal Wood Grinder	A 2006 Vermeer Horizontal Industrial Grinder including a CAT C16 Engine (s/n BFM002822)
Parcel 7	Other Moveable Equipment	A forklift, a 15 x 45 grain-belt, and other equipment
Parcel 8	Office Equipment	Desks, tables, TV’s, monitors, and computers
Parcel 9	Other Assets	Shelving, appliances, storage bins, etc.

30. As noted in paragraph 74 below, upon receiving further documentation, Parcel 5 was removed from the Sale Process and has been excluded from the Sale Agreement / Sale Transaction with the Purchaser**.**

31. In an effort to run an efficient and cost-effective Sale Process, the Receiver conducted the Sale Process that allowed for parties interested in same to conduct due diligence over a six (6) week period with a deadline to submit Offers (defined below) of April 17, 2019 (the “**Offer Deadline**”). The following paragraphs in this section of this First Report provide a summary of the Sale Process and the results of same.

Identification of Known Potential Bidders

32. On or around February 20, 2019, the Receiver began to prepare a list of potential bidders to approach as part of the Sale Process, including but not limited to:

(a) parties identified through industry research that had expressed interest in, or had existing investments in the pellet production industry, including those who operated biomass power plants;

(b) parties who had participated in sale processes previously conducted by GTL in its capacity as receiver and manager of other pellet mills / related entities located in Ontario, British Columbia, and Nova Scotia;

(c) parties that had approached the Receiver, Temfund, or any other party indicating an interest in the Sale Process; and

(d) local and international strategic and financial parties who the Receiver believed may be interested in the Sale Process.

Upon conclusion of this process, the Receiver initially identified 187 potential bidders (the "**Known Potential Bidders**") which can be categorized as follows:

Entity Type	Description	Quantity
Pellet & Wood Product Producers	Entities who produce wood pellets and/or other various wood products	116
Private Equity Firms	Private Equity funds that participate in the forestry and/or biomass space	21
Auctioneers & Liquidators	General and specialized liquidators and auctioneers	16
Entities in the Biomass Energy Sector	Entities involved in a renewable energy industry (production or distribution)	14
Individual Investors	Individuals interested in either equipment or land investments	13
Other	Various other parties / individuals	7

33. Further, the below table represents the geographic location of the 187 Known Potential Bidders:

Geographic Region	Quantity
United States	75
Central Canada	49
Western Canada	29
Eastern Canada	15
Other	12
International	7

34. On or around February 25, 2019, the Receiver, began the setup and preparation of the initial materials for the electronic data room (the "**Data Room**").

35. In consultation with Temfund, the Receiver prepared the following documents to support and advertise the Sale Process:

(a) a notice of the Sale Process, which was published in the *National Post* (National Edition) on March 7, 2019 and March 9, 2019, a copy of which is attached hereto as **Appendix "10"**;

(b) an advertisement of the Sale Process, which was featured in the *Canadian Biomass Magazine* E-Newsletter on March 6, 2019 and posted on the *Canadian Biomass Magazine* website (www.canadianbiomassmagazine.ca) from March 6, 2019 to April 6, 2019. Copies of the E-Newsletter and website advertisements are collectively attached hereto as **Appendix "11"**;

(c) an introduction email highlighting the assets for sale, outlining the Sale Process itself, and inviting recipients to express their interest in participating in the Sale Process (the "**Solicitation Email**"), a copy of which is attached hereto as **Appendix "12"**;

(d) an information memorandum (the "**Information Memorandum**"), describing the assets and Sale Process in greater detail, which was made available by the Receiver to Prospective Bidders (defined below), a copy of which is attached hereto as **Appendix "13"**; and

(e) a form of agreement of purchase and sale (the "**Draft Sale Agreement**") and offer form (the "**Offer Form**").

<u>Solicitation of Interest and Identification of Interested Parties</u>

36. On March 7, 2019, the Receiver began contacting the Known Potential Bidders. The Receiver had contacted all of the Known Potential Bidders by March 8, 2019.

37. From the advertisements in the *National Post, Insolvency Insider,* and *Canadian Biomass Magazine*, and from the news of the Sale Process circulating among other industry participants, the Receiver was contacted by an additional 13 parties who expressed interest in the Sale Process (together with the Known Potential Bidders, totaling 200, the "**Potential Bidders**").

38. The Receiver provided the Potential Bidders with the Solicitation Email requesting that they express an interest in the Sale Process to receive further information.

39. Of the Potential Bidders, 38 indicated their interest in the Sale Process and requested that additional information be provided on same (collectively, the "**Interested Bidders**"). Each of the Interested Bidders was provided with: (i) the Information Memorandum (including the Offer Form and standard terms and conditions); (ii) the Draft Sale Agreement; and (iii) access to the Data Room.

40. Throughout the Sale Process, the Receiver updated the documents in the Data Room as necessary, based on the requests of the Interested Bidders. The Interested Bidders

were encouraged to review the materials and documentation in the Data Room and to forward any questions or requests for supplementary information to the Receiver.

Site Visits

41. The Receiver provided all Interested Bidders with the opportunity to schedule site visits to allow for the Interested Bidders to tour the Premises with the Retained Individual (i.e. the former Pellet Plant manager of KD Pellets). Initial site visits were scheduled and attended by four (4) Interested Bidders.

42. On April 16, 2019, the Receiver sent an email reminder to all Interested Bidders regarding the Offer Deadline and outlined the required documentation as follows:

(a) a clean, executed copy of the Draft Sale Agreement;

(b) a blackline document outlining the changes made to the Draft Sale Agreement provided by the Receiver, if any;

(c) a completed Offer Form; and

(d) a certified cheque or bank draft payable to Grant Thornton Limited, in Trust, in the amount representing 10% of the purchase price submitted.

43. A summary of the Potential Bidders and Interested Bidders prepared by the Receiver is attached hereto as **Confidential Appendix "1"**.

<u>Results of the Sale Process</u>

44. By the Offer Deadline, the Receiver received a total of six (6) offer submissions comprised of the following:

(a) five (5) parcel offers on a combination of different asset parcels (the "**Parcel Offers**" whereby the entities who submitted same are referred to as the "**Parcel Purchasers**");

(b) one (1) going concern offer including substantially all the parcels (the "**Going Concern Offer**" whereby Bionorth submitted same is referred to as the "**Purchaser**")

(collectively, the "**Offers**" and individually, an "**Offer**")

45. A summary of the Offers prepared by the Receiver is hereto attached as **Confidential Appendix "2"**. Notwithstanding that the Draft Sale Agreement provided by the Receiver to Interested Bidders contemplated an offer, without any conditions, certain of the Offers included certain deletions, due diligence conditions and/or other additional conditions.

46. Of the five (5) Parcel Offers, three (3) Parcel Purchasers submitted en bloc offers, one (1) Parcel Purchaser submitted an Offer for a single Parcel, and one (1) Parcel Purchaser submitted a non-en bloc Offer.

47. Shortly after the Offer Deadline, the Receiver contacted the Purchaser to commence discussions over the terms of the executed and submitted agreement of purchase and sale and to obtain an understanding of the changes made to the Draft Sale Agreement provided by the Receiver. Subsequent to the Receiver's discussions, the Purchaser, and their respective counsel, worked to finalize the terms of an agreement of purchase and sale and agreed clarification of terms in a letter between counsel to the Purchaser and the Receiver.

48. The Receiver provided an update to the secured lenders whom have the primary vested economic interests in the Purchased Assets, namely: (i) the Applicant, Temfund; (ii) Northern Ontario Heritage Fund Corporation ("**NOHFC**"); and (iii) South Temiskaming Community Futures Development Corp. ("**STCFDC**") (collectively, the "**Community Lenders**") on the Offer and the agreement of purchase and sale submitted by the Purchaser.

Sale Agreement

49. On April 25, 2019, the Receiver executed the Sale Agreement with the Purchaser with respect to the Purchaser's offer (the "**Purchaser's Offer**"), an unredacted copy of which is attached hereto as **Confidential Appendix "3"**. A copy of the Sale Agreement with financial terms redacted is attached hereto as **Appendix "14"**.

50. The Sale Agreement contemplates a purchase of all the Purchased Assets (as defined by the Sale Agreement) by the Purchaser, who intends to recommence the operations of the Pellet Plant and re-hire certain past employees of KD Pellets for a substantial cash consideration (the "**Cash Consideration**"). In addition, the Purchaser agreed to have certain secured claims on the moveable property of the Company and its secured claim (behind the Community Lenders) on the real property released (the "**Security Release**").

51. The Purchaser has paid a 10% deposit to the Receiver towards the Cash Consideration, and the balance of the Cash Consideration is due on closing. Closing is scheduled for 10 business days following the approval by the Court of the Sale Agreement, should the Court decide to approve the Sale Transaction.

52. The Cash Consideration alone is substantially better than any other Offer received through the Sale Process and is the best Offer in the Receiver's view for the reasons described below. As discussed below the Receiver has not performed a review of the validity of BioNorth's security.

53. The Receiver has consulted with the Community Lenders, being the parties with the primary economic interest in KD Pellets' Property, who all support the Receiver's decision to enter into the Sale Agreement with the Purchaser.

54. Given the foregoing, the Receiver respectfully requests that this Court issue an order, *inter alia*, approving the Sale Agreement and directing the Receiver to complete the Sale

Transaction with the Purchaser and vesting the Company's right, title and interest in and to the Purchased Assets in the Purchaser free and clear of all claims and encumbrances for the following reasons:

(a) the Sale Process conducted by the Receiver was approved by the Court and, in the Receiver's view, was commercially reasonable;

(b) the potential for the re-hiring of past employees of KD Pellets and the preservation of employment opportunities in the New Liskeard area;

(c) the only substantive condition to the Sale Agreement is Court approval;

(d) the Cash Consideration is substantially higher than any other bid received;

(e) the Sale Transaction contemplates the sale of substantially all of the Property and not specific and isolated parcels; and

(f) the Community Lenders support the completion of the Sale Transaction.

CONFIDENTIALITY OF THE SALE PROCESS

55. The Receiver is of the view that **Confidential Appendices "1"**, "**2"** and "**3"** should remain sealed until further Order of the Court or the filing of the Receiver's Certificate (as defined in the Approval and Vesting Order), as the information contained therein is commercially sensitive and would prejudice the Sale Process should the Sale Transaction not close for any reason. In the absence of a sealing order, third parties would have full knowledge of the particulars of the Sale Process results and the Sale Agreement prior to completion, which may adversely affect future realizations.

56. The Receiver is not aware of any party who would be prejudiced if the information in **Confidential Appendices "1"**, **"2"** and "**3"** is sealed.

MATTERS REGARDING MR. DOUPE

Financial Information

57. Upon being appointed as Interim Receiver and taking possession of the Premises on January 23, 2019, GTL noted that there were little to no physical books and records located on the Premises nor were there any relevant electronic books and records (the "**Books and Records**") located on the Premises. At the time, GTL also noted that the computers that were located in the office space of the Premises were missing (the monitors to such computers remained).

58. As a result, GTL in its role as Interim Receiver and as Receiver has had to administer the respective proceedings with little to no information, financial or other, with respect to the Company.

59. In its role as Representative, Interim Receiver, and Receiver, GTL has, on numerous occasions, requested that the remaining Books and Records and specifically the Financial Information which was not provided in the Books and Records of the company be provided by Mr. Doupe. The Receiver has contacted various third-parties to whom Mr. Doupe advised held the Financial Information, however, such parties have all indicated that Mr. Doupe is the one who has access to the Financial Information.

60. As a result of the unresponsive and uncooperative conduct of Mr. Doupe, the Receiver, by way of a letter dated April 2, 2019 (the "**April 2nd Letter**"): (i) outlined to Mr. Doupe his obligation under the Receivership Order to provide the Financial Information; (ii) demanded that the Financial Information be provided forthwith; and (iii) advised Mr. Doupe of his potential director liability with respect to the CRA Claim (as defined and discussed below) and that such Financial Information would assist the Receiver in allowing it to property quantify, and potentially reconcile same.

61. Notwithstanding the follow-up email correspondence sent on April 11, 2019, the Receiver has not been provided with the Financial Information of the Company nor has it been provided with information as to their whereabouts. Therefore the Receiver is seeking confirmation of the provisions of the Receivership Order and production of the Financial Information in order to gathering the necessary financial information in connection with among other things, various tax matters.

Removed Assets

62. After its appointment, the Receiver was made aware by certain third-parties that certain assets of KD Pellets (leased and/or owned) were removed from the Premises prior to the Interim Receivership Order and placed on the personal property of Mr. Doupe. Upon examination of the Company's very limited Books and Records, the Receiver noted that certain assets recorded on the Company's Books and Records were not located on the Premises (the "**Removed Assets**").

63. As a result, the Receiver, in the April 2nd Letter, provided Mr. Doupe with a listing of the Removed Assets (attached as Schedule "A" to the April 2nd Letter) and demanded that same be returned to the Premises forthwith.

64. On April 3, 2019, Mr. Doupe provided a response to the Receiver indicating that all but two (2) of the Removed Assets: Parcel 3 and Parcel 6 (collectively, the "**Missing Assets**"), had been repossessed in the year prior to the Interim Receivership Proceedings due to non-payment. With respect to the Missing Assets, Mr. Doupe asserted that:

> "*… [the Missing Assets] have not been on the property [of KD Pellets] since last year [as] they are not the property of [KD Pellets] since we have not made payments over 8 months to the leas [sic] company"*.

65. Notwithstanding follow-up email correspondence sent on April 11, 2019, the Missing Assets have not been returned to the Premises. A copy of the April 2nd Letter, Mr. Doupe's response to same, and the Receiver's follow-up correspondence on April 11, 2019 are collectively attached hereto as **Appendix "15"**.

66. Given the above, the Receiver respectively requests that this Court direct Mr. Doupe to: (i) provide the Receiver and its counsel with any outstanding Books and Records and specifically the Financial Infromation; (ii) immediately return the Missing Assets to the Premises; and (iii) cooperate with the Receiver in its administration of the estate.

SECURED LENDERS

67. Based on a review of registrations made under the *Personal Property Security Act* (Ontario) (the "**PPSA**") as of March 7, 2019, the following parties had registered financing statements against substantially all of the Company's personal property (in order of the date of original registration):

Creditor	**Original Registration** *[YYYY/MM/DD]*
STCFDC	2012/07/24
NOHFC	2012/09/14
Temfund	2012/11/09
Royal Bank of Canada ("**RBC**") / BioNorth	2013/12/05
Axiom/Klad Rentals Inc.	2014/03/19
Jules Roy / Valerie Chort	2015/02/02
RJM Inc. / Sarj Equipment Corp.;	2015/02/05
10000728 Ontario Ltd. o/a Baron Finance	2015/11/30
Axiom Leasing Inc.	2018/02/16
Manoj Shivnani;	2019/02/08
Robert Fedrock;	2019/02/08

Sachin Mahajan	2019/02/08
Zinayida Subota	2019/02/08

68. With respect to the above security registrations, on December 13, 2013, KD Pellets, Temfund, NOHFC, STCDFC, and RBC entered into an inter-creditor agreement (the "**Inter-creditor Agreement**") that laid out the following ranking of priority with respect to the Company's personal property:

(a) first – RBC/BioNorth;

(b) second – Temfund, NOHFC, and STCFDC on a *pari passu* basis; and

(c) third – STCFDC.

A copy of the Inter-creditor Agreement is attached hereto as **Appendix "16"**.

69. GTL as Receiver has received an opinion from its independent legal counsel, Cassels, dated May 14, 2019 that is subject to the typical qualifications and assumptions that:

(a) the NOHFC security (including a general security agreement) with respect to the Company is valid and perfected in Ontario and the NOHFC charge on the real property is a valid charge securing the principal amount of $1,000,000: and

(b) the Temfund security (including a general security agreement) creates a valid and perfected security interest in Ontario in the equipment and other of the Company and the Temfund charge on the real property is a valid charge securing the principal amount of $400,000

70. Cassels has not reviewed the security documents granted by the Company to RBC, that was subsequently assigned to BioNorth, as BioNorth, as the Purchaser, has agreed to release its security interest in the Property pursuant to the Sale Agreement (as discussed in detail above).

71. As the Purchase Price, appears to be insufficient to satisfy the entirety of the outstanding indebtedness owing to the Community Lenders, a security opinion was not provided on any registrations made after the Community Lenders.

72. The Receiver is not seeking an Order at this time permitting a distribution of the sale proceeds.

Axiom Leasing

73. In addition to the above noted registrations, registrations (collectively, the "**Axiom Registrations**") were made under the PPSA by Klad Rentals Inc. / Axiom Leasing Inc. (collectively, "**Axiom Leasing**") with respect to the following collateral of the Company: (i) the CAT Loader (Parcel 4); (ii) the Train Grain Loaders (Parcel 5); and (iv) the Horizontal Wood Grinder (parcel 6)[2].

74. As a result of certain information received by the Receiver, the Receiver and the Purchaser agreed to remove Parcel 5 from the Sale Agreement as the Train Grain Loaders have been sold and are no longer in possession of KD Pellets.

75. The Receiver has received conflicting information from another party claiming a priority secured interest in respect of the Axiom Registrations against the (i) the CAT Loader (Parcel 4); and (ii) the Horizontal Wood Grinder (including the CAT C16 Engine) (Parcel 6) (the "**Disputed Collateral**")

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[2] A registration made by RBC / BioNorth for: (i) two (2) 2014 Western Star 4900FA Trucks; and (ii) one (1) 2013 Titan 53' Trailer (collectively, the "**RBC Leased Equipment**") was also present on the PPSA register. After its appointment, the Receiver was notified by Mr. Doupe that the RBC Leased Equipment had been repossessed and sold in late-2016 to satisfy the debts owing by RBC under same. The Receiver confirmed with both BioNorth and Temfund that the RBC Leased Equipment has in fact been repossessed and sold. As a result, the RBC Leased Equipment was excluded from the Sale Process.

76. The Receiver was advised on May 2, 2019 by security personnel located at the Premises that representatives of Axiom Leasing were attempting to remove some of the Disputed Collateral contrary to the Receivership Order. Cassels addressed this specific issue in the Axiom Correspondence and advised Axiom Leasing that attempting to remove any Disputed Collateral was in violation of the Receivership Order.

77. The Receiver is unable at this time to determine which party has a priority secured interest in the Disputed Collateral. Therefore, out of an abundance of caution and in an effort to close the Transaction as soon as possible for the benefit of all stakeholder's of the Company, the Receiver and the Purchaser agree to the following in connection with the Disputed Collateral:

(a) upon the closing of the Sale Transaction, the Receiver is directed to hold $300,000 of the net proceeds from the sale of the Disputed Collateral in escrow (the "**Disputed Collateral Escrow Amount**") and to hold the Disputed Collateral in escrow pending resolution of claims in respect of the Disputed Collateral; and

(b) upon resolution of the claims in respect of the Disputed Collateral, the Receiver shall:

(i) deliver the Disputed Collateral to Axiom and refund the Purchaser the amount of the Disputed Collateral Escrow Amount; or

(ii) deliver the Disputed Collateral to the Purchaser and the proceeds of the Disputed Collateral Escrow Amount shall form part of the Sale Proceeds which shall be distributed in accordance with a further order of the court.

For greater clarity, Axiom will not have access to the Disputed Collateral Escrow Amount under any circumstances.

78. The Community Lenders are supportive of this treatment in order to address the Disputed Collateral.

Canada Revenue Agency

79. On April 3, 2019, the Receiver received a notice dated March 27, 2019 from the Canada Revenue Agency ("**CRA**") (the "**CRA Notice**") that advised the Receiver of KD Pellets' indebtedness to the CRA totaling $416,885 for source deductions (the "**CRA Claim**") for certain 2016 and 2017 assessment periods (the "**Assessment Periods**"). The CRA Claim consists of outstanding source deductions and interest and penalties on same of $323,607 and $93,278 respectively. The CRA Notice further advised that:

(a) none of the amounts owing under the CRA Claim were being claimed as trust funds pursuant to: (i) subsection 227(4) of the *Income Tax Act*; (ii) subsection 23(3) of the *Canada Pension Plan*; (iii) subsection 57(2) of the *Unemployment Insurance Act*; and (iv) subsection 86(2) of the *Employment Insurance Act*; and

(b) the CRA had registered a lien on March 7, 2017 in the amount of $253,569 on the Premises for source deduction amounts owing for the September 8, 2016 and November 16, 2016 assessment dates (the "**CRA Lien**").

A copy of the CRA Notice is attached to this First Report as **Appendix "17"**.

80. Upon receipt of the CRA Notice, the Receiver engaged in telephone correspondence with the CRA regarding the CRA Claim and the calculation of same. The Receiver inquired as to how the CRA Claim was calculated given that KD Pellets ceased operations in late-2015 / early-2016 whereby no employees were employed by same. CRA has indicated that KD Pellets did not report the termination of the employees and the cessation of operations to the CRA and, as a result, a notional assessment was

prepared by the CRA whereby the past source deductions that KD Pellets had remitted when it was operational were applied to the Assessment Periods.

81. The Receiver lacks the required books and records to be able to address the quantum of the CRA Claim as Mr. Doupe has failed to provide the Receiver with same (as previously discussed). However based on the facts today the Receiver understands that:

(a) the CRA Claim is likely significantly overstated as the Company ceased operations during the Assessment Periods whereby no source deductions would be required to be remitted;

(b) the CRA Claim does not have a priority or deemed trust claim over the moveable assets of the Company (i.e. Parcels 2 – 9, inclusive); and

(c) the CRA Lien ranks behind the indebtedness of the Community Lenders as it relates to the Premises as the CRA Lien was registered after the Community Lenders made their respective registrations.

OTHER ACTIVITIES OF THE RECEIVER

82. Since the date upon which the Receiver was appointed, the Receiver's activities, in addition to those discussed throughout this First Report, have included, among other things[3]:

(a) maintaining sufficient insurance coverage for the Premises, effective the date of the Interim Receivership Order;

(b) corresponding with CRA with respect to tax accounts and remittances;

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[3] The activities of GTL as Interim Receiver are outlined in the Interim Receiver Report.

(c) corresponding with the Community Lenders and their respective counsel to discuss various matters related to these Receivership Proceedings;

(d) attending to emails and phone calls from creditors, customers and other stakeholders of KD Pellets;

(e) preparing the statutory reporting requirements required by subsections 245(1) and 246(1) of the BIA;

(f) engaging in frequent discussions with the Retained Individual with respect to the maintenance of the Property;

(g) maintaining a public website (i.e. the Case Website) for the Receivership Proceedings in accordance with the Commercial List E-Service Protocol, including, copies of motion materials, reports, orders, notices, etc.; and

(h) preparing this First Report.

PROFESSIONAL FEES

83. Pursuant to paragraph 17 of the Receivership Order, the Receiver and its counsel are to be paid their reasonable fees and disbursements at their standard rates and charges, incurred both before and after the making of the Receivership Order. Pursuant to paragraph 18 of the Receivership Order, the Receiver and its counsel shall pass their accounts.

84. The GTL, in its capacity as Receiver and Interim Receiver, seeks to have its fees and disbursements, including those of its legal counsel, approved by the Court for the period beginning January 7, 2019 and ending April 30, 2019 and December 12, 2018 and ending April 30, 2019, respectively. The Receiver and its counsel have maintained detailed records of their professional time and costs.

85. The total fees for the GTL, in its capacity as Receiver and Interim Receiver, for the period January 7, 2019 and ending April 30, 2019, relating to both the Interim Receivership and Receivership Proceedings, amount to $101,234.18, plus disbursements of $569.99, plus HST of $13,234.54, for a total of $115,038.71. The time spent by the Receiver is more particularly described in the Affidavit of Daniel Wootton sworn May 14, 2019 (the "**Wootton Affidavit**"), which is attached hereto as **Appendix "18"** and contains copies of invoices that set out the services provided during this time period.

86. The total fees of Cassels, as counsel to the Receiver, for the period of December 12, 2018 and ending April 30, 2019, relating to both the Interim Receivership and Receivership Proceedings, amount to $94,654.60, plus disbursements of $1,772.75, plus HST of $12,475.13, for a total of $108,854.27. The time spent by Cassels is more particularly described in the Affidavit of David Ward sworn May 13, 2019 (the "**Ward Affidavit**"), which is attached as **Appendix "19"** and contains, among other things, copies of invoices that set out the services provided during this period of time.

87. It is the Receiver's opinion that the fees and disbursements of the GTL, in its capacity as Interim Receiver and Receiver and Cassels accurately reflect the work done by the Interim Receiver and the Receiver and Cassels in connection with the receivership and the administration of the Property of KD Pellets from January 7, 2019 to April 30, 2019 and December 12, 2018 to April 30, 2019 respectively.

CONCLUSION AND RECOMMENDATION

88. 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 this Court make the Order granting the Receiver's requested relief.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 14th day of May, 2019.

GRANT THORNTON LIMITED,
solely in its capacity as the Court-appointed receiver and manager of 1793082 Ontario Ltd., o/a K.D. Quality Pellets and not in its personal or corporate capacity

Per: ______________________
Dan Wootton, CIRP, LIT
Senior Vice-President

APPENDIX "1"

Court File No.: CV-19-00612265-0000

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	FRIDAY, THE 22ND DAY
	)	
JUSTICE MCEWEN	)	OF FEBRUARY, 2019

B E T W E E N

TEMISKAMING DEVELOPMENT FUND CORPORATION

Applicant

-and-

1793082 ONTARIO LTD. o/a K.D. Quality Pellets

Respondent

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

ORDER

THIS APPLICATION made by the Applicant, Temiskaming Development Fund Corporation ("Temfund"), for an Order pursuant to Subsection 243(1) of the *Bankruptcy & Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA"), and Section 101 of the *Courts of Justice Act*, R.S.O. 1990 c. C.43, as amended ("CJA") appointing Grant Thornton Limited ("GTL") as receiver and manager (in such capacities, the "Receiver"), without security, of all of the properties, assets and undertakings of 1793082 Ontario Ltd. o/a K.D. Quality Pellets (the "Debtor"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Dalton Potter sworn January 8, 2019 and the exhibits thereto, filed, and on reading the Endorsement and Order of the Honourable Justice McEwen made in this proceeding on January 10, 2019, and on reading the Endorsement of the Honourable Justice McEwen made in this proceeding on January 18, 2019, and on reading the Endorsement and Order of the Honourable Justice McEwen made in this proceeding on January 22, 2019, and on reading the Endorsement and Order of the Honourable Justice McEwen made in this proceeding on February 12, 2019, and on hearing the submissions of counsel for Temfund and such other parties in attendance at the hearing as indicated on the Counsel Slip, no one appearing for any other party although duly served as appears on the Affidavit of Service, and on reading the report of GTL dated January 17, 2019 and the report of GTL dated February 8, 2019, and on reading the consent of GTL to act as the Receiver;

SERVICE

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

APPOINTMENT

2. **THIS COURT ORDERS** that pursuant to subsection 243(1) of the BIA and section 101 of the CJA, the appointment of GTL as Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof, and including the premises legally described in Schedule "B" attached hereto (the "Property") as of the date hereof.

RECEIVER'S POWERS

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

(a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;

(b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;

(c) to manage, operate, and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;

(d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;

(e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;

(f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;

(g) to settle, extend or compromise any indebtedness owing to the Debtor;

(h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;

(i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;

(j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;

(k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,

(i) without the approval of this Court in respect of any transaction not exceeding \$100,000, provided that the aggregate consideration for all such transactions does not exceed \$250,000; 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, and in each case the Ontario *Bulk Sales Act* shall not apply.

(l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;

(m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

(n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;

(o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;

(p) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;

(q) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and

(r) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

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

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

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

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

6. **THIS COURT ORDERS** that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this

paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

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

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

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

NO EXERCISE OF RIGHTS OR REMEDIES

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

NO INTERFERENCE WITH THE RECEIVER

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

CONTINUATION OF SERVICES

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

RECEIVER TO HOLD FUNDS

12. **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

13. **THIS COURT ORDERS** the Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in subsection 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 subsections 81.4(5) and 81.6(3) of the BIA or under the *Wage Earner Protection Program Act.*

PIPEDA

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

LIMITATION ON ENVIRONMENTAL LIABILITIES

15. **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

16. **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 subsections 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

17. **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 subsections 14.06(7), 81.4(4) and 81.6(2) of the BIA. For certainty, any and all fees, disbursements or costs incurred by the GTL shall be protected by the Receiver's Charge. To the extent that the Debtor's accounts are paid by the Applicant, such amounts paid shall be added to the Debtor's indebtedness to the Applicant.

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

19. **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

20. **THIS COURT ORDERS** that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed $500,000 (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.

21. **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.

22. **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.

23. **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

24. **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 '<https://www.grantthornton.ca/kdqp>'.

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

GENERAL

26. **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.

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

28. **THIS COURT ORDERS** that the Receiver is hereby authorized and empowered to file an assignment in bankruptcy for and on behalf of the Debtor and name Grant Thornton Limited as the Debtor's trustee in bankruptcy and to take any steps reasonably incidental thereto, including the payment of retainer funds to the trustee in bankruptcy named in the assignment

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

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

31. **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 Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

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

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

FEB 2 2 2019

PER / PAR: RW

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. ______________

AMOUNT $______________________

1. THIS IS TO CERTIFY that Grant Thornton Limited, the receiver and manager (the "Receiver") of the assets, undertakings and properties 1793082 Ontario Ltd. o/a K.D. Quality Pellets (the "Debtor"), acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the 12th day of February, 2019 (the "Order") made in an action having Court file number CV-19-00612265-0000, 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 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:

SCHEDULE "B"

LEGAL DESCRIPTION OF PREMISES

PIN:	61311-0291 (LT)
Property Description:	PT N 1/2 LT 7 CON 4 HARLEY PT 2 54R5414; PT N 1/2 LT 8 CON 4 HARLEY PT 1, 54R5437 HARLEY; DISTRICT OF TIMISKAMING; SUBJECT TO AN EASEMENT IN GROSS OVER PT 3 54R-5732 AS IN DT46532; SUBJECT TO AN EASEMENT IN GROSS OVER PT 3 54R-5732 AS IN DT46533
Property Address:	999582 Highway 11 North, R.R. #2 New Liskeard, Ontario P0J 1P0

TEMISKAMING DEVELOPMENT FUND CORPORATION v. 1793082 ONTARIO LTD.

Applicant — Respondent

Court File No.: CV-19-00612265-0000

ONTARIO
SUPERIOR COURT OF JUSTICE

PROCEEDING COMMENCED AT
TORONTO, ONTARIO

ORDER

GUARDIAN LEGAL CONSULTANTS LLP
133 Richmond Street West, Suite 200
Toronto, Ontario M5H 2L3

Daniel Perlin (64194G)
Tel: 647-983-3310
Fax: 647-499-4307

Jasdeep Bal (62102A)
Tel: 647-983-3309
Fax: 647-499-4307

Lawyers for the Applicant

Court File Number: CV-19-00612265-00CL

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

Temiskaming Development
Plaintiff(s)

AND

1793082 Ont Ltd
Defendant(s)

Case Management ☐ Yes ☐ No by Judge: ____________________

Counsel	Telephone No:	Facsimile No:
(see attached)		

☐ Order ☐ Direction for Registrar **(No formal order need be taken out)**
☐ Above action transferred to the Commercial List at Toronto **(No formal order need be taken out)**

☐ Adjourned to: ____________________
☐ Time Table approved (as follows):

I am prepared to now grant the orders sought by the Applicant.
Mr Orser, the agent of the respondent, has not been able to raise the $25000.00 described in my Feb 12/19 endorsement. He has raised some and seeks a further extension, past the order that I granted yesterday.
I am not prepared to grant any

22 Feb 19
Date

McEwen
Judge's Signature

☑ Additional Pages two in total

Court File Number: ____________________

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsment Continued

further extension. The Applicant have not received any money for over 2 yrs.

If the Resp cannot raise $25,000.00 there is nothing to meaningfully suggest it can raise the necessary capital to satisfy its debt obligation to the Applic, the other secured Bronerth and other debt.

In these circumstances the parties Feb 12/19 agreement contained in my endorsement should be enforced.

The order appointing GTL and the Sales Process Order shall go as per the drafts filed + signed.

[signature]

Page 2 of 2 Judges Initials [initials]

APPENDIX "2"

Court File No:

ONTARIO

SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

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

B E T W E E N:

TEMISKAMING DEVELOPMENT FUND CORPORATION,

Applicant

- and -

1793082 ONTARIO LTD., o/a K.D. QUALITY PELLETS

Respondent

REPORT OF GRANT THORNTON LIMITED,

THE PROPOSED RECEIVER

January 7, 2019

Grant Thornton Limited
200 King Street West, 11th Floor
Toronto, Ontario
M5H 3T4

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APPENDICES

Court File No:

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

B E T W E E N:

TEMISKAMING DEVELOPMENT FUND CORPORATION,

Applicant

- and -

1793082 ONTARIO LTD., o/a K.D. QUALITY PELLETS

Respondent

REPORT OF GRANT THORNTON LIMITED,
THE PROPOSED RECEIVER

January 7, 2018

INTRODUCTION AND PURPOSE OF THIS REPORT

1. This report (the "**Proposed Receiver's Report**") is filed in connection with an application made to the Ontario Superior Court of Justice (Commercial List) (the "**Court**") by Temiskaming Development Fund Corporation. ("**Temfund**") seeking an order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act (Canada)* (the "**BIA**") and section 101 of the *Courts of Justice Act (Ontario)* (the "**CJA**") appointing Grant Thornton Limited ("**GTL**") as the receiver (the "**Proposed Receiver**") over all of the assets, property and

undertaking of 1793082 Ontario Ltd., o/a K.D. Quality Pellets ("**KD Pellets**" or the "**Company**"), substantially in the form included in Temfund's application record (the "**Appointment Order**").

2. The purpose of this Proposed Receiver's Report is to seek the approval of a sale process should the Appointment Order be granted.

SCOPE AND TERMS OF REFERENCE

3. Certain information contained in this Proposed Receiver's Report has been obtained from the records of the Company, publicly available information, and/or is based upon discussions with, and representations made by, other creditors of the Company and professional advisors retained in this matter. The information has not been audited by the Proposed Receiver as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally acceptable accounting principles and the reader is therefore cautioned that this Proposed Receiver's Report may not disclose all significant matters about the Company.

4. This Proposed Receiver's Report has been prepared for the use of this Court and the Companies' stakeholders as general information relating to the Company and to assist the Court in making a determination of whether to approve the relief sought. Accordingly, the reader is cautioned that this Proposed Receiver's Report may not be appropriate for any other purpose. The Proposed Receiver assumes no responsibility or liability for any loss or damage occasioned by any party because of the circulation, publication, reproduction or use of this Proposed Receiver's Report. Any use that a party makes of this Proposed Receiver's Report, or any reliance on or decisions to be made based on it, is the responsibility of such party.

5. A copy of this Proposed Receiver's Report and other relevant documents with respect to these proceedings will be made available on the Proposed Receiver's website at: www.GrantThornton.ca/kdqp, if appointed.

6. Capitalized terms not defined in this Proposed Receiver's Report have the meanings ascribed to them in the application record filed by Temfund.

7. All references to dollars are in Canadian currency unless otherwise noted.

BACKGROUND

8. The Company's business is in the manufacture and wholesale of wood pellets, which are sold to commercial and residential customers for heat and power generation. The Company operated from a Company-owned facility in New Liskeard, Ontario. The Proposed Receiver understands that the Company has not been operating for some time, has little to no active employees and significant debts relative to the size of the business and asset values.

9. The Proposed Receiver, if appointed, would seek to implement an immediate sale process so as to reduce the amount of time before a sale transaction could be completed and in order to make distributions to creditors with proven claims pursuant to the legal priority of claims. In addition, the Proposed Receiver understands that there may be challenges with respect to current insurance coverage and utility services. A further reason to consider approving a sale process would be to take advantage of any Court appearances and reduce the overall administrative costs of a receivership proceeding.

PROPOSED SALE PROCESS

10. Pursuant to the Appointment Order, the Proposed Receiver (if appointed, the "**Receiver**") would be authorized to, among other things, market and sell the Property (as defined

herein) of the Company. In an effort to manage time and costs, the Proposed Receiver is seeking approval of its proposed sale process ("**Sale Process**") at the same time as the Appointment Order, if granted.

11. The proposed Sale Process has been designed to market the Company's right, title and interest, if any, in the inventory, manufacturing equipment, warehouse equipment, real property, books and records, and intellectual property including any Company owned patents, web site, and customer lists, among other things (collectively, the "**Property**"). The Receiver's objective would be to seek a buyer who will consider operating the business as a turnkey investment opportunity as opposed to a liquidation of the equipment assets, where possible. In the Proposed Receiver's view, this would provide for the highest value and recovery to the Company's creditors.

12. In summary, the proposed Sale Process would be a public sale and will be conducted in the following manner:

(a) The Property will be marketed for sale on an "as is, where is" basis.

(b) The Receiver shall be under no obligation to accept the highest or best offer and the acceptance of any offer shall be in the discretion of the Receiver however the Receiver may consult with the Company's senior secured creditors.

(c) The Receiver may, in its discretion, extend the deadline for offers if it considers it to be appropriate or necessary in the circumstances.

(d) Offers must be accompanied with a deposit equal to at least 10% of the offer price.

(e) If deemed appropriate, the Receiver may prepare a form of an agreement of purchase and sale (the "**APS**") to be used by all prospective bidders. Bidders will then be able to submit their offers in the form of the APS and be able to provide a blackline to the APS with any proposed changes or conditions.

(f) The final sale agreement will be subject to Court approval.

Phase 1: Preparation – Time Frame: 1-2 weeks

13. During Phase 1 the Receiver will:

(a) Finalize its review and assessment of the Company's Property for the purposes of preparing an information memorandum for prospective purchasers.

(b) Prepare a form of solicitation letter or email summarizing the Sale Process and soliciting parties to express their interest in same.

(c) Prepare a form of non-disclosure agreement (the "**NDA**") to be executed in order to obtain information that is not included in the information memorandum and to further participate in the Sale Process.

(d) Prepare a data room, if deemed appropriate, (the "**Data Room**") containing, among other things, financial information, any relevant agreements, customer information, real property information, and any other information to be shared with prospective purchasers subsequent to receiving an executed NDA.

(e) Identify and prepare a list of potential purchasers for the Company's Property ("**Potential Purchasers**").

Phase 2: Marketing – Time Frame: 4-6 weeks

14. During Phase 2 the Receiver will:

(a) Circulate the solicitation Letter/email and NDA to the Potential Purchasers where such Potential Purchasers will include both regional and national buyers. The solicitation letter may indicate that offers which provide for the continued operation of the Company's Property at its current premises will be viewed as a positive term within their offer.

(b) Directly communicate with industry participants who have expressed an interest in or who the Receiver believes may have an interest in the Company's Property/operations.

(c) Advertise the sale of the Company's Property in a Canadian national newspaper.

(d) Allow any Potential Purchasers who execute the NDA to access the Data Room.

(e) Coordinate site visits for Potential Purchasers to inspect the Property and facilitate Potential Purchaser's due diligence generally.

(f) Maintain the Data Room.

(g) Collect offers from Potential Purchasers by a bid deadline date (which will be set upon the completion of Phase I but will at a minimum provide for at least a 30 day due diligence period from when the first solicitation letters are sent to Prospective Purchasers.

<u>Phase 3: Entering into APA – Time Frame: 2-3 weeks</u>

15. During Phase 3 the Receiver will:

(a) Review all offers submitted in Phase 2 and, where appropriate, discuss the results of the initial sale process with the senior secured creditors of the Company.

(b) The Receiver may ask some or all of the offerors to re-submit offers for subsequent rounds of offers. In such a case, the Receiver will, where appropriate, discuss the results of the sale process with the senior secured creditors of the Company.

(c) The receiver will select the offer that represents the best offer and will negotiate the terms of a final sale agreement which will be subject to Court approval.

(d) Once a sale agreement is approved by the Court, the Receiver will work to efficiently close the transaction as soon as possible and based on the terms of the sale agreement.

16. It is likely that the Receiver will not be operating the Company's business and as a result, a longer sale process my not provide for any greater net recovery to the Company's creditors.

17. The Proposed Receiver has shared its proposed Sale Process with Temfund who is supportive of the Sale Process steps and timeline.

18. The Proposed Receiver has engaged Cassels Brock and Blackwell LLP ("**Cassels**") as its independent counsel, and if appointed as receiver, Cassels will provide an independent opinion on the validity of the security of any of the senior secured creditors who will receive a portion of the net sale proceeds.

CONCLUSION AND RECOMMENDATION

19. The Proposed Receiver respectively requests that this Court approve of the Sale Process as set out in this Proposed Receiver's Report.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 7th day of January, 2019.

GRANT THORNTON LIMITED,
solely as the proposed receiver of the Respondent
and not in its personal or corporate capacity

Per: ______________________________
Dan Wootton, CIRP, LIT
Senior Vice-President

APPENDIX "3"

Court File No.: CV- 19-00612265-0000

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE JUSTICE	)	THURSDAY, THE 10TH DAY
MCEWEN	)	
	)	OF JANUARY, 2019

BETWEEN

TEMISKAMING DEVELOPMENT FUND CORPORATION

Applicant

-and-

1793082 ONTARIO LTD. o/a K.D. Quality Pellets

Respondent

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

ORDER

THIS APPLICATION made by the Applicant, Temiskaming Development Fund Corporation ("Temfund"), for an Order pursuant to Subsection 243(1) of the *Bankruptcy & Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA"), and Section 101 of the *Courts of Justice Act*, R.S.O. 1990 c. C.43, as amended ("CJA") granting the Applicant the right to appoint an authorized representative (in such capacities, the "Representative"), with respect to its secured interest in the properties, assets and undertakings (the "Property") of 1793082 Ontario Ltd. o/a K.D. Quality Pellets (the "Debtor"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Dalton Potter sworn January 8, 2019 and the exhibits thereto, and on hearing the submissions of counsel for Temfund and such other parties in attendance at the hearing as indicated on the Counsel Slip, no one appearing for any other party, filed;

SERVICE

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

MAINTENANCE OF THE PROPERTY AND PREMISES

2. **THE COURT ORDERS** that the Debtor is required to maintain the Property and the Premises (as defined below) including paying all utilities and insurance payments in respect of the Property and the Premises until further order of the Court;

3. **THIS COURT ORDERS** that the Applicant shall have immediate, reasonable and unrestricted access to the premises located at the address municipally known as 999582 Highway 11 North, R.R. #2, in the town of New Liskeard, Ontario, postal code P0J 1P0 (the "Premises").

4. **THE COURT ORDERS** that the Applicant may, at its own cost, appoint Grant Thornton Limited ("GTL") as Representative to gain access and inspect the Premises and the Property.

GENERAL

5. **THIS COURT ORDERS** that the Applicant 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 Representative 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.

6. **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 Applicant 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.

McEwen

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

JAN 1 0 2019

PER / PAR:

TEMISKAMING DEVELOPMENT FUND CORPORATION v. 1793082 ONTARIO LTD.

Applicant — Respondent

Court File No.: CV- 19-00612265-0000

ONTARIO
SUPERIOR COURT OF JUSTICE

PROCEEDING COMMENCED AT
TORONTO, ONTARIO

ORDER

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Lawyers for the Applicant

Court File Number: CV-19-612265-00CL

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

Temiskaming Development
Plaintiff(s)

AND

1793082 Ontario Ltd.
Defendant(s)

Case Management ☐ Yes ☑ No by Judge: ______

Counsel	Telephone No:	Facsimile No:
D. Pertin / T. Bal - Applicant		
M. Sassi - Proposed Monitor		

☑ Order ☐ Direction for Registrar **(No formal order need be taken out)**
☐ Above action transferred to the Commercial List at Toronto **(No formal order need be taken out)**

☐ Adjourned to: ______
☐ Time Table approved (as follows):

Applicant brings this Application on an ex parte basis seeking the appointment of the Monitor. ~~on an ex parte basis~~

The draft order provided seeks fairly wide-ranging relief, some of which seems inapplicable to the Resp debtor which apparently ceased operations in early 2016

10 Jan 19
Date

[signature]
Judge's Signature

☑ Additional Pages 3

Court File Number: ______________________

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsment Continued

The major concern of the Applicant is that the physical plant and equipment could be seriously and permanently damaged if proper heating, maintenance and other services are not maintained over the winter.

This may be a valid concern given that the Resps have failed to honour debt obligations and pay property taxes over a significant period of time.

The Resps' sol, however, in his Dec 19/18 correspondence has indicated that the Resp is pursuing financing.

In all of these circumstances I am of the view that it is premature to appoint a monitor. I am prepared however to order that the Resp ensure that the facilities are properly maintained (including heat, security and other necessary services)

Page 2 of ______ Judges Initials TM

Court File Number: ______________________

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsment Continued

at its own expense on an interim basis, pending further order of the Court.

I am further ordering that the Resp immediately provide access to a representative of the Applic to the facility for reasonable inspections.

If problems are identified the matter can return before me on an expedited basis.

The overarching purpose of these Order is to preserve the integrity of the premises without the necessity of appointing Court officers at this time. This will allow the parties and other stakeholders to be served with the Applicant's materials and either resolve any differences or return to the Court.

Judges Initials DM

Court File Number: ____________________

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsment Continued

I will hear any further motions if available but I am not seized.

Applicant's counsel are to provide a copy of this endorsement to all affected persons.

The order shall is as per the draft filed & signed. I have accepted that GTL is a suitable representative if the Applicant wishes to engage their services.

McEwen

Page 4 of ____ Judges Initials [initials]

APPENDIX "4"

Court File Number: CV-19-612265-00CL

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

Temiskaming Development
Plaintiff(s)

AND

179308[?] Ontario Ltd.
Defendant(s)

Case Management ☐ Yes ☐ No by Judge: ____________

Counsel	Telephone No:	Facsimile No:
D. Pelic - Applicant		

☐ Order ☐ Direction for Registrar **(No formal order need be taken out)**
☐ Above action transferred to the Commercial List at Toronto **(No formal order need be taken out)**

☐ Adjourned to: ____________
☐ Time Table approved (as follows):

Applic attends today again on an ex parte basis. Counsel and Mr Jason Knight of Grant Thornton spoke to matter.
I am advised that they have confirmed via Mr Dougo that there is no insurance on the premises and that hydro is in arrears to approximately ~~[illegible]~~ $54000.00 owing.

18 Jan 19
Date

McEwen
Judge's Signature

☑ Additional Pages ✓

Court File Number: ______________

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsment Continued

Hydro[1] is actively threatening to cut off services to the premises. This is of particular concern given the pending weather forecast which predicts extreme cold weather.

In these circumstances I am prepared to hear this matter on Tuesday ~~Jan~~ Feb 22/18[th] on an urgent basis to deal with issues surrounding premises security, insurance and services.

In the interim I am ordering that Hydro continue to provide ongoing services pending the hearing and further order by me. I am reluctant to do so, but given the weather forecast and amount of arrears I see little prejudice and the risk of damage to the premises and equipment is

Page 2 of 3 Judges Initials [initials]

1. Hydro One Networks Inc

Court File Number: ____________________

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsment Continued

real and immediate

I should note that the 1st secured lender paid the Hydro expenses in the past, but is not currently doing so and has not committed to do so at this time.

Applicants counsel will put all interested persons on notice of the Jan 22/19 motion date. They will also provide all interested persons with a copy of this endorsement.

Applicants will also serve a Notice of Motion today so that the interested persons are aware of the relief sought.

McEwen

Page 3 of 3 Judges Initials DM

2. Bionorth Technology Holdings Corp

APPENDIX "5"

Court File No.: CV-19-00612265-0000

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	TUESDAY, THE 22ND DAY
T. MCEWEN	)	
	)	OF JANUARY, 2019

B E T W E E N

TEMISKAMING DEVELOPMENT FUND CORPORATION

Applicant

-and-

1793082 ONTARIO LTD. o/a K.D. Quality Pellets

Respondent

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

ORDER
(Interim Receiver)

THIS APPLICATION made by the Applicant, Temiskaming Development Fund Corporation ("Temfund"), for an Order pursuant to Subsection 243(1) of the *Bankruptcy & Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA"), and Section 101 of the *Courts of Justice Act*, R.S.O. 1990 c. C.43, as amended ("CJA") appointing Grant Thornton Limited ("GTL") as Interim Receiver and manager (in such capacities, the "Interim Receiver"), without security, of all of the properties, assets and undertakings of 1793082 Ontario Ltd. o/a K.D. Quality Pellets (the "Debtor"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Dalton Potter sworn January 8, 2019 and the exhibits thereto, filed, and on reading the Endorsement and Order of the Honourable Justice McEwen made in this proceeding on January 10, 2019 and the Endorsement of Justice McEwen made in this proceeding on January 18, 2019, and on reading the pre-filing report of GTL dated January 7, 2019 and the Affidavit of Dalton Potter sworn on January 21, 2019, and on hearing the submissions of counsel for Temfund and such other parties in attendance at the hearing as indicated on the Counsel Slip;

SERVICE

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

APPOINTMENT

2. **THIS COURT ORDERS** that pursuant to subsection 243(1) of the BIA and section 101 of the CJA, the appointment of GTL as Interim Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the "Property").

INTERIM RECEIVER'S POWERS

3. **THIS COURT ORDERS** that the Interim 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 Interim Receiver is hereby expressly empowered and authorized to do any of the following where the Interim Receiver considers it necessary or desirable:

(a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;

(b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;

(c) to 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 Interim Receiver's powers and duties, including without limitation those conferred by this Order;

(d) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Interim Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;

(e) to report to, meet with and discuss with such affected Persons (as defined below) as the Interim Receiver deems appropriate on all matters relating to the Property and the Interim Receivership, and to share information, subject to such terms as to confidentiality as the Interim Receiver deems advisable;

(f) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;

(g) 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 Interim Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE INTERIM RECEIVER

4. **THIS COURT ORDERS** that: (i) the Debtor; (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf; and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Interim 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 Interim Receiver, and shall deliver all such Property to the Interim Receiver upon the Interim Receiver's request.

5. **THIS COURT ORDERS** that all Persons shall forthwith advise the Interim Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, servers, electronic backups, 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 Interim Receiver or permit the Interim Receiver to make, retain and take away copies thereof, and grant to the Interim 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 Interim Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

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

NO PROCEEDINGS AGAINST THE INTERIM RECEIVER

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

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

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

NO EXERCISE OF RIGHTS OR REMEDIES

9. **THIS COURT ORDERS** that all rights and remedies against the Debtor, the Interim Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Interim 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 Interim Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on; (ii) exempt the Interim Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment; (iii) prevent the filing of any registration to preserve or perfect a security interest; or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE INTERIM RECEIVER

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

CONTINUATION OF SERVICES

11. **THIS COURT ORDERS** that all Persons having oral or written agreements with the Debtor, or statutory or regulatory mandates for the supply of goods and/or services, including,

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

12. The account for hydro with Hydro One Networks Inc. bearing account number 2002 089 29075 presently held in the name of Bionorth Technology Group is hereby ordered to be closed effective January 22, 2019 and Grant Thornton Limited, in its capacity as interim receiver of 1793082 Ontario Ltd. o/a K.D. Quality Pellets shall immediately open a new account with Hydro One Networks Inc. for the premises located at 9560 Pellet Road, Harley Township, New Liskeard, Ontario and shall assume responsibility for the new account effective January 22, 2019.

INTERIM RECEIVER TO HOLD FUNDS

13. **THIS COURT ORDERS** that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Interim 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 Interim Receiver (the "Post Interim Receivership Accounts") and the monies standing to the credit of such Post Interim Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Interim Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

LIMITATION ON ENVIRONMENTAL LIABILITIES

14. **THIS COURT ORDERS** that nothing herein contained shall require the Interim 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 Interim Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Interim Receiver shall not, as a result of this Order or anything done in pursuance of the Interim 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 INTERIM RECEIVER'S LIABILITY

15. **THIS COURT ORDERS** that the Interim 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 subsections 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 Interim Receiver by section 14.06 of the BIA or by any other applicable legislation.

INTERIM RECEIVER'S ACCOUNTS

16. **THIS COURT ORDERS** that the Interim Receiver and counsel to the Interim 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 Interim Receiver and counsel to the Interim Receiver shall be entitled to and are hereby granted a charge (the "Interim 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 Interim 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 subsections 14.06(7), 81.4(4) and 81.6(2) of the BIA.

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

18. **THIS COURT ORDERS** that prior to the passing of its accounts, the Interim 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 Interim 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

19. **THIS COURT ORDERS** that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed $100,000 (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 Interim 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 "Interim 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 Interim Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

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

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

22. **THIS COURT ORDERS** that the monies from time to time borrowed by the Interim Receiver pursuant to this Order or any further order of this Court and any and all Interim 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

23. **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 a ~~the following~~ URL '[illegible]' to be established by the Interim Receiver and provided to all affected persons. TM

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

following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

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

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

27. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Interim 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 Interim Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Interim Receiver and its agents in carrying out the terms of this Order.

28. **THIS COURT ORDERS** that the Interim 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 Interim 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.

29. **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 Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Interim Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

30. **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 Interim 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:

JAN 2 2 2019

PER / PAR: RW

SCHEDULE "A"

INTERIM RECEIVER CERTIFICATE

CERTIFICATE NO. ______________

AMOUNT $______________________

1. THIS IS TO CERTIFY that Grant Thornton Limited, the interim receiver and manager (the "Interim Receiver") of the assets, undertakings and properties 1793082 Ontario Ltd. o/a K.D. Quality Pellets (the "Debtor"), acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the ___ day of January, 2019 (the "Order") made in an action having Court file number __-CL-_______, has received as such Interim Receiver from the holder of this certificate (the "Lender") the principal sum of $___________, being part of the total principal sum of $___________ which the Interim 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 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 Interim 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 Interim 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 Interim 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 Interim 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:

TEMISKAMING DEVELOPMENT FUND CORPORATION v. 1793082 ONTARIO LTD.

Court File No.: CV-19-00612265-0000

Applicant | Respondent

ONTARIO
SUPERIOR COURT OF JUSTICE

PROCEEDING COMMENCED AT
TORONTO, ONTARIO

ORDER
(Interim Receiver)

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Lawyers for the Applicant

TEMISKAMING DEVELOPMENT FUND CORPORATION

Applicant

v.

1793082 ONTARIO LTD

Respondent

Court File No: CV-19-00612265-0000

Jan. 22/19

22 Jan 19

Order appointing Interim Receiver to go as per draft filed & signed, as amended.

Given the debtor's inability to ensure the integrity of the premises the order sought is reasonable. The Applic. is the first secured creditor over real property and entitled to ensure the premises remain secure.

No one opposed today. The matter will return on Feb 12/19 w respect to the motion to appoint a full-blown receivership.

McE J

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

PROCEEDING COMMENCED AT TORONTO

MOTION RECORD

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Lawyers for the Applicant/Moving Party

SUPERIOR COURT OF JUSTICE / COUR SUPÉRIEURE DE JUSTICE
FILED DÉPOSÉ
JAN 21 2019
AT · À
LOCAL REGISTRAR · GREFFIER LOCAL
TORONTO

APPENDIX "6"

Court File No.: CV-19-00612265-0000

ONTARIO

SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

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

B E T W E E N:

TEMISKAMING DEVELOPMENT FUND CORPORATION,

Applicant

\- and -

1793082 ONTARIO LTD., o/a K.D. QUALITY PELLETS

Respondent

FIRST REPORT OF THE INTERIM RECEIVER

February 8, 2019

GrantThornton

Grant Thornton Limited
200 King Street West, 11th Floor
Toronto, Ontario
M5H 3T4

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APPENDICES

Court File No.: CV-19-00612265-0000

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

B E T W E E N:

TEMISKAMING DEVELOPMENT FUND CORPORATION,

Applicant

\- and -

1793082 ONTARIO LTD., o/a K.D. QUALITY PELLETS

Respondent

FIRST REPORT OF THE INTERIM RECEIVER

February 8, 2019

INTRODUCTION AND BACKGROUND

1. This report (the "**Interim Receiver's Report**") is filed in connection with an application made to the Ontario Superior Court of Justice (Commercial List) (the "**Court**") by Temiskaming Development Fund Corporation ("**Temfund**" or the "**Applicant**") seeking an order pursuant to Subsection 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") and Section 101 of the *Courts of Justice Act*, R.S.O. 1990

c. C.43 (the "**CJA**") appointing Grant Thornton Limited ("**GTL**") as the receiver and manager (the "**Proposed Receiver**") over all of the assets, property, and undertakings of 1793082 Ontario Ltd., o/a K.D. Quality Pellets ("**KD Pellets**" or the "**Company**"), substantially in the form included in Temfund's Initial Application (as defined below) (the "**Appointment Order**").

Initial Application & January 10th Order

2. On January 9, 2019, Temfund filed an application with the Court (the "**Initial Application**") seeking, among other things:

(a) an order appointing GTL as monitor, without security, over all of the property, assets, and undertakings of the Company;

(b) an order appointing GTL as receiver and manager, without security, over all of the property, assets, and undertakings of the Company, the hearing of which to be made on at least seven (7) days' notice; and

(c) an order approving and authorizing a proposed sale process (the "**Sale Process**") as outlined in a report issued by the Proposed Receiver dated January 7, 2019 (the "**Proposed Receiver's Report**"), a copy of which is attached hereto as **Appendix "1"**.

3. On January 10, 2019, the Court issued an order (the "**January 10th Order**") that, among other things:

(a) granted Temfund the right to appoint an authorized representative (in such capacities, the "**Representative**"), with respect to its secured interest in the properties, assets, and undertakings (collectively, the "**Property**") of the Company;

(b) granted immediate, reasonable and unrestricted access to the premises of the Company at 999582 Highway 11 north, R.R. #2, in the town of New Liskeard, Ontario (the "**Premises**");

(c) permitted the Applicant to appoint GTL as its Representative pursuant to the January 10th Order; and

(d) directed the Company to maintain the Property and the Premises including paying all utilities and insurance payments in respect of same.

A copy of the January 10th Order and corresponding endorsement are collectively attached hereto as **Appendix "2"**.

4. On January 15, 2019, pursuant to an engagement letter between GTL and Temfund, GTL was engaged to act in the capacity of Representative on behalf of Temfund in accordance with the January 10th Order.

5. Upon its appointment as Representative, GTL engaged in various discussions with Kenneth Andrew Doupe ("**Mr. Doupe**"), the principal of the Company, Evans Bragagnolo & Sullivan LLP ("**EBS LLP**"), the Company's counsel, and Frank Benincasa ("**Mr. Benincasa**"), President of Bionorth Technology Holdings Corporation ("**Bionorth**"), a secured creditor of the Company. In its discussions with the aforementioned individuals, GTL was made aware of the following:

(a) there was no active insurance coverage over the Premises or the property contained therein, in contravention of the January 10th Order;

(b) the Company's hydro provider, Hydro One Networks Inc. ("**Hydro One**"), had repeatedly contacted Mr. Doupe threatening to disconnect and discontinue the hydro services in the absence of payment to Hydro One;

(c) the hydro account had accumulated approximately six (6) months of arrears in excess of $50,000, a contravention of the January 10th Order; and

(d) the hydro account was in the name of Bionorth, not KD Pellets.

6. Furthermore, Mr. Doupe, EBS LLP, and Mr. Benincasa each advised GTL that KD Pellets did not have the funding required to secure the required insurance nor pay the arrears owing to Hydro One. As a result of this information, the Applicant became concerned with the Company's non-compliance with the January 10th Order and the absence of a timeline for which the Company may become compliant.

7. As a result of the non-compliance with the January 10th Court Order, specifically the threat of Hydro One disconnecting services, Temfund's counsel, accompanied by a representative from GTL, attended Court on January 18, 2019 on an emergency basis. On that day, the Honourable Justice Mr. McEwen issued an endorsement (the "**Hydro Endorsement**") that, among other things:

(a) scheduled a hearing on January 22, 2019 to hear arguments for potential interim relief to be granted to Temfund; and

(b) ordered Hydro One to continue to provide ongoing services to the Premises pending the hearing scheduled on January 22, 2019.

A copy of the Hydro Endorsement is attached hereto as **Appendix "3"**.

<u>Interim Receivership Order</u>

8. On January 22, 2019, the Court issued an Order (the "**Interim Receivership Order**") that, among other things, appointed GTL as the interim receiver and manager (in such capacities, the "**Interim Receiver**") of the Property. As outlined in paragraph three (3) of the Interim Receivership Order, the Interim Receiver was authorized to take possession

of and exercise control over the Property and perform reasonable steps to protect and preserve same. A copy of the Interim Receivership Order and supporting endorsement is attached hereto as **Appendix "4"**.

9. Additional information regarding the background of the Company are included in the Initial Application and the Proposed Receiver's Report.

PURPOSE OF THIS INTERIM RECEIVER'S REPORT

10. The purpose of this Interim Receiver's Report is to provide this Court with an overview of the activities of GTL in its role as Interim Receiver in these proceedings (the "**IR Proceedings**").

SCOPE AND TERMS OF REFERENCE

11. Certain information contained in this Interim Receiver's Report has been obtained from the records of the Company, publicly available information, and/or is based on discussions with, and representations made by, Mr. Doupe, EBS LLP, Mr. Benincasa, other creditors of the Company, and professional advisors retained in this matter. The information has not been audited by the Interim Receiver as to its accuracy or completeness, nor has it necessarily been prepared in accordance with Generally Accepted Accounting Principles ("**GAAP**") or International Financial Reporting Standards (**"IFRS**") and the reader is therefore cautioned that this Interim Receiver's Report may not disclose all significant matters about the Company.

12. This Interim Receiver's Report has been prepared for the use of this Court and the Company' stakeholders as general information relating to the Company and to assist the Court in making a determination of whether to approve the relief sought by the Applicant. Accordingly, the reader is cautioned that this Interim Receiver's Report may not be

appropriate for any other purpose. The Interim Receiver assumes no responsibility or liability for any loss or damage occasioned by any party because of the circulation, publication, reproduction or use of this Interim Receiver's Report. Any use that a party makes of this Interim Receiver's Report, or any reliance on or decisions to be made based on it, is the responsibility of such party.

13. A copy of this Interim Receiver's Report and other relevant documents with respect to these IR Proceedings are available on the Interim Receiver's case website: www.GrantThornton.ca/KDQP (the "**Case Website**").

14. Capitalized terms not defined in this Interim Receiver's Report have the meanings ascribed to them in the Initial Application and/or the Proposed Receiver's Report.

15. All references to dollars are in Canadian currency unless otherwise noted.

THE INTERIM RECEIVER'S ACTIVITIES

16. Since the date upon which the Interim Receiver was appointed, the Interim Receiver's activities, in addition to those discussed throughout this Interim Receiver's Report, have included, among other things:

    (a) corresponding with Hydro One and opening a new account under the Interim Receiver's name for the payment of services for the period after the Interim Receivership Order;

    (b) obtaining sufficient insurance coverage for the Premises, effective the date of the Interim Receivership Order;

    (c) gaining entry to the Premises and engaging a locksmith to have the locks changed on the buildings to secure the assets contained therein;

(d) contacting a licensed plumber to repair a pipe that fed the sprinkler systems in the main building that had burst on the morning of January 23, 2019;

(e) placing notices of the on all access points to the Premises notifying the public of the IR Proceedings;

(f) confirming the presence of an alarm system and ensuring that such alarms were switched into the Interim Receiver's name and all prior access codes were deregistered;

(g) identifying all bank accounts held by the Company, providing such institutions with a copy of the Interim Receivership Order, and advising same to freeze accounts;

(h) securing snow plow services to ensure the Premises remains accessible;

(i) engaging a third party to attend the Premises on a daily basis for the purposes of maintaining the Property, involving, among other things: (i) checking the electrical breakers that keep the sprinkler system active; (ii) monitoring the pressure of the fire suppression system; (iii) ensuring the surrounding temperature of the buildings are above freezing; and (iv) running a diesel operated floor heater to assist in temperature regulation as required.

(j) corresponding with stakeholders of KD Pellets regarding various matters with respect to these IR Proceedings;

(k) maintaining a public website (i.e. the Case Website) for the IR Proceedings in accordance with the Commercial List E-Service Protocol, including, copies of motion materials, reports, orders, notices, etc.; and

(l) preparing this Interim Receiver's Report.

17. The Interim Receiver's primary focus, as outlined in the Interim Receivership Order, has been 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. With a view to maintaining this limited role, the Interim Receiver has:

(a) not employed any of KD Pellets' previous employees;

(b) not carried on or made any decisions with respect to the Company's business operations;

(c) not terminated, abandoned or disclaimed any of the Company's contracts; and

(d) not settled, extended or compromised any indebtedness owing to KD Pellets.

18. Since the issuance of the Interim Receivership Order, the Interim Receiver has been contacted by various parties in connection with a potential purchase of the Company and/or settlement of certain debt owed to certain of the Company's creditors. The Interim Receiver has advised such parties of its limited capacity as Interim Receiver and has encouraged them to reach out directly to the Applicant's counsel with any proposals.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 8th day of February, 2019.

GRANT THORNTON LIMITED,
solely in its capacity as the Court-appointed interim receiver and manager of 1793082 Ontario Ltd., o/a K.D. Quality Pellets and not in its personal or corporate capacity

Per: ______________________
Dan Wootton, CIRP, LIT
Senior Vice-President

APPENDIX "7"

12 Feb 19

order shall go as per attached endorsement on consent of all parties/persons attending today.

McE[illegible]

Subject to this Endorsement, the Applicant, Bionorth Technologies Holding Corporation and the Respondent (collectively the "Parties") agree to adjourn this matter to March 1, 2019. The Respondent, represented by Ken Orser, confirms that it will cause the Respondent to pay to the Interim Receiver the amount of $25,000 (interest free), by no later than 5 pm Thursday, February 14, 2019 (the "IR Funding Amount"). The Parties agree that the IR Funding Amount shall be utilized to cover costs that the IR has incurred in connection with fulfilling its mandate. The IR shall provide a certificate to the Respondent in connection with the IR Funding Amount. The priority of the certificate shall rank as secured and behind all other PPSA secured creditors. The Parties agree that, if the IR Funding Amount is not provided to the IR by 5 pm on February 14, 2019, the Applicant shall appear before me on Friday, February 15, 2019 at a chambers appointment to have the receivership order issued. The Respondent further agrees that it shall provide the IR with access to additional funding in the amount of $25,000.00 ~~$50,000,~~ which shall be made available to the IR to cover any additional costs associated with the IR fulfilling its mandate including but not limited to utilities, hydro, insurance, maintenance and security.

The Parties shall work together to establish terms of a settlement until February 28, 2019. If the Parties do not arrive at a settlement by close of business on February 28, 2019, the Applicant shall appear before me on March 1, 2019, at a chambers appointment to have the receivership order issued.

The Parties consent to this matter being heard in all respects by the Ontario Superior Court of Justice (Commercial List).

APPENDIX "8"

COUNSEL SLIP

Court File No. CV-19-00612265-0000

Date: FEB 21, 2019

No. On List 3

Title of Proceeding TEMISKAMING DEVELOPMENT FUND CORPORATION-v-1793082 ONTARIO LTD. O/A K.D QUALITY PELLETS

Counsel for:
Plaintiff(s) [ ]
Applicant(s) [X]
Petitioner(s) [ ]

Jasdeep Bal
Daniel Perlin
Jason Knight, Grant Thornton Limited

Phone No. 647-983-3360
Fax No. 647-499-4307

Counsel for:
Defendant(s) [ ]
Respondent(s) [ ]

Ken Orr KMGP

Phone No. 416-388-8999

Fax No.

21 Feb 19.

Matter appeared before today. I extended the deadline for funding the $25K until the end of day today.

Matter will return tomorrow @ 9:30 a.m. If no funding is in place I anticipate a receivership order will be made as contemplated in the Feb 12/19 consent endorsement.

[signature]

APPENDIX "9"

Court File No.: CV-19-00612265-0000

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	FRIDAY, THE 22ND DAY
	)	
JUSTICE MCEWEN	)	OF FEBRUARY, 2019

BETWEEN

TEMISKAMING DEVELOPMENT FUND CORPORATION

Applicant

-and-

1793082 ONTARIO LTD. o/a K.D. Quality Pellets

Respondent

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

ORDER
(Sale Process)

THIS APPLICATION made by the Applicant, Temiskaming Development Fund Corporation ("Temfund"), for an Order approving the marketing and sale process (the "Sale Process") for the Respondent's right, title and interest, if any, in the inventory, manufacturing equipment, warehouse equipment, real property, books and records, and intellectual property including any owned patents, web site, and customer lists, among other things (collectively, the "Property") described in paragraphs 10-18 of the pre-filing report of Grant Thornton Limited dated January 7, 2019 (the "Pre-Filing Report"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Application Record of Temfund and the Affidavit of Dalton Potter sworn January 8, 2019 and the exhibits thereto, and on hearing the submissions of counsel for Temfund and such other parties in attendance at the hearing as indicated on the Counsel Slip, no one appearing for any other party although duly served as appears from the Affidavit of Service, and on reading the Pre-Filing Report;

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

2. **THIS COURT ORDERS** that the Sale Process for the marketing and sale of the Property is hereby approved. in accordance with paragraph 12 of the January 7, 2019 GTL report. PM

McEwen

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

FEB 22 2019

PER / PAR: RW

TEMISKAMING DEVELOPMENT FUND CORPORATION v. 1793082 ONTARIO LTD.

Applicant | Respondent

Court File No.: CV-19-00612265-0000

ONTARIO
SUPERIOR COURT OF JUSTICE

PROCEEDING COMMENCED AT
TORONTO, ONTARIO

ORDER
(Sale Process)

GUARDIAN LEGAL CONSULTANTS LLP
133 Richmond Street West, Suite 200
Toronto, Ontario M5H 2L3

Daniel Perlin (64194G)
Tel: 647-983-3310
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Fax: 647-499-4307

Lawyers for the Applicant

APPENDIX "10"

ECONOMY

TRADE DEFICIT HIT RECORD $4.6 BILLION IN DECEMBER

Canada racked up a record trade deficit in December as the value of exports slumped the most in more than a decade because of lower crude prices, boosting the case for the central bank to move cautiously on raising interest rates. The deficit widened to $4.59 billion in December as the value of exports slumped by the most in more than a year as a result of weak crude prices, Statistics Canada said on Wednesday. That was much wider than the $2.80-billion shortfall predicted by analysts in a Reuters poll, and exceeded the previous record gap, $3.99 billion, in September 2016. Exports fell by 3.8 per cent in December, the largest monthly drop since a 4.5-per-cent plunge in July 2017, as weak prices slashed the value of crude shipments by 28.7 per cent. Imports increased by 1.6 per cent on higher imports of energy products. *Reuters*

DANIEL LEAL-OLIVAS / AFP / GETTY IMAGES FILES

Britain's economy this year looks set for its weakest growth in a decade, according to a forecast from the Bank of England, above, and the outlook would be even worse if Britain leaves the EU without the cushion of a transition Brexit deal.

ECONOMY

Bank of England sees no rush to raise rates

BREXIT UNCERTAINTY

Andy Bruce

LONDON • The Bank of England should wait and see how Brexit unfolds before deciding its next move on interest rates, given that inflation is "reasonably well behaved" and economic growth is modest, rate-setter Michael Saunders said on Wednesday.

If Prime Minister Theresa May secures a deal to ease Britain out of the European Union, borrowing costs would need to rise in a limited and gradual way, but there are other scenarios with different implications for the BoE, Saunders said.

Britain is scheduled to leave the EU on March 29, but May is seeking last-minute concessions from Brussels to secure parliamentary approval and avoid a damaging no-transition exit. May has also raised the possibility of a delay to Brexit.

Saunders, who was one of the strongest advocates on the BoE's Monetary Policy Committee for higher interest rates ahead of its two rate hikes in November 2017 and August 2018, struck a cautious tone about the near-term outlook.

His comments chimed with a generally more downbeat stance adopted by the BoE last month, spurred not only by Brexit but also by a slowing global economy.

"The possibility that monetary tightening might be needed in the future does not necessarily mean we need to tighten now," Saunders said in a speech at Imperial College in London.

"Given that at present economic growth is probably not strong enough to create excess demand and inflation is reasonably well behaved, for now it makes sense to wait and to see how Brexit developments unfold."

Britain's economy looks set for its weakest growth in a decade in 2019, according to the BoE's forecasts, and the outlook would be worse if Britain leaves the EU without the cushion of a transition deal.

Saunders, answering questions after his speech, said the BoE's plan to raise rates gradually in the event of a Brexit deal did not mean a "fantastically slow" pace of increases.

He repeated the BoE's consensus view that policy could shift in either direction after a no-deal Brexit and opted not to echo comments of Governor Mark Carney who last week said the central bank would probably give more support to the economy in such a scenario, even if its options were limited.

"I am generally unsure about that," Saunders said. "There are very few, if any, good examples of countries that have gone through a process of reduced openness in the way that a hard Brexit would imply."

Most of Saunders' speech concerned the smaller-than-usual effect of the BoE's last two rate hikes on rates paid by households for loans and received for savings, possibly linked to the ultra-low level of policy rates over the last decade. "The MPC could allow for this issue by adjusting monetary policy slightly more actively (when the policy rate is low) in order to produce a desired impact on the economy," Saunders said.

He said if the BoE's interest rate was at 1.0 per cent, say, then it might be more appropriate to cut rates by more than usual because each 25 basis point change in rates would have relatively less impact on the economy.

"The same point applies if the MPC want to tighten policy (at a low rate level)," Saunders said.

Although it was difficult to be precise about the threshold at which moves in the BoE's interest rate became less effective, Saunders said his rough estimate was somewhere around two per cent.

Reuters

No hint of planned rate cuts

BOC

Continued from FP1

Those words suggest the Bank of Canada's slow march to higher interest rates in now on hold, perhaps until 2020. There was no hint in the central bank's statement that policy-makers contemplated cutting interest rates. The goal remains getting back to higher levels, eventually.

"With increased uncertainty about the timing of future rate increases, Governing Council will be watching closely developments in household spending, oil markets and global trade policy," the statement said.

Some on Bay Street and Wall Street — and in Calgary — might have wanted a more declarative statement of alarm from Canada's central bank.

In the United States, the Federal Reserve has made sure that everyone knows that it no longer is inclined to raise interest rates, even thought the economy grew at an annual rate of almost three per cent in the fourth quarter.

StatCan reported March 1 that GDP grew at an annual rate of 0.4 per cent in the fourth quarter, less than half of Canada predicted in January. If there was a North American central bank that needed to pivot, you might have thought it was Canadian.

But the Fed and the Bank of Canada are in different places. The U.S. dollar is strong and constraining financial conditions; the Canadian currency is so weak that it's probably undervalued, according to Derek Holt, an economist at Bank of Nova Scotia.

And inflation in Canada still is higher than benchmark interest rate, suggesting borrowing costs remain stimulative. The Bank of Canada did a half-pivot in January, when it said it planned to take the benchmark rate to a neutral setting "over time." Those two words reflected deteriorating economic conditions and showed policy-makers were in no rush to raise rates.

They are in even less of a hurry now.

Financial Post

Growth seen down to 1.5% in Canada

OECD

Continued from FP1

The OECD downgraded almost every G20 nation's economy. "Growth outcomes could be weaker still if downside risks materialize or interact."

The OECD's numbers are more downbeat than the IMF's for many economies, particularly the euro region and the U.K., as the organization warns that things could get worse For Canada, the OECD cut its outlook to 1.5 per cent for 2019 from 1.8 per cent in 2018. Growth will come in at two per cent in 2020, it says.

However, there have been some small signs recently that the global economy is stabilizing, while the U.S. and China are making progress on ending their lengthy trade dispute. JPMorgan's global composite Purchasing Managers Index rose in February for the first time in three months, while some euro-area gauges were also better than anticipated.

"Getting a clear steer on global growth is very difficult right now, but at least, the latest PMIs have some positives," HSBC economist James Pomeroy said in a note on Wednesday.

Central banks including the U.S. Federal Reserve have already responded to the changed circumstances, and the European Central Bank may soon follow. China, forced to lower its goal for economic growth this week, has rolled out tax cuts to stimulate its economy.

The OECD outlook goes against hopes that sources of weakness at the end of 2018, including lower confidence, would prove temporary. That creates a headache for policy-makers who may now need to find more combative solutions with limited room for manoeuvre on the fiscal and monetary side.

While central banks should stay in expansionary mode, the group called for structural reforms and fiscal stimulus in European countries that could afford it, saying "monetary policy alone cannot resolve the downturn in Europe." The OECD cut its Europe growth outlook for this year to one per cent from 1.8 per cent.

ECB policy-makers are meeting in Frankfurt this week, and the OECD said they should signal a delay to any rate hikes and possibly implement new measures to improve funding for banks. Both measures are expected to be discussed in Frankfurt on Thursday.

Europe took the brunt of the downgrades. While the U.S. outlook was lowered slightly to 2.6 per cent, the U.K.'s 2019 forecast was cut to 0.8 per cent from 1.4 per cent, and Germany's to 0.7 per cent from 1.6 per cent.

The OECD also singled out Brexit as one of the persistent threats. If the U.K. doesn't secure a deal, it sees a risk of a near-term recession, with "sizable negative spillovers" on other countries.

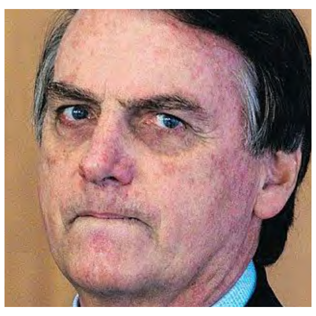
China is another concern, and a sharper slowdown there would have "significant adverse consequences for global growth and trade." The OECD report was prepared before China announced its new growth target range of six per cent to 6.5 per cent. The OECD expects expansion to slow to six per cent next year from 6.2 per cent in 2019.

Bloomberg

TRADE

HOW A LEWD TWEET COULD MAKE YOUR COFFEE CHEAPER

Lewd tweets and coffee prices: Who knew how much impact one could have on the other? Brazil's President Jair Bolsonaro is in hot water after he shared a lewd video this week that drew criticism from opponents and supporters alike, including the military. The tweet reverberated across markets, helping to send the nation's currency lower. Brazil is the world's biggest coffee producer and



exporter. When the real falls, it encourages the nation's shippers to send more beans abroad, since they fetch dollars in return. Coffee prices were already in the dumps, thanks to an overabundance of supply. But recent losses for the real have only added to the malaise. May arabica futures dropped 1.7 per cent this week in New York to settle at 98.5 cents a pound. *Bloomberg*

ENERGY

Pipeline delays make expansion unlikely: MEG

OILSANDS

CALGARY • The CEO of MEG Energy Corp. says a one-year delay in Enbridge Inc.'s Line 3 pipeline replacement project makes it highly unlikely it will approve an option to spend about $75 million to complete an expansion of its Christina Lake oilsands project in northern Alberta.

Derek Evans says about 60 per cent of the $275-million cost of the expansion has been invested already and it will take about a year to bring into production once approved, but there's no point in doing so if there's no pipeline capacity to carry the oil to market.

Last week, Enbridge said permitting delays in Minnesota meant its Line 3 project, expected to add 370,000 barrels per day of export capacity of Canadian crude, won't open until the second half of 2020, a year later than expected.

The MEG expansion would allow production capacity to climb to about 113,000 barrels per day from the current 100,000.

MEG shares fell by as much as 9.7 per cent to $4.75 in early trading on the Toronto Stock Exchange after it reported an operating loss of $118 million in the fourth quarter compared with an operating profit of $44 million in the same period of 2017.

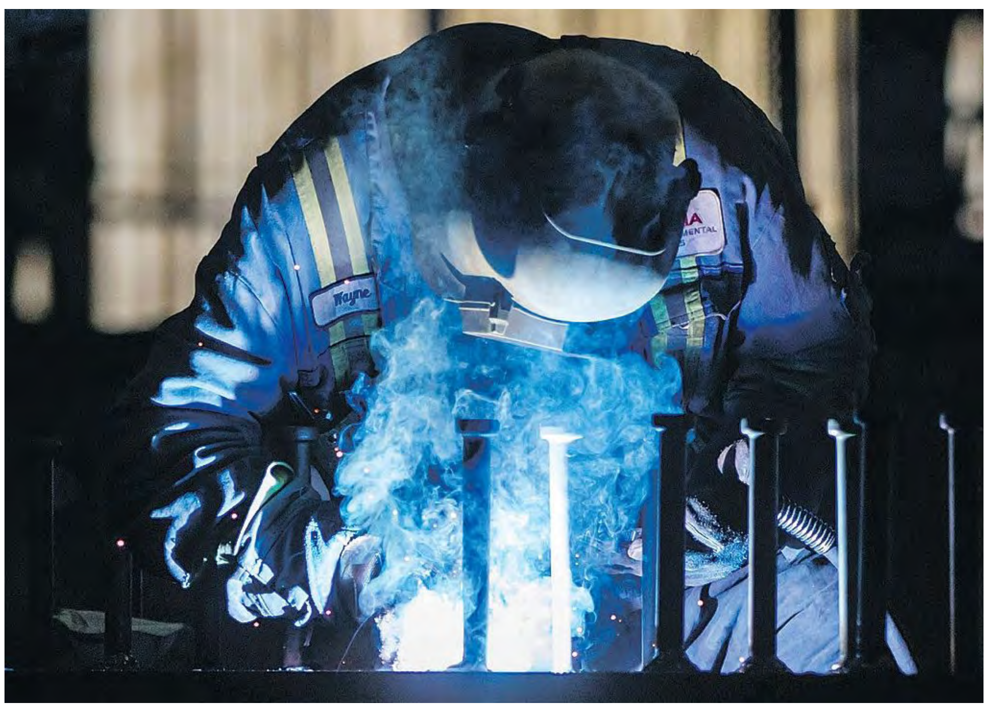
It blamed the bigger loss on discounts on western Canadian crude as its average realized bitumen price fell to $13.90 per barrel from $48.30.

The company says it expects to double its crude-by-rail volumes from 14,700 barrels per day in the last three months of 2018 to 30,000 by next fall.

The Canadian Press

MEG ENERGY

MEG Energy's expansion would allow production capacity to climb to about 113,000 barrels per day from the current 100,000.



DARRYL DYCK / THE CANADIAN PRESS

A welder at work. Canada's traditional economy posted few new jobs last month.

COMMENT

Paying attention to the other economy

High-tech part is doing well, the rest not so much

KEVIN CARMICHAEL

What does Bay Street know? Those nattering nabobs of negativity bet Canada's battered-and-bruised economy would create only 1,000 jobs in February, a number so small that it would have been statistically insignificant.

Employers showed them: some 60,000 Canadians found jobs last month, the fourth sizable gain in the past six months, according to new data released by Statistics Canada on Friday. The positive result was out of step with recent data, a fact the federal finance minister was keen to highlight. "Another month of strong job growth," Bill Morneau tweeted. "When we invest in the middle class, Canadians see positive results."

That probably has something to do with it. Tax cuts and the enhanced child-benefit program juiced household spending in 2017, generating momentum into 2018. Morneau's deficits are controversial, but they helped offset slumps in export revenue and business investment last year. Government spending might be the only thing keeping Canada from a recession, according to StatCan's latest reading of gross domestic product.

Still, as I've said before, Morneau and the rest of Team Trudeau really should control their urge to congratulate themselves every time high-frequency data wiggle their way. Bay Street was wrong this month, but the pessimistic outlook of most of its forecasters probably is closer to the current reality than Morneau's tweet.

Canada's economy has pockets of strength that likely will prevent a downturn. Exports of services surged in the fourth quarter, suggesting technology companies are finding markets, despite weaker global growth. That's good news for Toronto, Montreal, Vancouver, Quebec City and a handful of other places where such companies thrive.

But overall, the near term looks bleak. A steady stream of important indicators over the past couple of weeks has chased the optimists off the field. Total hours worked declined for a third-consecutive month in February, causing the Bank of Nova Scotia's real-time forecasting model to predict that GDP will contract 0.3 per cent this quarter. There's not going to be a lot for Prime Minister Justin Trudeau and his ministers to tweet about in the months ahead.

"Given the available data, the Canadian economy appears more likely to have shrunk in the first quarter of the year than shown any meaningful growth," said James Marple, an economist at Toronto-Dominion Bank.

Morneau's spending has helped to buoy GDP, but there isn't much evidence in the latest jobs numbers that current hiring is the result of the federal government's decision to "invest in the middle class." There's something more fundamental going on.

Sometimes you have to go below the surface to figure out what the Labour Force Survey is telling you, but this month, StatCan came right out and said it: Ontario was the sole province with a notable employment gain in February, and the number of people employed in professional, scientific and technical services increased "notably" for the third time in three months.

That's an important observation. Canada is two economies right now. One revolves around the energy industry. It relies on selling tangible stuff to the United States, residential construction and household consumption.

Alas, this economy is notoriously uncompetitive because tax rates are too high, regulation is too heavy, and executives are too complacent. It thrives only in good times, as it lacks the mojo to push through heavy weather. And for the past couple of years, this economy has been contending with a perfect storm: Alberta's oil production surpassed its pipeline capacity, crushing Canadian prices; U.S. President Donald Trump upended trade policy; and Canada's heavily indebted households decided to finally retreat after years of unsustainable spending. This economy posted few jobs in February.

The other economy revolves around revolutionary technology such as artificial intelligence and the relatively small pool of elite talent that knows how to maximize and commercialize these breakthroughs. It sells services and generates wealth from intangible capital such as intellectual property and innovation. To a certain extent, it is oblivious to cyclical turbulence because it is part of a structural shift around the world to economies built on data and the tech required to collect and process that information.

Nothing, not even Trump, will disrupt the demand for what this other economy is selling. But in terms of GDP, the tech and services industries remain relatively small, so the struggles of the economy based on tangible goods will dictate the aggregate figures. And in terms of hiring, this newer economy remains concentrated in urban centres with famous universities. So people unconnected to these places will look at Morneau's tweet and wonder what he is talking about.

The jobless rates in Vancouver and Montreal are 4.7 per cent and 5.5 per cent, respectively, compared with the national rate of 5.8 per cent. Total employment in Calgary was one-per-cent higher in February than a year earlier, compared with an increase of almost two per cent in Toronto over the same period. Employment in Manitoba actually declined last month.

So in a way, Morneau is right: there is strong job growth. It's just that all of it is taking place in his hometown of Toronto and the other big cities that the Liberal caucus disproportionately represents. Unfortunately, it's the other economy, where the Liberals have little representation, that requires the most attention.

Financial Post

kcarmichael@postmedia.com

Twitter.com/CarmichaelKevin

ECONOMY

Numbers hint at economic slowdown

UNITED STATES

KATIA DMITRIEVA AND CARLYANN EDWARDS

The U.S. labour market may not be as weak as February's payrolls number suggested, but the report provides a reality check that a long-forecast slowdown is arriving.

Employers added 20,000 jobs during the month, the fewest since September 2017, missing all economist estimates and bucking a recent trend of strong February readings.

Analysts said the unexpectedly low figure doesn't mean conditions rapidly deteriorated — citing weather effects and payback from outsize gains in prior months — but they pointed to the likelihood of a moderation in job gains this year as economic growth cools.

"I don't think you want to say that 20,000 is the new trend, but the trend probably is shifting down," said Michael Feroli, chief U.S. economist at JPMorgan Chase & Co. in New York. "It's hard to know with precision how much of a downshift there will be. We'll see job growth better than this, but not as good as we saw last year."

U.S. stocks dropped along with the dollar, with the S&P 500 index falling for a fifth day, while benchmark Treasury yields were steady as markets weighed the jobs report with the risk of greater inflation pressures.

While the payroll gains disappointed, the report's other highlights were largely positive: The unemployment rate declined by more than forecast and hourly wages rose from a year earlier at the fastest pace since 2009, figures that bode well for consumer spending. Some industries hit hard in February are typically closely tied to weather patterns, including construction and retail, while the lingering effects of the partial government shutdown may have created some volatility.

"There was always going to be noise in this as a result of the shutdown," Constance Hunter, chief economist at KPMG, said on Bloomberg Television.

Policy-makers and economists are likely to wait for several months of weak hiring before concluding there's cause for concern in the labour market. The figures also validate the Federal Reserve's January decision to pause interest-rate hikes while awaiting signs of a more-persistent acceleration in inflation.

"The fact that hiring was weak, but the unemployment rate declined and jobless claims have not materially increased, signals that labour market conditions are not materially deteriorating," say Bloomberg economists Carl Riccadonna, Yelena Shulyatyeva and Tim Mahedy.

The report also showed signs that companies are paying up for employees in a tight market. Average hourly earnings for private workers rose 0.4 per cent from the prior month, topping estimates, following a 0.1-per-cent gain. That indicates the economy may get a lift from wage increases.

Bloomberg

APPENDIX "11"

CANADIAN BIOMASS

Building safety: Pinnacle implements best practices at Smithers plant

VIDEOS

A look inside CHAR Technologies' high temperature pyrolysis
More Torrefaction

AgriChemWhey builds first-of-a-kind dairy biorefinery in Ireland
More Biofuel

CHAR highlights new Ontario biocarbon plant in video
More Torrefaction

NREL researchers produce carbon fibre from biomass
More Composites

NEWS

- BCBN calls for contractor to
- Comet Bio wins best ingredient innovation
- Budget 2019: feds invest $250M in forest
- SynTech Bioenergy appoints Garrett
- Biomass North Development Centre
- Two injured at Arkansas wood pellet

PELLETS

Active Energy acquires CoalSwitch production facility in North Carolina
March 27, 2019 - UK-based Active Energy announced today it has

Locals want Thunder Bay gen...
March 22, 2019 - A group of Thunder Bay, Ont., locals are proposing a plan to avoid demolishing the Thunder Bay biomass generating station that closed last year. The plan involves

White paper demonstrates pe...
March 18, 2019 - The U.S. northeast states consume about 84 per cent of all heating oil used in the U.S. Of those states, Maine is the most heating oil dependent state in the

HARVESTING

White paper looks at implicat...
March 29, 2019 - FutureMetrics has learned that the Japanese Ministry of Economy, Trade and Industry (METI) is considering requiring palm kernel shell (PKS) to be certified as sustainably

SBP names Canadian among t...
March 25, 2019 - Canadian registered professional forester Brenda Hopkin has been named one of the members of the SBP Technical Committee, SBP CEO Carsten Huljus

CO2 Solutions starts up carbo...
March 15, 2019 - A CO2 capture unit installed by CO2 Solutions Inc. has started commissioning at a Resolute Forest Products pulp mill in Saint-Félicien, Quebec.

BIO-PRODUCTS

A look inside CHAR Technologies' high temperature pyrolysis plant
March 15, 2019 - Canadian Biomass recently toured CHAR Technologies'

23-year-old develops 100% c...
March 12, 2019 - The world's plastics production totalled around 335 million tons in 2016, according to EarthDay.org, and continues to rise. The main reason for the increase in

New book touts benefits of bi...
March 4, 2019 - In order to rescue ourselves from climate catastrophe, we need to radically alter how humans live on Earth. We have to go from spending carbon to banking it.

BIOFUELS

Énergir applauds Quebec's decision to support RNG
March 28, 2019 - Quebec's leading natural gas distribution company, Énergir, is pleased with the adoption

Applications open for global a...
March 25, 2019 - Applications are now open for the AD & Biogas Industry Awards 2019, taking place on 3rd July at the National Exhibition Centre in Birmingham, U.K.

Federal government to invest...
March 21, 2019 - The government of Canada recently announced it is investing up to $2.7 million (subject to a formal funding agreement) to support climate action by ZooShare

EQUIPMENT

Morbark introduces new Rayco forestry mulcher and Hydra-Stumper
March 29, 2019 - Morbark, LLC, is pleased to announce the debut of the

Conveyor transfer point desig...
March 26, 2019 - As tons of material per hour are quickly dropped with great force through receiving chutes onto a receiving conveyor, fugitive cargo often piles up around the frame

WSM Oregon facility allows c...
Mach 15, 2019 - At WSM's size reduction and screening test facility in Salem, Oregon, customers and prospective customers, can have feedstock tested. The testing and

EDUCATION

Call for presenters for Joint International Conference & Symposium on Bio-Economy
March 11, 2019 - Lakehead

Survey: What are priority are...
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- Workshop on Adequacy of Spatial Databases for Conducting Risk Assessments
  May 1-3, 2019
- Waste Expo
  May 6-9, 2019
- Biomass Pellets Trade & Power
  May 13-16, 2019

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March 6, 2019

NEWS

Alberta outlines long-term renewable electricity targets

Alberta plans to add 5,000 MW of green generation, $10 billion in new private investment and create 7,000 jobs by 2030. Of that 5,000 MW, 1,500 MW will be created by through Indigenous participation. » Read more...

Pinnacle sells record volume in 2018

Pinnacle Renewable Energy sold a record volume of industrial wood pellets in 2018, and nearly doubled its Q4 revenue compared to the previous year, the company reports. » Read more...

Eastman, CLASS partner to promote wood-based yarn

Chemical company Eastman, the maker of Naia cellulosic yarn, has partnered CLASS to support the fashion industry's shift toward the "circular economy." » Read more...

FSC Canada soon to release new sustainable forestry standard

New rules to protect woodland caribou populations and more opportunities for dialogue with Indigenous groups will be highlights of the updated FSC standard. » Read more...

New book touts benefits of biochar to reverse climate change

A new book called "Burn: Using Fire to Cool the Earth" looks beyond renewable biomass and carbon capture energy systems to offer a bigger and bolder vision for the next phase of human progress. » Read more...

FEATURED NEWS

BC salvage firewood company doubles production

Daniel Francoeur, owner and operator of Vancouver Island, B.C.-based Comox Valley Firewood, believes he has discovered a way to make the forest industry more sustainable: salvaging wood from burn piles and turning it into firewood. » Read more...

Nihtat Corp eyes pellet plant development in NWT

The Nihtat Corporation in the Northwest Territories is receiving a $220,000 federal investment to conduct a capacity development study looking into wood-based biomass options, including a pellet plant, in the Beaufort Delta region. » Read more...

EVENTS

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Location: Amsterdam, Netherlands » Learn More

Argus Biomass 2019

April 8-10, 2019

Location: London, U.K. » Read more

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APPENDIX "12"

Knight, Jason

From: Kanji, Jason
Sent: Thursday, March 7, 2019 11:41 AM
To:
Cc: Knight, Jason
Subject: OFFERS INVITED - Northern Ontario Wood Pellet Production Facility

Hello [Name],

We are sending you this email with respect to an opportunity to purchase a turn-key wood pellet manufacturing plant in Temiskaming Shores (formerly New Liskeard), Ontario.

On February 22, 2019, the Ontario Superior Court of Justice (Commercial List) appointed Grant Thornton Limited as the receiver and manager of K.D. Quality Pellets ("**KD Pellets**") and approved this sale process. Copies of the Receivership Order, the Sale Process Approval Order, and related materials can be found on the Receiver's case website: www.GrantThornton.ca/KDQP. This will be an asset sale allowing for a vesting order and the conveyance of clean title to the assets of KD Pellets.

If you have an interest in receiving the Information Package which includes more specific details on the assets, as well as the details on the sale process including sale terms, access to a data room and site tour arrangements, please contact Jason Kanji via email (Jason.Kanji@ca.gt.com) or by telephone at (416) 777-6136.

Please note that the deadline for offers has been set for 12:00 pm (noon) EST on April 17, 2019.

Company & Assets

KD Pellets operated out of a purpose built pellet processing plant (the "**Pellet Plant**"), constructed in 2013, capable of producing 90,000 tonnes of industrial grade wood pellets, as well as residential wood pellets. The Pellet Plant is located on a 90 acre parcel of land located at 999562 Highway 11 North, Harley, Ontario (just north of Temiskaming Shores, Ontario) and consists of the four (4) buildings:

- a 12,100 sq. ft. pellet processing plant including an office space attached to same;
- a 14,880 sq. ft. open storage facility for the storage of wood fibre;
- a scale house; and
- a pump house.

When constructed, the Pellet Mill was engineered to house five (5) full pellet production lines (capable of producing 200,000 tonnes per annum), plus fibre drying, and finished pellet bagging capabilities.

Regards,

- Jason

APPENDIX "13"

STRICTLY PRIVATE AND CONFIDENTIAL

1793082 Ontario Ltd. o/a K.D. Quality Pellets

Information Memorandum

March 6, 2019

Grant Thornton Limited,
in its capacity as the Court-appointed receiver and manager of 1793082 Ontario Ltd. o/a K.D. Quality Pellets and not in its personal or corporate capacity.

Confidentiality and Disclaimer

Purpose

This information memorandum ("**Memorandum**") is being issued by Grant Thornton Limited, in its capacity as the Court-appointed receiver and manager (in such capacities, the "**Receiver**")of 1793082 Ontario Ltd. o/a K.D. Quality Pellets ("**KD Pellets**" or the "**Company**") and not in its personal or corporate capacity, on the terms set out herein, for the exclusive use of the persons to whom it is addressed and their advisors in connection with the proposed sale of the Company's right, title and interest, if any, in the assets described in the parcels outlined in the Offer Form attached to this Memorandum as **Appendix "A"** (collectively, the "**Assets**").

This Memorandum was prepared by the Receiver based on information obtained from the Company's available books and records and from management of the Company and other sources, all of which have not been independently verified by the Receiver.

The sole purpose of this Memorandum (the "**Purpose**") is to assist the Recipient (as defined below) in deciding whether it wishes to further investigate and proceed with submitting an offer to purchase any of the Company's Assets.

Use of Materials

This Memorandum contains confidential information. This Memorandum is provided to the person in possession of it (the "**Recipient**" or the "**Bidder**") on the understanding that:

- the Recipient will only use this Memorandum and the information contained herein (except to the extent that the same is already in the public domain) for the Purpose;
- upon request, the Bidder will promptly return to the Receiver all materials received without retaining any copies thereof, and will destroy any information derived from such materials;
- the Bidder will advise other persons with whom the Memorandum is properly shared of the provisions of this undertaking.

Distribution of this Memorandum is restricted to the Bidder and its officers, directors, employees and advisors.

Grant Thornton Limited is acting exclusively in its capacity as the Receiver, and will not be responsible for providing advice in relation to the Purpose or any other matter referred to in this Memorandum.

Verification of Information

The Receiver makes no representations or warranties as to the accuracy or completeness of the information contained in this Memorandum or made available in connection with any further investigation of the Assets and shall have no liability whatsoever for any information, or representations, express or implied, contained in this Memorandum or for any errors or omissions therein or any other written or oral communications that are transmitted to or received by the recipient in the course of their evaluation of the Assets.

Bidders are invited to submit their offers "en bloc" or "in part".

Without limiting the foregoing, the Recipient of this Memorandum acknowledges and agrees that:

- The Receiver will not be subject to any liability based on the information contained in this Memorandum, or any errors therein or omissions there from, whether or not the Receiver knew or should have known of any such errors or omissions, or was responsible for or participated in its inclusion in or omission from this Memorandum; and,
- Any proposed actions by the Recipient which are inconsistent in any manner with the foregoing will require the prior written consent of the Receiver.

Recipients of this Memorandum acknowledge that the Sale Process permits the Receiver to negotiate with one or more Bidder(s) at any time and for the Receiver to enter into a definitive agreement or agreements with respect to the Company's interests, if any, in the Assets without notice to any other Bidder(s). The Receiver expresses no opinion on the information contained in this Memorandum and recipients of this Memorandum must rely on their own investigation and review in making decisions.

Further Information

In furnishing this Memorandum, the Receiver reserves the right to amend or replace the Memorandum at any time. However, the Receiver is not under any obligation to provide the Recipient with access to any additional information or to update or correct any inaccuracies which may become apparent in this Memorandum or any other information made available in connection with the Memorandum.

Contact

All questions and enquiries regarding the Memorandum or the Company should be directed to the following and not the Company:

Jason Knight
Senior Manager
T +1 416 369 7017
E Jason.Knight@ca.gt.com

Jason Kanji
Senior Associate
T +1 416 777 6136
E Jason.Kanji@ca.gt.com

Contents

Introduction

Background

On February 22, 2019, on application of Temiskaming Development Fund Corporation ("**Temfund**") to the Ontario Superior Court of Justice (Commercial List) (the "**Court**"), the Honourable Mr. Justice McEwen issued an Order (the "**Receivership Order**") appointing Grant Thornton Limited as the receiver and manager (in such capacities, the "**Receiver**") of all of the assets, undertakings and properties of 1793082 Ontario Ltd. o/a K.D. Quality Pellets ("**KD Pellets**" or the "**Company**").

Also on February 22, 2019, the Court issued an Order (the "**Sale Process Approval Order**") that, among other things, approved the marketing and sale process (the "**Sale Process**") for the Company's right, title, and interest, if any, in the Property (as defined in the Sale Process Approval Order) as described in paragraph 12 of the pre-filing report of Grant Thornton Limited dated January 7, 2019.

The Receiver intends to conduct the Sale Process in accordance with the Sale Process Approval Order. Additional details with respect to the Sale Process are contained in this Memorandum and the supporting appendices.

Court Materials

Copies of all materials filed in these receivership proceedings, including the Receivership Order and Sale Process Approval Order, are available on the Receiver's Case Website at: www.GrantThornton.ca/KDQP.

Investment Highlights

Potential Bidders are invited to put forth an offer(s) on the entirety of the Assets or one or more Parcel(s) of Assets.

New Pellet Operations

- Completed in early 2013.
- Produces residential and industrial grade wood pellets for heating and power generation, respectively.
- Current annual production capacity of 90,000 tonnes.
- The facilities were designed to accommodate an expansion to increase production to 200,000 tonnes.

90 Acre Parcel of Land

- Located just north of Temiskaming Shores (formerly New Liskeard), Ontario with four buildings located on site:
  - a pellet plant and office space;
  - a wood storage building;
  - a scale house; and
  - a pump house.

City of • Ville de Temiskaming Shores

Dymond Haileybury New Liskeard

Company Overview

Company Overview

Location and Operations

KD Pellets was incorporated under the laws of the Province of Ontario on March 10, 2009.

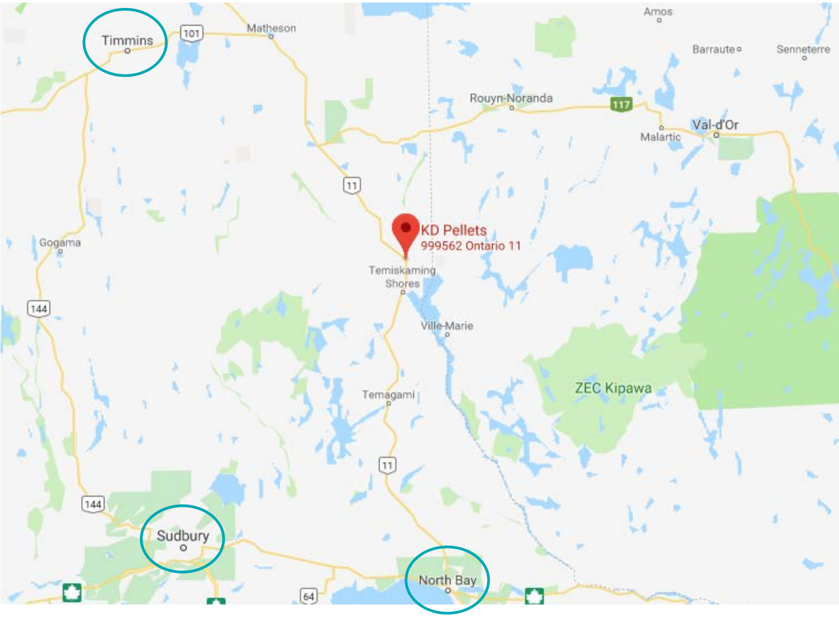
In September 2011, the Company purchased a 90 acre vacant lot of land located at 999562 Highway 11 North, Harley, Ontario (just north of Temiskaming Shores) (the "**Premises**").

Beginning in 2012, KD Pellets began construction of a purpose built pellet processing plant (the "**Pellet Plant**") capable of producing both industrial and residential grade wood pellets. The Pellet Plant included the construction of four (4) buildings:

- a pellet processing plant (the "**Processing Facility**") including an office space attached to same;
- an open storage facility for the storage of wood fibre (the "**Storage Warehouse**");
- a scale house (the "**Scale House**"); and
- a pump house (the "**Pump House**").

The Company completed construction of the Pellet Plant in December 2013 and began operations in January 2014.

From inception up to January 2016, the Pellet Plant was focused on producing Industrial Pellets (as defined herein) for bulk sale to biomass power generation facilities.



The Pellet Plant is located outside of Temiskaming Shores, Ontario, Canada and is ideally situated with access to a quality fibre basket and transportation infrastructure.

The Pellet Plant is located within 2.50 hours from three main Northern Ontario cities: (i) Timmins – 2.25 hours; (ii) Sudbury – 2.50 hours; and (iii) North Bay – 1.50 hours.

Company Background

Background

Prior to commencing operations in early 2014, the Company secured a contract with RTK WP Canada, ULC ("**Rentech Canada**") for the supply of industrial grade wood pellets ("**Industrial Pellets**") to be used in power generation. Rentech Canada, also in the business of producing Industrial Pellets, entered into the sub contracting agreement with KD Pellets to supplement its production and fulfill its obligations to its main customers: (i) Ontario Power Generation's Atikokan Generating Station; and (ii) Drax Power Limited, a power generation entity in the United Kingdom.

Industrial Pellets (2014)

From January 2014 to December 2014, the Company produced and delivered to Rentech Canada approximately 26,000 tonnes of Industrial Pellets. As a result of the contract, KD Pellets' revenue increased from $550,000 for the 12 months ending March 31, 2014 to $2,450,000 for the 12 months ending March 31, 2015.

To produce Industrial Pellets, KD Pellets sourced industrial grade wood fibre from Georgia-Pacific Canada Inc. ("**GP Canada**").

The wood fibre provided by GP Canada was from their gypsum board product line which contained low levels of moisture, eliminating the need for the installation of an industrial fibre dryer.

Rentech Canada Issues (2015)

In early-2015, Rentech Canada began experiencing financial difficulties and, as a result, in mid-2015, Rentech Canada terminated its contract with KD Pellets.

In December 2017, Rentech Canada was placed into receivership whereby its assets were sold by the receiver appointed over same.

Transition to Residential Pellets (2015 / 2016)

Subsequent to the contract with Rentech Canada being cancelled, the Company sourced a contract with Wentworth Corporation ("**Wentworth**") to produce pellets to be sold for residential use ("**Residential Pellets**") under the brand name "Woody's Pellets". Wentworth sold Woody's Pellets to retail chains in Northern Ontario such as Wal-Mart, TSC, and Canadian Tire.

During this period, the Company, on a limited basis, sold Industrial Pellets to other entities and individuals.

Company Background *(cont.)*

Issues with Quality of Residential Pellets

During 2015, retailers selling the Residential Pellets began receiving complaints from customers about the ash content and quality of same.

In late-2015, due to the issues with retail customers, Wentworth was unable to secure future sales with retailers and, as a result, began defaulting on its payments to KD Pellets, creating cash flow issues for the Company.

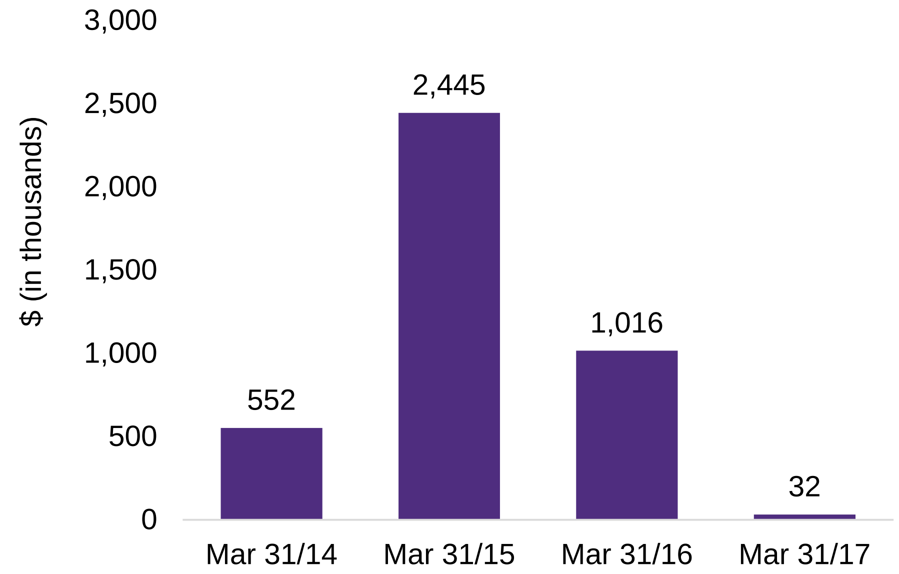
Current Situation (2016 – 2019)

To be able to produce and sell Residential Pellets of acceptable quality, the Company requires a specialized pellet dryer system (a "**Dryer System**") to reduce the moisture content of the wood fibre to an acceptable level. The gypsum board supply from GP Canada has not been an acceptable source of fibre to produce Residential Pellets due to the ash content contained in same.

Due to a lack of working capital and funding, KD Pellets was not able to purchase the Dryer System necessary to produce acceptable Residential Pellets. Since January 2016, KD Pellets has not operated the Pellet Plant in any significant capacity, however, it has continued to maintain and preserve the Pellet Plant and the assets contained therein.

The chart below outlines the revenue reported by the Company for the 12 months ending March 31, 2014, 2015, 2016, and 2017. As can be shown by the chart, the loss of the contract with Rentech Canada, occurring in January 2015, resulted in a sharp decrease in revenue for the 12 months ending March 31, 2016. The revenue decline was further compacted as a result of the loss of the Wentworth contract in 2016.

Revenue by Year



Assets

Parcel 1 – Land & Buildings
Overview

Land

Parcel 1 – Land & Buildings encompasses the Premises and the four (4) buildings situated on same (collectively, the "**Buildings**").

The Company purchased the Land in September 2011 for a purchase price of $810,000. The Land is a slightly irregular shaped rectangular lot totaling 89.39 acres (3,893,828 sq. ft.) and has the following attributes:

- located adjacent to Harley Township's industrial park;
- is improved with sodding, trees, bushes, gravel roadways, and a gravel surface parking lot; and
- contains a small limestone quarry pond at the rear of the Premises (accessible by a gravel road) which is used as the fire pond for the Buildings.

Buildings

The Buildings, totaling 27,220 sq. ft., were constructed between 2012 to 2013 and each have a useful life of 50 years. The total construction costs of the Buildings was estimated to be $2,653,426.

The table below provides a summary of the Buildings located on the Premises.

Building	Description	Sq. ft.
Processing Facility	Includes the production floor (9,645 sq. ft.) and office space (2,509 sq. ft.)	12,100
Storage Warehouse	Used for the storage of wood fibre and is connected to the Processing Facility	14,880
Scale House	Located at the entrance of the Premises and used to weight outgoing shipments	120
Pump House	Located beside the quarry pond for fire suppression support	120

Parcel 1 – Land & Buildings *(cont.)*

Processing Facility

Overview

The Processing Facility contains:

- a poured concrete industrial production area totaling 9,645 sq. ft. with 30 ft. ceilings and three (3) overhead bay doors and includes:
  - a control room for the Pellet Press System (as defined herein) located on the production floor;
  - a machine shop currently used as a pellet laboratory;
  - an electrical and storage room adjacent to the machine shop space; and
- an office space totaling 2,509 sq. ft. consisting of: a reception/entrance area; private offices; a kitchen; two (2) washrooms; and an electrical room.

The Receiver is of the understanding that the Processing Facility was engineered to house five (5) full pellet production lines (capable of producing 200,000 tonnes per annum), plus fibre drying, and finished pellet bagging capabilities.

Schedule “1”

A schedule including a detailed legal description of the Premises as well as additional details on the Buildings is included in the Offer Form as **Schedule "1"**. <u>The equipment contained in the Processing Facility is included separately in Schedules 2 – 7.</u>

Parcel 1 – Land & Buildings *(cont.)*

Processing Facility

Production Floor

Control Room

Parcel 1 – Land & Buildings *(cont.)*

Processing Facility

Pellet Laboratory

Electrical/Storage Room

Office Space

Parcel 1 – Land & Buildings *(cont.)*

Other Buildings

Wood Storage Facility

Constructed in early 2013.

Steel constructed facility is for the storage of hard and soft wood chips for processing.

The building is approximately 12,600 sq. ft. (170 ft. in length and 87 ft. deep) and is open on two (2) sides.

Pump House

Scale House

Parcel 2 – Pellet Mill Equipment

Overview

Overview

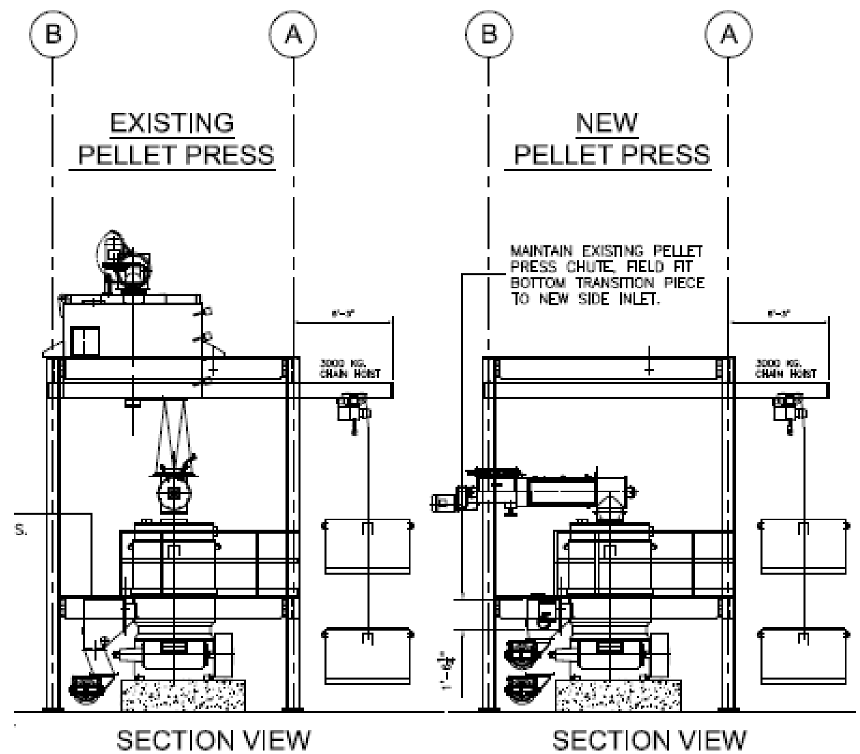
A detailed listing of the equipment contained in Parcel 2 – Pellet Mill Equipment is included in the Offer Form as **Schedule "2"**. In summary, Parcel 2 – Pellet Mill Equipment encompasses the following two (2) components (the "**Pellet Production System**"):

- the two (2) pellet processing lines installed in the Processing Facility (the "**Pellet Press System**"); and
- the exterior silos & auger system that feeds the Pellet Press System (the "**Silo & Auger System**").

The Pellet Production System was developed in two (2) "phases":

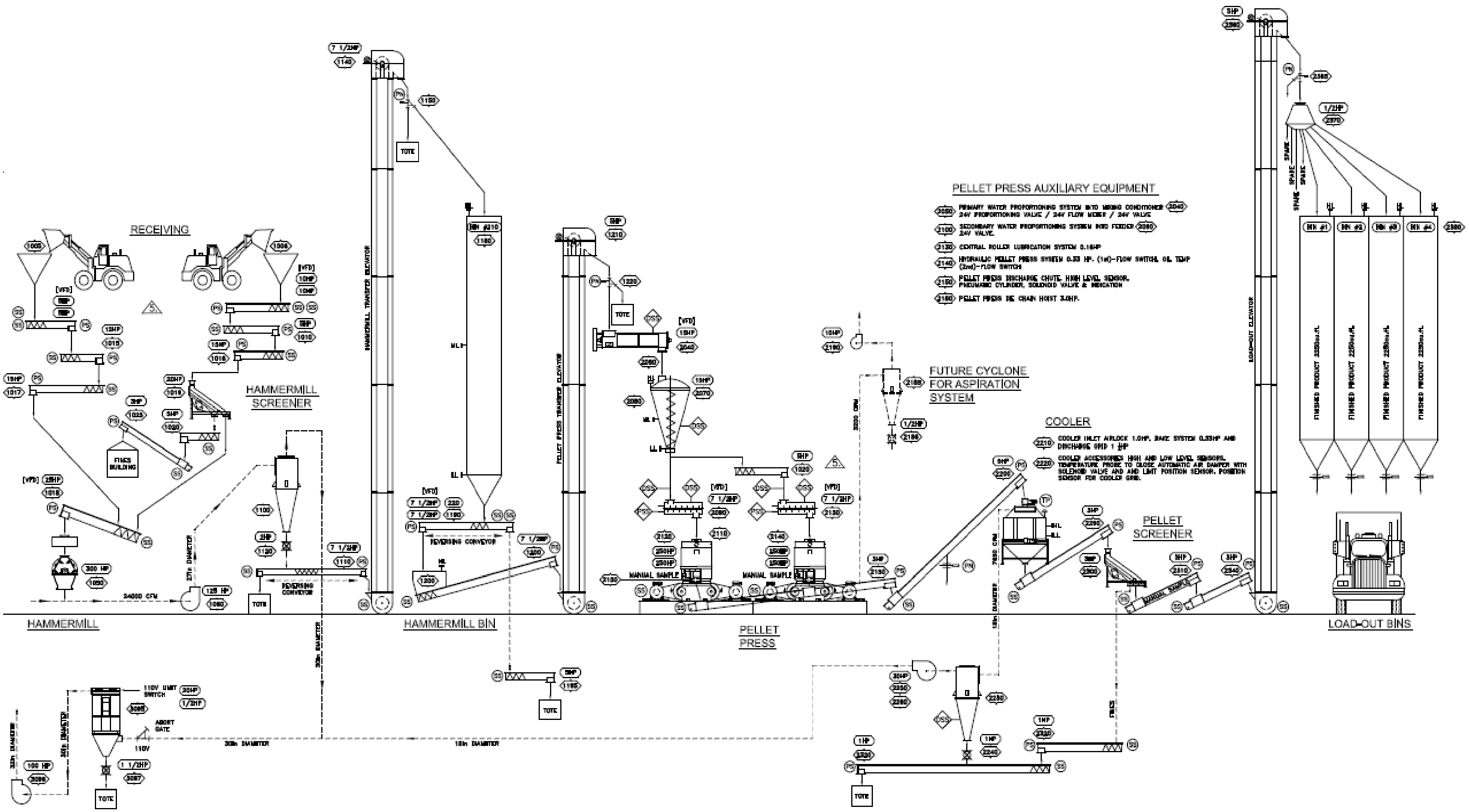
- Phase 1 – completed in the fall of 2013 resulting in annual capacity of 45,000 tonnes; and
- Phase 2 – completed in January 2015, doubling KD Pellet's capacity to 90,000 per annum.

KD Pellets' Pellet Production System consists of industry-standard pelletization technology developed by KAHL Maschinenfabrik in Germany.

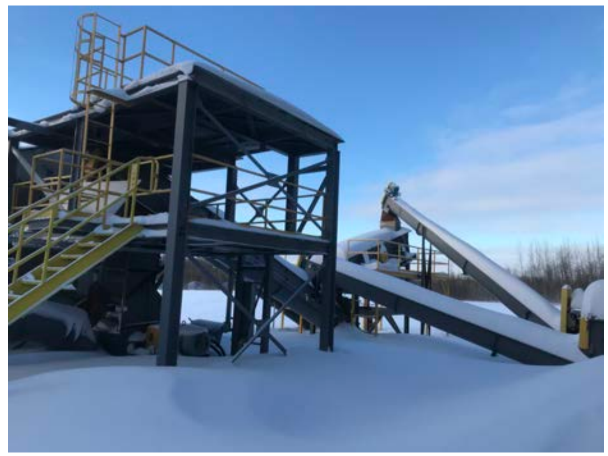


Parcel 2 – Pellet Mill Equipment

Pellet Production System Overview



Parcel 2 – Pellet Mill Equipment
Silo & Auger System



Parcel 2 – Pellet Mill Equipment

Pellet Press System

The Receiver is of the understanding that the Pellet Production System is in a "turn-key state" whereby it could be started and used immediately with minimal repairs required.

Parcels 3 – 9

Other Assets

Summary

The remaining Parcels, Parcel 3 to Parcel 9, include various other assets and movable property contained on the Premises such as: office equipment, lab equipment, moveable equipment, and intellectual property.

The table on the right summarizes the remaining Parcels and indicates the supporting schedules contained in the Offer Form associated with each Parcel.

The table on the right does not provide a complete listing. Please refer to **Schedules "3"** to **"9"** for a complete listing of Assets contained in Parcels 3 to 9, respectively.

Parcel No.	Description	Description	Schedule No.
Parcel 3	Lab Equipment	Various testing / quality measurement instrument equipment	Schedule "3"
Parcel 4	CAT Loader	A 2012 Caterpillar 950K Wheel Loader	Schedule "4"
Parcel 5	Train Grain Loaders	Two 2014 "Lode King" Grain Loaders	Schedule "5"
Parcel 6	Horizontal Wood Grinder	A 2006 Vermeer Horizontal Industrial Grinder	Schedule "6"
Parcel 7	Other Moveable Equipment	A forklift, a 15 x 45 grain-belt, and other equipment	Schedule "7"
Parcel 8	Office Equipment	Desks, tables, TV's, monitors, and computers	Schedule "8"
Parcel 9	Other Assets	Shelving, appliances, storage bins, etc.	Schedule "9"

Sale Process

Sale Process

Overview and Timeline

To further participate in the Sale Process, Bidders must advise the Receiver of the Bidder's interest in further pursuing same. Once the Receiver has received such acknowledgement, the Receiver will provide the Bidder with access to an electronic data room containing relevant information for a potential Bidder to perform due diligence with respect to the Assets. Potential Bidders will also be given the opportunity to schedule appointment(s) to attend the Premises and inspect the Assets.

The table below highlights the key events and timeline of the Sale Process.

Event	Timing[1]
Initial contact with those identified as potential Bidders	Commencing March 6, 2019
Due diligence period – distribution of Memorandum and viewings of Assets on an appointment only basis	Commencing March 6, 2019 up to the Offer Deadline
Deadline for submission of Offers (as defined herein) (the "**Offer Deadline**")	12:00 pm EST on April 17, 2019
Assessment of Offers received on or before the Offer Deadline and identification of superior Offer(s)	Within five (5) business days of Offer Deadline
Execute and finalize an Agreement of Purchase and Sale (as defined herein) with the successful Bidder(s)	Within seven (7) business days of acceptance of successful Offer(s)
Court approval and Vesting Order (as defined herein) application	As soon as reasonably possible following removal of conditions, if any
Closing of sale transaction(s) (the "**Closing Date(s)**")	Ten (10) days following Court approval

1 – The Receiver reserves the right to amend or terminate the Sales Process, including, without limitation, extending the Offer Deadline or any other date contemplated herein.

Sale Process *(cont.)*

Offers

Submission of Offers

In order to receive consideration, all Offer Forms and executed Agreements of Purchase and Sale (as defined herein) must be submitted by no later than 12:00 pm EST, Monday, April 17, 2019 (Offer Deadline) to:

GRANT THORNTON LIMITED,
Court-appointed Receiver of
1793082 Ontario Ltd., o/a K.D. Quality Pellets

200 King Street West, 11th Floor
Toronto, Ontario, M5H 3T4

Attention: Jason Kanji

Offer Form

After reviewing this Memorandum and making such other inquiries and investigations as Bidders may require, Bidders are requested to submit an offer to purchase (an "**Offer**") to the Receiver using the offer form which is attached hereto as **Appendix "A"** (the "**Offer Form**").

Offer Types

Bidders are able to submit Offers for either:

- a single Parcel;
- multiple Parcels; or
- all of the Parcels (i.e. en-bloc, the entirety of the Company's Assets).

Offers can either be marked "en-bloc" or non "en-bloc".

- **En-bloc Offer** – an Offer that is conditional upon acceptance of all of the specific Parcels that have been selected by a Bidder.
- **Non En-bloc Offer** – an Offer whereby the Receiver may accept any, all, or any combination of the specific Parcels that have been selected by a Bidder.

Turn-Key Offers

The Receiver will give special consideration to any Offers received for all of the Company's Assets whereby the intent of the Bidder is to resume operations at the Premises (a "**Turn-Key Offer**").

Sale Process *(cont.)*

Documentation & Deposits

Deposits

A Bidder shall deliver with its Offer a certified cheque or bank draft of a chartered bank of Canada payable to *"Grant Thornton Limited, in Trust"*, in an amount equal to at least 10% of the purchase price as a deposit (the "**Deposit**"), to be held by the Receiver.

The Deposit, without interest, shall be credited on account of the purchase price upon the satisfaction of the terms and conditions contemplated by the Agreement of Purchase and Sale

Where a Bidder withdraws its Offer after April 17, 2019, but before the date on which the Bidder receives notification of the decision made regarding the Offer, at a minimum, the deposit shall be forfeited on account of liquidated damages by the Bidder to the Receiver.

"As is, Where is"

The Company's right, title and interests, if any, in the Assets are being sold on an "as is, where is" and "without recourse" basis with no representations or warranties of any nature and kind whatsoever. Bidders must rely entirely on their own judgment, inspection and investigation of the Assets and any rights necessary to, and appurtenant or otherwise to the Assets.

Standard Terms and Conditions

Prior to submitting the Offer Form for the Assets, Bidders must review the non-negotiable terms and conditions set out in **Appendix "B"** attached to this Memorandum (the "**Standard Terms**"). The Standard Terms shall form part of the final Agreement of Purchase and Sale (as defined below).

Agreement of Purchase and Sale

Bidders that are agreeable to the Standard Terms shall complete the Offer Form and the agreement of purchase and sale (as amended where necessary) a copy of which will be provided by the Receiver (the "**Agreement of Purchase and Sale**").

Sale Process *(cont.)*

Accepted / Rejected Offers

Acceptance of Offers

Neither the highest Offer, nor any Offer, will necessarily be accepted. The Receiver reserves the right to dispose of the Assets in any manner it chooses at any time in its sole and absolute discretion, subject to Court approval. Notwithstanding acceptance of an Offer by the Receiver, all transactions for the sale of Assets will be subject to Court approval.

The Receiver reserves the right to amend or terminate the Sale Process, including, without limitation, extending the Offer Deadline of any other date contemplated herein, or to withdraw or amend the Assets offered for sale, at any time, at its sole discretion. With respect to any withdrawal or amendment, the sole obligation of the Receiver to any prospective Bidder shall be to inform them of the withdrawal of any asset or any amendment to any of the Assets offered for sale.

Rejected Offers

Each Offer submitted shall be and remain the property of the Company, and no Bidder shall be entitled to its return. Cheques or drafts accompanying offers that are not accepted by the Receiver shall be returned, without interest, by wire, regular mail or courier addressed to the Bidder at the address given in the offer within 20 days following the Offer Deadline unless otherwise arranged with the Bidder.

Supplemental Information

Supplemental information must be in written form, signed by a duly authorized officer(s) of the entity making the Offer. Additional information on the Company and the Assets are available in the electronic data room.

Appendices

Appendix “A”

Offer Form

Offer Form

To: **Grant Thornton Limited,**
Court-appointed receiver and manager of
1793082 Ontario Ltd., o/a K.D. Quality Pellets
200 King Street West, 11th Floor
Toronto, Ontario,
Canada M5H 3T4
Attention: Jason Kanji

____
(Name of Bidder)

____
Address of Bidder

____
(Person to be Contacted)

____
Telephone Number Facsimile Number

____
Email Address

1. I/We hereby offer to purchase from Grant Thornton Limited, as court-appointed receiver and manager (in such capacities, the "**Receiver**") of 1793082 Ontario Ltd., o/a K.D. Quality Pellets ("**Company**" or the "**KD Pellets**"), all of the right, title and interest, if any, of KD Pellets in the following assets and undertaking (the "**Assets**"), en bloc or otherwise:

PURCHASE PRICE ALLOCATION

Parcel 1	**Land & Buildings** – approximately 90 acres of land and the four (4) buildings included on same pursuant to the list attached as **Schedule "1"** to this Offer Form.	$____________________	(CAD)
Parcel 2	**Pellet Mill Equipment** – the entire pellet press system, exterior silos and augers, and various other equipment pursuant to the list attached as **Schedule "2"** to this Offer Form.	$____________________	(CAD)
Parcel 3	**Lab Equipment** – the various testing and quality measurement equipment pursuant to the list attached as **Schedule "3"** to this Offer Form.	$____________________	(CAD)

Parcel 4	**Caterpillar Loader** – a 2012 Caterpillar 950K Wheel Loader pursuant to the details outlined in **Schedule "4"** attached to this Offer Form.	$__________________	(CAD)
Parcel 5	**Train Grain Loaders** – two 2014 Lode King "Super B" Train Grain Loaders pursuant to the details outlined in **Schedule "5"** attached to this Offer Form.	$__________________	(CAD)
Parcel 6	**Horizontal Wood Grinder** – a 2006 Vermeer Horizontal Industrial Grinder pursuant to the details outlined in **Schedule "6"** attached to this Offer Form.	$__________________	(CAD)
Parcel 7	**Other Moveable Equipment** – other machinery and equipment located on the Premises pursuant to the list attached as **Schedule "7"** to this Offer Form.	$__________________	(CAD)
Parcel 8	**Office Equipment** – including but not limited to desks, tables, filing cabinets, photocopiers, TV's and monitors, pursuant to the list attached as **Schedule "8"** to this Offer Form.	$__________________	(CAD)
Parcel 9	**Other Assets** – including but not limited to shelving, kitchen appliances, and storage bins pursuant to the list attached as **Schedule "9"** to this Offer Form.	$__________________	(CAD)

2. Enclosed is my/our certified cheque or bank draft payable to "Grant Thornton Limited, in Trust", in the total amount of CDN$___________________________ as a deposit representing ten percent (10%) of the total amount of the Purchase Price submitted herein (the "**Deposit**").

3. This Offer is:

   a) ☐ an en-bloc offer and is therefore conditional upon acceptance of all of the specific parcels for which bids are entered above; or

   b) ☐ not an en-bloc offer whereby the Receiver may accept any, all, or any combination of the specific parcels for which bids are entered above.

   (please mark with an "X" in one of the two alternative subparagraph boxes above to indicate the type of offer)

4. In the event that I/we omit or neglect to mark one of the boxes in subparagraphs 3(a) and 3(b) above, I/we agree that my/our offer shall be an en-bloc offer and the provisions of subparagraph 3(a) shall apply as if I/we had selected and marked that same subparagraph.

5. The undersigned acknowledges and agrees that this offer shall become irrevocable on April 17, 2019 and the Deposit shall be forfeited to the Receiver on account of liquidated damages if the offer is withdrawn by the Bidder after April 17, 2019.

6. The undersigned acknowledges the receipt of the Standard Terms and Conditions as set forth in **Appendix "B"** of this Memorandum (the "**Standard Terms and Conditions**"). The undersigned acknowledges that this offer is subject to said Standard Terms and Conditions, including, without limitation, that the Receiver reserves the right not to accept the highest or any offer submitted.

7. The undersigned acknowledges that it will be submitting an executed sale agreement for the purchase of the Assets (the "**Agreement of Purchase and Sale**"), as provided by the Receiver, with this Offer, along with a blackline against the form of agreement of purchase and sale provided by the Receiver outlining any changes or conditions of the Bidder. The Agreement of Purchase and Sale provided by the undersigned may be capable of acceptance by the Receiver, in its discretion, but there shall be no obligation for the Receiver to accept the Agreement of Purchase and Sale and the Receiver may request such additional terms as are necessary or desirable in its sole discretion.

[remainder of page intentionally left blank]

DATED at ________________________________, this ________________ day of ________, 2019.

____
(Signature of Witness)

____
(Signature of Person)

– OR –

____
(Name of Corporation)

____
Authorized Signing Officer
Name:
Title:

Schedule “1”

Parcel 1 – Land and Buildings

LAND	
Item	**Description**
Location	999562 Highway 11 North, Harley, Ontario P0J 1P0
Size of Land	89.39 acres
Legal Description	Part of Parts of the North ½ of Lots 7 & 8 Concession 4 and Parts 1 & 2 of Registered Plan 54R2220 of Harley Township in the District of Timiskaming.
Zoning	M1 – General Industrial
Property Identification Number	61311-0272

BUILDINGS					
Building No.	**Building Description**	**Estimated Approx. Size (Sq. Ft.)**	**Exterior Construction**		
			Floor	**Walls**	**Roof**
1	Plant & Office	12,100	Poured Concrete	Insulated sandwich panel and brick	Metal
2	Warehouse	14,880	Poured Concrete	Insulated sandwich panel	Metal
3	Pump House	120	Poured Concrete	Insulated sandwich panel	Metal
4	Scale House	120	Poured Concrete	Insulated sandwich panel	Metal

Schedule “2”

Parcel 2 – Pellet Mill Equipment

PELLET MILL EQUIPMENT *(By Production Area)*			
#	Item #	Asset Description	Qty.
RECEIVING			
1	01000	Intake receiving bin	1
2	01005	Hopper bins for dumping	2
3	01010	Discharge conveyor from hoppers	1
4	01015	Transfer inclined conveyor	1
5	01020	Pre bin for hammer mill	1
6	01030	Level limit switch	2
7	01040	Hammer mill feeder	1
8	01045	Heavy particle separator	1
9	01050	Hammer mill	1
10	01060	Soft start for hammer mill	1
11	01070	300 HP Motor	1
12	01080	Safety interlocking package	1
13	01090	Magnet installed in hammer mill	1
14	01100	Air assist complete with filter and pick up	1
15	01110	Filter discharge screw	1
16	01120	Cellular wheel lock	1
HAMMERMILL BIN			
17	01130	Structure for hammer mill	1
18	01140	Elevator type EV 11624	1
19	01150	2-way abort gate	1
20	01160	Explosion protection for hammer mill	1
21	01180	Silo for storage of dried wood	1
22	01190	Silo discharge devise	1
23	01200	Silo conveyor screw	1
24	01210	Elevator type EV 11624	1

25	01220	2-way abort gate	1
PELLET PRESS – PHASE 1			
26	02040	Mixing conditioner, type M400	1
27	02050	Water proportioning system, type WD GLI 15	1
28	02060	Moisture measuring system	1
29	02070	Prebin, type RWB 2205-1	1
30	02080	Level limit switches	3
31	02090	Proportioning and mixing screw, type DM 400	1
32	02100	Water proportioning system, type WD E	1
33	02110	Pelleting press, type flat die 60-1250	1
34	02120	Drive for pelleting press, type 60-1250	1
35	02130	Central roller lubrication	1
36	02140	Hydraulic system	1
37	02150	Press outlet box	1
38	02160	Oil fitting for the press	1
39	02170	Flat die 6mm	1
40	02180	Electric chain hoist with windlass travelling gear	1
41	02190	Aspiration system for the pelleting press	1
42	02200	Round bottom pellet conveyor	1
43	02210	Countercurrent cooler, type GKI900 R	1
44	02220	Additional equipment for cooler	1
45	02230	Cyclone, type OZ 1300	1
45	02240	Cellular wheel lock, type SL 250	1
46	02250	Radial fan, type RV M 321 x 140	1
47	02260	Set of accessories for the fan, type RV M 031 x 140	1
48	02280	Air piping	1
49	02290	Pellet drag conveyor	1
50	02300	Vibratory screen	1
51	02310	Pellet drag conveyor	1
52	02320	Fines screw conveyor	1
53	02340	Pellet drag conveyor	1

54	02350	Pellet drag conveyor	1
PELLET PRESS – PHASE 2			
55	13010	Proportioning and mixing screw, type DM 400	1
56	13020	Water proportioning system, type WD C	1
57	13030	Pelleting Press, type flat die 60-1250	1
58	13040	Drive for the pelleting press, type 60-1250	1
59	13060	Central roller lubrication	1
60	13070	Hydraulic system	1
61	13080	Press outlet box	1
62	13090	Oil filling for the press	1
63	13100	Flat die for wood pellets 8mm	2
64	13110	Oil coolers for press	1
65	13120	Electric chain hoist with windlass travelling gear	1
66	13130	Item of modifying drag conveyor	1
67	13120	Vibratory system	1
68	13220	Kahl automated pellet control package EAPR	1
69	N/A	Conveyor by-pass system	1
70	N/A	Steam generator model LB -240(L)	1
71	N/A	18” diameter screw conveyor 19’6” long complete with drive (conveyor 1017 15 HP)	1
72	N/A	New drive package for conveyor (conveyor 1016 15HP)	1
LOAD OUT BINS			
73	02360	Elevator type EV 7520	1
74	02370	Bin transfer drag conveyor	1
75	02380	Truck loadout bins	1
MISCELLANEOUS EQUIPMENT			
76	03010	Spot filter, type FI 04 P	1
77	03020	Pipes and transition pieces	1
78	03030	Assembly materials	1
79	03040	Electric control and regulation of plant	1
80	03045	Pellet mill controller EAPR	1
81	03050	Power circuit MCC	1

82	03060	Electric installation material	1
83	03070	Spark detection system	1
84	03080	Spark alarm and extinguishing plant	1
85	04040	Spare parts (2) dies, (10) rollers, (10) bearings for rollers, (10) roller seals, (1) hydraulic nut rebuild kit, (1) revolute joint rebuild kit, (10) hammer mill screens, (2) sets of hammers, (12) kegs of grease	1
86	N/A	Phase 1 transformer	1
87	N/A	Screen frame for Sprout fines removal	1
88	N/A	Mesh screens for Sprout fines screener	35
89	N/A	Magnet and sensor for abort gate	1
90	N/A	Rectifier for abort gate	1
91	N/A	30” spiral duct work with connectors and transitions	1
92	N/A	Schutte hammer mill screens	2
93	N/A	Straw grinder	1
94	N/A	Diesel water pump	1

Schedule “3”

Parcel 3 – Lab Equipment

LAB EQUIPMENT		
#	**Asset Description**	**Qty.**
1	Computrac Ash Analyzer MAX-5000XL	1
2	Model 4E Grinding Mill – Model 4FDZ1	1
3	Tumbler Type 1000	1
4	Retsch AS 200 digit	1
5	Scale GP 20K – Model # 50004	1
6	Binder Heater	1
7	Lennox Air Handlers – Model # CBX26UH-024-230-1	2

Schedule “4”

Parcel 4 – CAT Loader

CAT LOADER					
#	**Description**	**Make**	**Model / Serial Number**	**Year**	**Qty.**
1	CAT V16 Heavy Duty Loader	Caterpillar	950K Wheel Loader / BFM002822	2012	1

Schedule “5”

Parcel 5 – Lode King Grain Hoppers

GRAIN HOPPERS					
#	Description	Make	Model / Serial Number	Year	Qty.
1	Train Grain Hopper	Lode King	2LDHG2833EF057719	2014	1
2	Train Grain Hopper	Lode King	2LDHG2820EF057720	2014	1

Schedule “6”

Parcel 6 – Horizontal Grinder

HORIZONTAL GRINDER					
#	Description	Make	Model / Serial Number	Year	Qty.
1	Horizontal Industrial Wood Grinder	Vermeer	N1VRY4531271000225	2006	1

Schedule “7”

Parcel 7 – Other Moveable Equipment

OTHER MOVEABLE EQUIPMENT					
#	Description	Make	Model / Serial Number	Year	Qty.
1	Grain Belt	Unknown	Grain-belt 1545	Unknown	1
2	53’ Axel Trailer with Cover	Titan	2TVWF1Z43DD000390	2013	1
3	Pneumatic 6,000 lbs. Forklift with 48” Forks	Unknown	12L3000749	Unknown	1

Schedule “8”

Parcel 8 – Office Equipment & Furniture

OFFICE EQUIPMENT			
#	Location	Detail	Qty.
1	Office	Office desks	4
2	Office	Drawer	1
3	Office	Office chairs	10
4	Office	Brother Multi-function Photocopier – MFC9970CDW	1
5	Office	ACER Computer with 22” Monitor	1
6	Lab	Toshiba Flat-screen 38"	1
7	Lab	RCA Flat-screen 48"	1
8	Office	80" Flat-screen Television	1
9	Control Room	HP Computers and 22” Monitors	2
10	Control Room	40” Flat-screen Televisions	2
11	Control Room	Large Office Desk	1

Schedule “9”

Parcel 9 – Other Assets

OTHER ASSETS			
#	Location	Detail	Qty.
1	Kitchen	Kenmore Fridge – Model # 970-417322	1
2	Kitchen	Kenmore Stove – Four Element Range	1
3	Kitchen	Kenmore Microwave	1
4	Kitchen	Hot Water Heater – 4500 Watt 6G805DE1	1
5	Premises	40 ft. Evergreen metal container	1
6	Production Floor	Industrial Scaffold	1
7	Lab	Shelving 18"x36"	5
8	Lab	Bolt Bin 72 pigeon hole	1
9	Electrical Room	Shelving 18"x36"	7

Appendix “B”

Standard Terms and Conditions

Standard Terms and Conditions

1. The Receiver will consider written Offers to purchase the Company's right, title and interests, if any, in the Assets. Such Offers must be received by **no later than 12:00 pm EST, April 17, 2019** (the "**Offer Deadline**") in a sealed envelope marked:

   DO NOT OPEN: OFFER RE: 1793082 Ontario Ltd., o/a K.D. Quality Pellets

   GRANT THORNTON LIMITED,
   200 King Street West, 11th Floor,
   Toronto, Ontario
   M5H 3T4

   Attention: Jason Kanji

2. The Company's right, title and interests, if any, in the Assets are being sold on an "as is, where is" and "without recourse" basis with no representations or warranties of any nature and kind whatsoever as to title, encumbrances, description, present or future use, fitness for use, environmental condition including the existence of hazardous substances, merchantability, quantity, condition, zoning or lawful use of the Assets or the existence, quality, value or the validity, invalidity, or enforceability of any patent, copyright or trademark right, or any other matter or thing whatsoever, either stated or implied including any outstanding work orders or requirements by any regulatory authority. Each party making an Offer (the "**Bidder**") must rely entirely on its own judgment, inspection and investigation of the Assets and any rights necessary to, and appurtenant or otherwise to the Assets. Any documentation and/or information provided has been prepared or collected solely for the convenience of prospective purchasers and is not warranted to be complete or accurate and is not part of these Standard Terms and Conditions.
3. All Offers must include a fully completed Offer Form, as provided by the Receiver, and Agreement of Purchase and Sale, capable of acceptance by the Receiver. Supplemental information must be in written form, signed by a duly authorized officer(s) of the Bidder.
4. The Receiver may, in its discretion, extend the deadlines for Offers.
5. All final agreements of sale contemplated by any Offers accepted by the Receiver are conditional upon and subject to the approval of the Court.
6. All Offers must be accompanied by a bank draft or certified cheque payable to *"Grant Thornton Limited, - In Trust"* in an amount equal to at least 10% of the gross purchase price offered for the Assets (the "**Deposit**"), which amount will be subject to the terms hereof.
7. If the contemplated sale is not completed by the successful Bidder (the "**Purchaser**") by reason of the Purchaser's default, the Deposit shall be retained by the Receiver and the Receiver shall be entitled to pursue all of its rights and remedies against the Purchaser. If the contemplated sale is not completed by the Receiver by reason of the Receiver's default, the Deposit shall be returned in full, without interest, to the Purchaser, the Purchaser shall have no further recourse against the Receiver, and the Agreement of Purchase and Sale is null and void.

8. Certified cheques or drafts accompanying Offers that are not accepted by the Receiver shall be returned, without interest, by regular wire, mail or courier addressed to the Bidder at the address given in the Offer within twenty (20) days following the Offer Deadline of April 17, 2019, 12:00p.m. EST, unless otherwise arranged with the Bidder.
9. Where a Bidder withdraws its Offer after April 17, 2019, 12:00p.m. EST, but before the date on which the Bidder receives notification of the decision made regarding the Offers, at a minimum, the Deposit shall be forfeited on account of liquidated damages by the Bidder to the Receiver.
10. The Purchaser agrees to indemnify the Receiver and save the Receiver harmless from and against any and all costs, expenses, liabilities and damages incurred or suffered by the Receiver as a result of the failure of the Purchaser to pay any taxes, duties, fees and like charges exigible in connection with the Agreement of Purchase and Sale. It shall be the Purchaser's sole responsibility to obtain, and pay the cost of obtaining, any consents, permits, licenses or other authorizations necessary or desirable for the transfer to the Purchaser of the Assets.
11. The Purchaser shall assume, at its cost, complete responsibility for compliance with all municipal, provincial and federal laws insofar as the same apply to the Assets.
12. The highest or any Offer shall not necessarily be accepted and acceptance of any Offer shall be in the discretion of the Receiver.
13. The Receiver reserves the right to amend or terminate the Sale Process, or to withdraw or amend the Assets offered for sale, at any time, at its sole discretion. With respect to any withdrawal or amendment, the sole obligation of the Receiver to the Purchaser shall be to inform them of the withdrawal of any asset or any amendment to any of the Assets offered for sale.
14. The submission of an Offer to the Receiver shall constitute an acknowledgement and an acceptance by the Bidder of these Standard Terms and Conditions.
15. GRANT THORNTON LIMITED is acting solely in its capacity as Receiver and not in its personal or corporate capacity. The Receiver shall have no personal or corporate liability of any kind, whether in contract or in tort or otherwise.
16. The Purchaser acknowledges and agrees that the Receiver is not required to inspect the purchased Assets or any part thereof and the Purchaser shall be deemed, at its own expense to have relied entirely on its own inspection and investigation. The Purchaser acknowledges that all warranties and conditions express or implied, pursuant to the *Sale of Goods Act* (Ontario) or similar legislation in other jurisdictions does not apply hereto and are hereby waived by the Purchaser.
17. The Purchaser agrees that all the insurance maintained by the Receiver shall be cancelled on the closing of the transaction contemplated herein and that the Purchaser shall be responsible for placing its own insurance thereafter.
18. The Purchaser represents and warrants that, if it is a company:
    a. it is a company duly incorporated, organized and subsisting under the laws of Canada, Ontario or another province of Canada;
    b. it has the corporate power and authority to enter into and perform its obligations under the Agreement of Purchase and Sale and all necessary actions and approvals have been taken or obtained by the Purchaser to authorize the creation, execution, delivery and performance of the Agreement of Purchase and Sale and has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser, and is enforceable against the Purchaser in accordance with its terms (if accepted by the Receiver); and,
    c. it is not a non-Canadian for the purpose of the Investment Canada Act (Canada) and it is not a non-resident of Canada within the meaning of the Income Tax Act (Canada).

19. All stipulations as to time are strictly of the essence.
20. Any tender of documents or money hereunder may be made upon the Receiver and Purchaser at their respective addresses indicated in the Agreement of Purchase and Sale, or their respective solicitors.
21. The Purchaser shall not assign its rights and obligations under this Offer or the Agreement of Purchase and Sale without the written consent of the Receiver, which may be unreasonably or arbitrarily withheld.
22. The validity and interpretation of the Offer and the Agreement of Purchase and Sale shall be governed by the laws of the Province of Ontario and the laws of Canada, and such Offer and the Agreement of Purchase and Sale shall enure to the benefit of and be binding upon the parties thereto, and their respective heirs, executors, administrators, successors or permitted assigns as the case may be.
23. The Receiver shall not be required to pay any commission or brokerage fee, or finders' fee or remuneration to any person whatsoever in connection with any sale pursuant to the Agreement of Purchase and Sale.
24. Unless otherwise specifically stated herein, all obligations, representations and warranties of the Purchaser contained in the Agreement of Purchase and Sale shall survive the completion of the sale.
25. The Purchaser acknowledges that any information supplied to the Purchaser by the Receiver or its agents or representatives is, and was supplied, without any representation or warranty, and that the responsibility for the verification of any such information shall be wholly the responsibility of the Purchaser.

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APPENDIX "14"

AGREEMENT OF PURCHASE AND SALE

Between

Grant Thornton Limited,

in its capacity as the Court-appointed receiver and manager of the assets, properties and undertakings of 1793082 Ontario Ltd., o/a K.D. Quality Pellets, and not in its personal or corporate liability

- and -

BIONORTH TECHNOLOGY HOLDING CORPORATION

April 17, 2019

AGREEMENT OF PURCHASE AND SALE

THIS AGREEMENT AND PURCHASE AGREEMENT is made the 17^{th} day of April, 2019

BETWEEN:

Grant Thornton Limited, in its capacity as the
Court-appointed receiver and manager of the assets, properties and undertakings of
1793082 Ontario Ltd., o/a K.D. Quality Pellets, and not in its personal or corporate liability

(hereinafter referred to as the "**Receiver**")

\- and -

BioNorth Technology Holding Corporation, a corporation incorporated
under the laws of [Ontario]

(hereinafter referred to as the "**Purchaser**")

WHEREAS:

(a) Pursuant to the Appointment Order (as defined herein), the Receiver was appointed as Receiver of all of the assets, properties and undertakings (collectively, the "**Assets**") of 1793082 Ontario Ltd., o/a K.D. Quality Pellets (the "**Company**");

(b) Pursuant to an order of the Court (as defined herein) dated February 22, 2019, the Court approved the sale process proposed by the Receiver for the sale of the Assets; and

(c) Subject to an Order being issued by the Court approving the sale of the Purchased Assets (as defined herein) and pursuant to the terms of this Agreement (as defined herein), the Purchaser has offered to purchase the Purchased Assets and the Receiver has accepted such offer on the terms and conditions contained herein.

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

1. DEFINITIONS

1.01 In this Agreement, the following terms shall have the meanings set out below unless the context requires otherwise:

"Agreement" means this agreement and all schedules and instruments in amendment or confirmation of it; and the expressions "article" and "section" followed by a number mean and refer to the specified article or section of this agreement. The words "herein", "hereof", "hereto" and "hereunder" refer to this Agreement.

"Appointment Order" means the order of the Court dated February 22, 2019 appointing Grant Thornton Limited as the receiver of the Assets.

"Approval & Vesting Order" means an order of the Court (i) approving this Agreement and authorizing and directing the Receiver to complete the terms of this Agreement and (ii) providing for the vesting and/or the transfer of the Purchased Assets in and to the Purchaser free and clear of all claims, liabilities and encumbrances. For greater certainty, the Approval & Vesting Order shall be substantially in the form of the model order approved by the "Ontario Commercial List Users Committee".

"Assets" has the meaning ascribed thereto in Recital A of this Agreement.

"Authorization" means, with respect to any Person, any order, permit, approval, waiver, licence or similar authorization of any Governmental Entity having jurisdiction over the Person.

"Best Efforts" means the reasonable efforts that a prudent Person who desires to achieve a specified result would use in similar circumstances to ensure that the result is achieved as expeditiously as possible without the necessity of assuming any material obligations or paying any material amounts to any unrelated third party.

"Books and Records" means all sales and purchase records, customer and supplier lists, lists of potential customers, referral sources, research and development reports and records, production reports and records, accounting records, equipment logs, operating guides and manuals, business reports and all other documents, files, correspondence and other information (whether in written, printed, electronic or computer printout form) relating to that part of the Business which was carried on by the Company utilizing the Purchased Assets.

"Business" means all aspects, direct and indirect, of the management, conduct and operation of the business conducted by the Company at 999562 Highway 11 North, Harley, Ontario, including, without limitation, the management, conduct and operation of the business carried on using or related to the registered business names.

"Business Day" means any day of the year, other than a Saturday, Sunday or any day on which banks are required or authorized to close in Toronto, Ontario.

"Closing" means the closing of the transaction contemplated by this Agreement.

"Closing Date" means the tenth (10^{th}) Business Day after the issuance of the Approval & Vesting Order and such closing may be extended by the mutual agreement of each of the Purchaser and the Receiver.

"Company" has the meaning ascribed thereto in Recital A of this Agreement.

"Conditions Precedent" means those conditions in favour of the Purchaser set out in **Section 7.01**, those conditions in favour of the Receiver set out in **Section 8.01** and those conditions in favour of the Purchaser and Receiver set out in **Section 9.01**.

"Conditions of Sale" means the conditions of sale pursuant to which certain of the Assets, including the Purchased Assets have been offered for sale by the Receiver.

"Contracts" means any contracts, personal property leases, licenses from any Person, development agreements, distribution agreements and any other similar agreement between any of the Company or the Receiver and any Person relating in any way to the Purchased Assets.

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

"Deposit" has the meaning ascribed thereto in **Section 2.06**.

"Excluded Assets" has the meaning ascribed thereto in **Section 2.02**.

"Excluded Contracts" means any and all Contracts other than those specified in **Schedule "A"**.

"Governmental Entity" means (i) any multinational, federal, provincial, state, municipal, local or other government or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign (ii) any subdivision or authority of any of the foregoing, or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.

"Intellectual Property" means any and all right, title and interest of the Company in and to (i) the trade marks, trade names, business names, brand names, service marks, telephone numbers, facsimile numbers, copyrights, including any performing, author or moral rights, designs, inventions, industrial designs, logos, patents, formulas, recipes, processes, know-how, trade secrets, technology, shelf-space listings, films, plates and advertising materials (wheresoever situate) owned by the Company relating to the Purchased Assets and all goodwill related to any of the foregoing; and (ii) any applications, registrations, renewals, extensions, continuations, divisions or reissues thereof now or hereafter in force.

"Laws" means any and all applicable federal or provincial laws including all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, ruling or awards, policies, guidelines and general principles of common and civil law and equity, binding on or affecting the Person referred to in the context in which the word is used.

"Premises" means the following premises owned and occupied by the Company at which the Business was carried on: 999562 Highway 11 North, Harley, Ontario together with any other real property upon which the Company carried on the Business.

"Lien" means any mortgage, charge, pledge, hypothecation, security interest, assignment, lien (statutory or otherwise), title retention agreement or arrangement, restrictive covenant or other encumbrance of any nature or any other arrangement or condition which, in substance, secures payment or performance of an obligation.

"Offer Form" means the form attached as Appendix "A" to the confidential information memorandum dated March 6, 2019 prepared and distributed by the Receiver.

"Parties" means the Receiver, the Purchaser and any other Person who may become a party to this Agreement.

["Permitted Liens" means the security interests listed in Schedule "B".]

"Person" is to be broadly interpreted and includes a natural person, partnership, limited liability partnership, corporation, joint stock company, trust, unincorporated association, joint venture or other entity or Governmental Entity, and pronouns have a similarly extended meaning.

"Purchased Assets" has the meaning ascribed thereto in **Section 2.01**.

"Receiver" has the meaning ascribed thereto on the face page of this Agreement.

"Removal Period" means the period from the date of the issuance of the Approval and Vesting Order until • days later or such other period as agreed to in writing by the Receiver and the Purchaser and with respect to the Premises.

"Removing Parties" has the meaning ascribed thereto in **Section 4.04**.

"Rights" has the meaning ascribed thereto in **Section 2.03** of this Agreement.

"Taxes" means all federal, provincial and municipal taxes levied by any Governmental Entity including, without limitation, land transfer taxes and Ontario harmonized sales tax (**"HST"**).

2. PURCHASE AND SALE OF ASSETS

The Purchased Assets

2.01 Upon the terms and subject to the conditions set forth in this Agreement, on the Closing Date, the Receiver shall sell, assign and transfer to the Purchaser all of the Receiver's and all of the Company's right, title and interest, if any, in and to those Assets set forth and described in

Schedule "A" which are set out in Schedules "1" to "9" attached hereto (collectively, the "**Purchased Assets**"). The Purchased Assets shall not include the Excluded Assets.

2.02 The Excluded Assets shall consist of the following Assets:

(a) all cash, bank balances, funds on deposit with banks or other depositories and other similar items owned or held by or for the account of the Receiver the Company as at the Closing Date, including the Purchase Price;

(b) all accounts receivable, choses in action, book debts and any other amounts due, owing or accruing due to the Receiver or the Company in connection with or arising from any part of the Business up to the Closing Date and the benefit of all security (including cash deposits), guarantees and other collateral held by the Company or the Receiver in respect thereof;

(c) all amounts owing to the Company by any and all federal, provincial, municipal and other governmental authorities whatsoever;

(d) all extra-provincial sales, excise or other Licences or registrations issued to or held by the Company, other than exclusively in respect of the Purchased Assets;

(e) any refunds in respect of reassessments for any Taxes paid or payable by the Company or the Receiver on or prior to the Closing Date with respect to the Business;

(f) refundable Taxes;

(g) all amounts owing from any director, officer, former director or officer, shareholder, employee or any affiliate;

(h) insurance policies of the Company or the Receiver relating to the Premises and the Purchased Assets and all rights in connection therewith including any rights to payments thereunder upon the occurrence of an insured event or refunds of insurance payments except for insured events in respect of the Purchased Assets for which proceeds of insurance shall be paid to the Purchaser;

(i) the Books and Records; and

(j) all Excluded Contracts.

2.03 To the extent that any of the Purchased Assets to be transferred to the Purchaser on the Closing, or any claim, right or benefit arising under or resulting from such Purchased Assets (collectively, the "**Rights**") is not capable of being transferred without the approval, consent or waiver of any third Person, or if the transfer of a Right would constitute a breach of any obligation under, or a violation of, any applicable Law unless the approval, consent or waiver of such third Person or an order of the Court is obtained, then, except as expressly otherwise provided in this Agreement and without limiting the rights and remedies of the Purchaser contained elsewhere in this Agreement, this Agreement shall not constitute an agreement to transfer such Rights unless and until such approval, consent, waiver or order of the Court has been obtained. It shall be the Purchaser's sole responsibility to obtain, at its own expense, any consent, approval, waiver or any further documentation or assurances which may be required to transfer any Right to the Purchaser except the Approval & Vesting Order which shall be the Receiver's sole responsibility to obtain at its own expense.

2.04 In order that the full value of the Rights may be realized for the benefit of the Purchaser, the Receiver shall, at the request and expense and under the direction of the Purchaser, in the name of the Receiver or otherwise as the Purchaser and Receiver agree, take all such action and do or cause to be done all such things as are, in the reasonable opinion of the Purchaser and the Receiver, necessary or proper in order that the value of such Rights is preserved and enures to the benefit of the Purchaser, and that any moneys due and payable and to become due and payable to the Purchaser in and under the Rights are received by the Purchaser. The Receiver shall promptly pay to the Purchaser all moneys collected by or paid to the Receiver in respect of every such Right. To the extent that such approval, consent, waiver or order of the Court has not been obtained by the 30th day following the Closing, such Right shall deemed to be an Excluded Asset and the Receiver may terminate any agreement pertaining to such Right. The Purchaser shall indemnify and hold the Receiver harmless from and against any claim or liability under or in respect of such Rights arising because of any action of the Receiver taken at the request of the Purchaser and in accordance with this Section. After the Closing and for a period of thirty (30) days following the Closing, the Receiver shall:

(a) maintain its existence and hold the Rights in trust for the Purchaser;

(b) comply with the terms and provisions of the Rights as agent for the Purchaser at the Purchaser's cost and for the Purchaser's benefit;

(c) cooperate with the Purchaser in any reasonable and lawful arrangements designed to provide the benefits of such Rights to the Purchaser; and

(d) enforce, at the reasonable request of the Purchaser and at the expense and for the account of the Purchaser, any rights of the Receiver arising from such Rights against any third Person, including the right to elect to terminate any such rights in accordance with the terms of such rights upon the written direction of the Purchaser.

2.05

Purchase Price

2.06 The purchase price payable by the Purchaser to the Receiver in consideration of the transfer of the Purchased Assets shall be the aggregate of [redacted] (the "**Purchase Price**"). The Purchase Price shall be exclusive of all applicable federal, provincial and municipal sales and other transfer Taxes.

2.07 The Purchaser and the Receiver acknowledge that the Receiver is holding a deposit in the sum of [redacted] (10% of the Purchase Price), in trust and without interest as a deposit (the "**Deposit**").

2.08 The Purchase Price shall be satisfied by the Purchaser on Closing as follows:

(a) the Receiver shall credit the Deposit against the Purchase Price; and

(b) the Purchaser shall pay the balance of the Purchase Price the Receiver by way of certified cheque or bank draft drawn on a Schedule 1 Canadian Chartered Bank or wire transfer, or as the Receiver may otherwise direct in writing.

2.09 On or before the Closing Date, the Purchaser and the Receiver shall agree upon the allocation of the Purchase Price among the Purchased Assets, which allocation shall be set out in the Offer Form. The Purchaser and the Receiver agree to file all necessary information returns, income tax returns and other similar documents with the applicable taxing authorities in a manner which is consistent with the allocation set forth in the Offer Form.

2.10 The Purchaser shall assume, fulfil, perform and be responsible for all liabilities and obligations relating to the Purchased Assets in respect of the period from and after the time of Closing, and the Purchaser shall indemnify and save harmless the Receiver and its directors, officers, servants, agents and employees in respect of all losses which may be brought against or suffered by the Receiver, its directors, officers, servants, agents or employees or which any of them may suffer, sustain, pay or incur as a result of any matter or thing arising out of, or resulting from, attributable to or connected with or relating to the Purchased Assets in respect of the period from and after the time of Closing. The covenants and agreements to indemnify made by the Purchaser in this **Section 2.10** shall survive Closing and not be subject to any limitation periods.

Taxes

2.11 In addition to the Purchase Price, the Purchaser shall pay to the Receiver by way of certified cheque or bank draft drawn on a Schedule 1 Canadian Chartered Bank on the Closing Date any and all applicable, federal, provincial and municipal Taxes exigible in connection with the sale of the Purchased Assets by the Receiver to the Purchaser pursuant to this Agreement, including, without limitation, sales taxes. With respect to HST only, the Purchaser shall have the option of furnishing the Receiver at closing with an election under section 167 of the *Excise Tax Act* (Canada), which is in form and content satisfactory to the Receiver, acting reasonably, and the Purchaser shall file such election with its HST return for the reporting period in which the sale of the Purchased Assets takes place. The Purchaser shall indemnify and hold the Receiver harmless from any costs, expenses or damages suffered by the Receiver in the event an election or exemption was not, in fact, available under the *Excise Tax Act* (Canada) in relation to the sale of the Purchased Assets and as a result of the failure by the Purchaser to pay any Taxes exigible in accordance with this section, whether arising from reassessment required of it, or pursuant to the taxation or statutes governing the granting of such election or exemptions.

Approval and Vesting Order

2.12 As soon as practicable after the execution and delivery of this Agreement by the Purchaser and the acceptance thereof by the Receiver, the Receiver shall file an application with the Court for the Approval & Vesting Order and upon the delivery of the Receiver's Certificate (as referred to in the Approval & Vesting Order) to the Purchaser, all right, title and interest of the Receiver and the Company in and to the Purchased Assets shall be transferred to the Purchaser, free and clear of all Liens pursuant to the terms and conditions of this Agreement.

2.13 The Purchaser shall promptly cooperate with the Receiver in connection with the Receiver's attempt to obtain the Approval and Vesting Order from time to time. Without limiting the foregoing, the Purchaser shall forthwith provide such information and documentation as may be required by the Receiver, acting reasonably, from time to time in order to facilitate the granting of the Approval and Vesting Order.

2.14 If the Approval and Vesting Order has not been granted by the Court prior to the originally scheduled Closing Date, the Receiver shall have the right, by delivery of notice to the Purchaser, to extend the Closing Date to be the earlier of: (a) the first Business Day that is five days after the Approval and Vesting Order is obtained; and (b) the first Business Day that is 30 days after the originally scheduled Closing Date.

2.15

3. "AS IS, WHERE IS"

3.01 As at the Closing Date, in respect of all of the Purchased Assets, the Purchaser acknowledges to and in favour of the Receiver, that it has inspected the Purchased Assets and, that the Purchased Assets are sold on an "as is, where is" basis at the dates or times specified above and that no representation, warranty or condition is expressed or implied as to title, description, fitness for purpose, location, merchantability, quantity, conditions or quality thereof or in respect of any other matter or thing whatsoever. The Purchaser acknowledges that the Receiver is not required to inspect or count, or provide any inspection or counting, of the Purchased Assets or any part thereof and the Purchaser shall be deemed, at its own expense, to have relied entirely on its own inspection and investigation. Without limiting the generality of the foregoing, any and all conditions, warranties and representations expressed or implied pursuant to the *Sale of Goods Act*, R.S.O. 1990, c. S-1, as amended from time to time, do not apply to the sale of the Purchased Assets and have been waived by the Purchaser. The Purchaser further acknowledges that the Receiver shall be under no obligation to deliver the Purchased Assets to the Purchaser and that it shall be the Purchaser's responsibility to take possession of the Purchased Assets.

3.02 The Purchaser acknowledges to and in favour of the Receiver that it has relied entirely upon its own inspection and investigation in entering into this Agreement and purchasing the Purchased Assets from the Receiver.

3.03 The Receiver shall not be required to produce any abstract of title, title deed, or documents or copies thereof or any evidence as to title, other than those in its possession.

4. REMOVAL OF ASSETS

4.01 The Purchaser acknowledges that if the Purchased Assets do not include the Premises, the Purchaser will be solely responsible for all occupancy costs, including but not limited to, taxes, maintenance, insurance, and utilities, during the Removal Period. The Purchaser will be provided with access to the Premises during the Removal Period for the purpose of removing the Purchased Assets.

4.02 The Purchaser shall indemnify and save the Receiver and its directors, officers, servants, agents and employees harmless from any and all losses which may be brought against or suffered by the Receiver, its directors, officers, servants, agents or employees or which they may sustain, pay or incur as a result or in respect of any matter or thing arising out of, resulting from, attributable to or connected with the Premises or the Purchased Assets and the Purchaser being provided access to the Premises during the Removal Period.

4.03 The covenants and agreements to indemnify made by the Purchaser in this Article shall survive the Closing and shall not be subject to any limitation periods.

4.04 At its own cost, the Purchaser (or its agents) shall remove the Purchased Assets from the Premises, ensuring that either its agents or the respective purchaser of the Purchased Assets (the "**Removing Parties**") secure, dismantle, remove and take possession of the Purchased Assets from the Premises in a diligent, workmanlike, professional and competent manner, and in doing so will ensure that the Removing Parties exercise the care of a prudent owner, in order to ensure no damage is made to the Premises; and where damage has occurred, shall ensure that either it or the Removing Parties remedy and repair any damages and condition resulting from their removal of the Equipment, including to the extent required to comply with applicable building or electrical codes, at their own cost.

4.05 The Purchaser shall ensure that all of the Purchased Assets are removed from the Premises within the Removal Period and the Premises are left in a clean, broom-swept and electrically safe condition.

4.06 The Purchaser shall not be responsible or liable for any environmental conditions or damage (except for any damage caused by the removal of the Purchased Assets from the Premises). The Purchaser shall have no obligation to deal with, store or remove any hazardous, environmentally-regulated or waste substances of any kind including hydraulic oils, lubricants etc. in, on, under or affecting the Premises, except for those accidentally spilled from the Purchased Assets.

4.07 Prior to the Purchaser being allowed to enter upon the Premises, the Purchaser will provide the Receiver with evidence satisfactory to the Receiver of comprehensive general liability insurance and such other insurance as the Receiver may reasonably require, including personal injury and property damage and such other insurance which is advisable for protection against claims, liabilities and losses arising or related to the access to be provided to the Premises hereunder in the minimum amount of $5,000,000.

5. REPRESENTATIONS AND WARRANTIES OF THE RECEIVER

5.01 The Receiver hereby represents and warrants to and in favour of the Purchaser, understanding that such are being relied upon, as follows:

(a) the Receiver was appointed as the Receiver pursuant to the Appointment Order;

(b) subject to the Receiver obtaining the Approval & Vesting Order, the Receiver has the right, power and authority to enter into and perform its obligations under this Agreement and to convey the Purchased Assets to the Purchaser;

(c) the Receiver is not a non-resident of Canada within the meaning of the *Income Tax Act* (Canada); and

(d) the Company's HST number is ►.

6. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

6.01 The Purchaser hereby represents and warrants to and in favour of the Receiver, understanding that such is being relied upon, as follows:

(a) the Purchaser has been duly and validly incorporated under the laws of the Province of Ontario and is a valid and subsisting corporation;

(b) the Purchaser has the corporate right, power and authority to enter into this Agreement and to complete the transactions contemplated hereby;

(c) all necessary actions and approvals have been taken or obtained by the Purchaser to authorize the creation, execution, delivery and performance of this Agreement;

(d) this Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser enforceable against the Purchaser in accordance with its terms;

(e) neither this Agreement nor closing of the transaction contemplated by this Agreement by the Receiver contravenes any law, statute, by-law, rule, regulation, order, ordinance, protocol, decree or judicial, administrative, ministerial or departmental judgment, award or requirements of any Government Entity;

(f) The Purchaser is a "registrant" under Part IX of the *Excise Tax Act* (Canada) and its registration number is R________________ or the Purchaser will be such a "registrant" at the Closing Time and will notify the Receiver of its registration number prior to such time;

(g) there is no requirement to make any filing with, give any notice to, or obtain any Authorization of any Governmental Entity as a condition to the lawful completion of the transaction contemplated by this Agreement.

7. CONDITIONS IN FAVOUR OF THE PURCHASER

7.01 The Purchaser's obligation to complete this Agreement is subject to satisfaction of the following Conditions Precedent on or before the Closing Date, provided that any such date may be extended by the mutual agreement of each of the Purchaser and the Receiver, and which conditions are inserted for the sole benefit of the Purchaser and may be waived only by the Purchaser by notice in writing to the Receiver on or before the Closing Date:

(a) the representations and warranties of the Receiver shall be true and correct as at the Closing Date; and

(b) as at the Closing Date, all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Receiver at or prior to the Closing Date shall have been performed or complied with.

In the event that any of the foregoing conditions are not fulfilled or waived by the Purchaser on or before the Closing Date, this Agreement may be terminated at the Purchaser's option in accordance with **Section 11**.

8. CONDITIONS IN FAVOUR OF THE RECEIVER

8.01 The following conditions in favour of the Receiver must be fulfilled on or before the Closing Date, provided that any such date may be extended by the mutual agreement of each of the Purchaser and the Receiver, and which conditions are inserted for the sole benefit of the

Receiver and may be waived only by the Receiver by notice in writing to the Purchaser on or before the Closing Date:

(a) the representations and warranties of the Purchaser shall be true and correct as of the Closing Date;

(b) the receipt of all deliveries to be made by the Purchaser as set out in Section 14.02;

(c) as of the Closing Date, no order shall have been made and no motion, action or proceeding shall be pending, threatened or commenced by any person, government, government authority, regulatory body or agency in any jurisdiction which seeks to restrain or prevent the sale of the Purchased Assets under this Agreement or seeks to restrict, prohibit or direct the Receiver not to complete the transaction contemplated by this Agreement; and

(d) as at the Closing Date, all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Purchaser on or before the Closing Date shall have been performed or complied with.

In the event that any of the foregoing conditions are not fulfilled or waived by the Receiver on or before the Closing Date, this Agreement may be terminated by the Receiver in accordance with **Section 11**.

9. CONDITIONS IN FAVOUR OF THE RECEIVER AND THE PURCHASER

9.01 The following conditions in favour of the Receiver and the Purchaser must be fulfilled on or before the Closing Date or such other date as provided for below, provided that any such date may be extended by the mutual agreement of each of the Purchaser and the Receiver, and which conditions are inserted for the benefit of each of the Receiver and the Purchaser and may be waived only by both of the Receiver and Purchaser on or before the Closing Date or such other date as provided for below, as applicable:

(a) the Approval & Vesting Order shall have been obtained and shall not have been enjoined, restricted, stayed, varied, set aside, reversed, dismissed and/or appealed, or if appealed, such appeal shall have been dismissed and all relevant appeal periods shall have expired.

Each of the Purchaser and the Receiver covenant to and in favour of the other to use its Best Efforts to ensure that the foregoing conditions are met on or before the Closing Date or such other date as provided for under this Agreement.

In the event that any of the foregoing conditions are not waived by the Receiver and the Purchaser or fulfilled as required on or before the Closing Date or such other date as specified above, then this Agreement may be terminated by the Receiver or the Purchaser in accordance with **Section 11**.

10. CONFIDENTIALITY

10.01 Any Confidentiality Agreement between the Purchaser and the Receiver agreed to and accepted shall continue to be of full force and effect.

11. TERMINATION

11.01 This Agreement may be terminated upon the occurrence of any of the following:

(a) upon the mutual written agreement of the Receiver and the Purchaser;

(b) by the Purchaser pursuant to **Section 7.01**;

(c) by the Receiver pursuant to **Section 8.01**;

(d) by the Purchaser or the Receiver pursuant to **Section 9.01 or 12.01**; and

(e) by either of the Parties if the Approval & Vesting Order has not been issued by the Court by the Closing Date (as extended hereunder).

11.02 If this Agreement is terminated:

(a) all obligations of each of the Receiver and the Purchaser hereunder shall be at an end;

(b) the Receiver shall return the Deposit to the Purchaser, without interest, unless this Agreement is terminated by the Receiver due to a breach of conditions set out in **Sections 8.01(a)** or **8.01(c)**, in which case the Receiver shall retain the Deposit;

(c) the Purchaser shall destroy or return to the Receiver any "confidential information" in its possession in accordance with any Confidentiality Agreement as described in **Section 10.01** hereof; and

(d) neither party shall have any right to specific performance, to recover damages or expenses or to any other remedy or relief other than as provided herein.

12. RISK OF LOSS

12.01 The Purchased Assets shall be and remain at the risk of the Receiver, as its interests may appear, until 12:01 a.m. on the date immediately following the Closing Date. From and after such date and time, the Purchased Assets shall be at the risk of the Purchaser. In the event that the Purchased Assets shall be damaged prior to Closing, then the Receiver shall advise the Purchaser, in writing, within twenty-four (24) hours of the Receiver learning of same. In the event that the Purchased Assets shall be materially damaged prior to Closing then the Receiver or Purchaser shall be entitled, in its sole and absolute discretion, to elect to terminate this Agreement by notice, in writing, to the other party and in such event the Parties hereto shall be released from all obligations and liabilities hereunder. If the parties shall not elect to terminate this Agreement as set out above, then the Transaction shall be completed and the Purchaser shall be entitled to all proceeds of insurance payable in respect thereof, if any.

13. NOTICE

13.01 Any demand, notice or other communication to be given in connection with this Agreement shall be given in writing and shall be given by personal delivery, facsimile, electronic mail or similar means of recorded electronic communication addressed to the recipient as follows:

to the Receiver:
Grant Thornton Limited

200 King Street West, 11th Floor
Toronto, ON M5H 3T4

Attention: Dan Wootton / Jason Knight
Email: Dan.Wootton@ca.gt.com / Jason.Knight@ca.gt.com

with a copy to:

Cassels Brock & Blackwell LLP
2100 Scotia Plaza, 40 King Street West
Toronto, ON M5H 3C2
5000 Yonge Street, 10th Floor

Attention: Larry Ellis / Monique Sassi
Email: LEllis@casselsbrock.ca / MSassi@casselsbrock.com

to the Purchaser:

[BioNorth Technology Holding Corporation]
Unit 8, 7777 Keele Street
Concorde, ON L4K 4S8

Attention: Frank Benincasa
Email: fbenincasa@bionorthgrp.com

with a copy to:

Peter R. Welsh Professional Corporation
203-1540 Cornwall Road
Oakville, ON L6J 7W5

Attention: Peter R. Welsh
Email: peter@welshlaw.ca

or to such other address as may be designated by notice given by either party to the other. Any notice or other communication given by personal delivery shall be deemed to have been given on the day of actual delivery thereof and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the business day during which such normal business hours next occur if not given during such hours on any day.

14. CLOSING DELIVERIES

14.01 At Closing, the Receiver shall surrender the Purchased Assets to the Purchaser at their then current location. On or before the Closing Date or such other date specified below, the Receiver shall deliver to the Purchaser the following:

(a) a general conveyance of the Purchased Assets to the Purchaser;

(b) a copy of the issued Approval & Vesting Order and the Receiver's Certificate (as referred to in the Approval and Vesting Order); and

(c) a joint election regarding HST, if applicable.

14.02 On or before the Closing Date or such other date as provided for below, the Purchaser shall deliver to the Receiver or such other party specified below:

(a) the payments referred to in **Sections 2.07(b) and 2.11**;

(b) a joint election regarding HST, if applicable; and

(c) all deeds of conveyance, bills of sale, transfers, assignments, and such other agreements, documents and instruments as may be reasonably requested by the Receiver or the Receiver's solicitors to complete the transaction contemplated herein.

15. GENERAL PROVISIONS

15.01 Each of the Receiver and the Purchaser shall from time to time at the cost of the requesting party execute and deliver all such further documents and instruments and do all acts and things as the other party may, either before or after the Closing Date, reasonably require to properly give effect to the sale, assignment and transfer of the Purchased Assets to the Purchaser.

15.02 Time shall be of the essence of this Agreement.

15.03 This Agreement constitutes the entire Agreement between the parties hereto and supersedes all prior oral or written agreements, understandings, representations and warranties, and courses of conduct in dealing between the parties on the subject matter hereof. This

Agreement may only be amended, modified or supplemented by an instrument in writing executed by both of the parties hereto.

15.04 This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada in force in the Province of Ontario without regard to conflict of laws principles.

15.05 All dollar amounts referred to in this Agreement are in Canadian dollars.

15.06 The representations and warranties made by each of the Receiver and Purchaser herein shall not merge on Closing and shall survive Closing.

15.07 Each of the parties hereto will be responsible for and shall pay all costs and expenses (including fees and expenses of legal counsel and any other advisors) each party incurs in connection with the negotiation, preparation and execution of this Agreement.

15.08 Subject to the Approval & Vesting Order being issued by the Court, this Agreement is intended to create binding obligations on the part of the Receiver as set forth herein and on acceptance by the Purchaser, is intended to create binding obligations on the part of the Purchaser, as set out herein.

15.09 This Agreement shall be binding upon and enure solely to the benefit of each of the parties hereto and its permitted assigns and nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies of any nature whatsoever under or by reason of this Agreement. Nothing in this Agreement shall be construed to create any rights or obligations except between the parties hereto, and no person or entity shall be regarded as a third party beneficiary of this Agreement. Each of the parties hereto agrees that all provisions of this Agreement, and all provisions of any and all documents and security delivered in connection herewith, shall not merge and except where otherwise expressly stipulated herein, survive the closing of the transactions contemplated by this Agreement.

15.10 This Agreement, and any rights hereunder, may not be assigned by the Receiver or the Purchaser.

15.11 If, following the Closing Date, any of the Purchased Assets are paid to or otherwise received by the Receiver, or if any of the Excluded Assets are paid to or otherwise received by the Purchaser, then the Receiver or the Purchaser, as the case may be, shall hold such assets in trust for the other and shall promptly deliver such assets to the Receiver or the Purchaser, as the case may be.

15.12 In the event that any particular provision or provisions or a part of a provision of this Agreement is found to be void, voidable or unenforceable for any reason whatsoever, then the particular provision or provisions or part of the provision of this Agreement shall be deemed severed from the remainder of this Agreement and all other provisions shall remain in full force and effect.

15.13 Each party to this Agreement hereto acknowledges that it and its legal counsel have reviewed and participated in settling the terms of this Agreement and the parties hereby agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting party shall not be applicable in the interpretation of this Agreement.

15.14 Except as required by law, all public announcements concerning the transactions provided for in this Agreement or contemplated by this Agreement shall be jointly approved as to form, substance and timing by the parties to this Agreement after consultation. This Agreement shall be considered properly executed and delivered by any party if executed in counterpart and transmitted by facsimile to the other party.

15.15 The Purchaser acknowledges and agrees that the Receiver is entering into this Agreement solely in its capacity as the Receiver and the Receiver shall not incur personal or corporate liability of any kind whatsoever, in contract, in tort, or at equity as a result of its entering into this Agreement or performing or failing to perform any of its obligations hereunder. Any claim against the Receiver shall be limited to and only enforceable against the property and assets then held by or available to it in its capacity as receiver of the undertakings, properties and assets of the Company and shall not apply to its personal property and other assets held by it in any other capacity. The term "Receiver" as used in this Agreement shall have no inference or reference to the present registered owner of the Purchased Assets.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF the parties have duly executed this Agreement this 17th day of April, 2019.

GRANT THORNTON LIMITED, solely in its capacity as the Court-appointed receiver and manager of the assets, properties and undertakings of 1793082 Ontario Ltd., o/a K.D. Quality Pellets, and not in its personal or corporate liability

for Per: __________________________
Name: Dan Wootton
Title: Senior Vice-President

BIONORTH TECHOLOGY HOLDING CORPORATION

Per: __________________________
Name: Frank Benincasa
Title: President

(I have authority to bind the Corporation.)

Schedule "A"

Purchased Assets

As such items are described in the Conditions of Sale:

All of Parcels 1 to 9 set out in Schedules "1" to "9" attached

Offer Form

To: **Grant Thornton Limited,**
Court-appointed receiver and manager of
1793082 Ontario Ltd., o/a K.D. Quality Pellets
200 King Street West, 11th Floor
Toronto, Ontario,
Canada M5H 3T4
Attention: Jason Kanji

BioNorth Technology Holding Corporation

(Name of Bidder)

Unit 8, 7777 Keele Street, Concorde, ON L4K 4S8

Address of Bidder

Frank Benincasa, President

(Person to be Contacted)

(647) 707-1351

Telephone Number | Facsimile Number

fbenincasa@bionorthgrp.com

Email Address

1. Subject to and on the conditions attached hereto, I/We hereby offer to purchase from Grant Thornton Limited, as court-appointed receiver and manager (in such capacities, the "**Receiver**") of 1793082 Ontario Ltd., o/a K.D. Quality Pellets ("**Company**" or the "**KD Pellets**"), all of the right, title and interest, if any, of KD Pellets in the following assets and undertaking (the "**Assets**"), en bloc or otherwise:

PURCHASE PRICE ALLOCATION

Parcel 1	**Land & Buildings** – approximately 90 acres of land and the four (4) buildings included on same pursuant to the list attached as **Schedule "1"** to this Offer Form.	[redacted]	(CAD)
Parcel 2	**Pellet Mill Equipment** – the entire pellet press system, exterior silos and augers, and various other equipment pursuant to the list attached as **Schedule "2"** to this Offer Form.	[redacted]	(CAD)
Parcel 3	**Lab Equipment** – the various testing and quality measurement equipment pursuant to the list attached as **Schedule "3"** to this Offer Form.	[redacted]	(CAD)

Parcel 4	**Caterpillar Loader** – a 2012 Caterpillar 950K Wheel Loader pursuant to the details outlined in **Schedule "4"** attached to this Offer Form.	[redacted]	(CAD)
Parcel 5	**Train Grain Loaders** – two 2014 Lode King "Super B" Train Grain Loaders pursuant to the details outlined in **Schedule "5"** attached to this Offer Form.	[redacted]	(CAD)
Parcel 6	**Horizontal Wood Grinder** – a 2006 Vermeer Horizontal Industrial Grinder pursuant to the details outlined in **Schedule "6"** attached to this Offer Form.	[redacted]	(CAD)
Parcel 7	**Other Moveable Equipment** – other machinery and equipment located on the Premises pursuant to the list attached as **Schedule "7"** to this Offer Form.	[redacted]	(CAD)
Parcel 8	**Office Equipment** – including but not limited to desks, tables, filing cabinets, photocopiers, TV's and monitors, pursuant to the list attached as **Schedule "8"** to this Offer Form.	[redacted]	(CAD)
Parcel 9	**Other Assets** – including but not limited to shelving, kitchen appliances, and storage bins pursuant to the list attached as **Schedule "9"** to this Offer Form.	[redacted]	(CAD)

2. Enclosed is my/our certified cheque or bank draft payable to "Grant Thornton Limited, in Trust", in the total amount of [redacted] as a deposit representing ten percent (10%) of the total amount of the Purchase Price submitted herein (the "**Deposit**").

3. This Offer is:

   a) X an en-bloc offer and is therefore conditional upon acceptance of all of the specific parcels for which bids are entered above; or

   b) ☐ not an en-bloc offer whereby the Receiver may accept any, all, or any combination of the specific parcels for which bids are entered above.

   (please mark with an "X" in one of the two alternative subparagraph boxes above to indicate the type of offer)

4. In the event that I/we omit or neglect to mark one of the boxes in subparagraphs 3(a) and 3(b) above, I/we agree that my/our offer shall be an en-bloc offer and the provisions of subparagraph 3(a) shall apply as if I/we had selected and marked that same subparagraph.

5. The undersigned acknowledges and agrees that this offer shall become irrevocable on April 17, 2019 and the Deposit shall be forfeited to the Receiver on account of liquidated damages if the offer is withdrawn by the Bidder after April 17, 2019.

6. The undersigned acknowledges the receipt of the Standard Terms and Conditions as set forth in **Appendix "B"** of this Memorandum (the "**Standard Terms and Conditions**"). The undersigned acknowledges that this offer is subject to said Standard Terms and Conditions, including, without limitation, that the Receiver reserves the right not to accept the highest or any offer submitted.

7. The undersigned acknowledges that it will be submitting an executed sale agreement for the purchase of the Assets (the "**Agreement of Purchase and Sale**"), as provided by the Receiver, with this Offer, along with a blackline against the form of agreement of purchase and sale provided by the Receiver outlining any changes or conditions of the Bidder. The Agreement of Purchase and Sale provided by the undersigned may be capable of acceptance by the Receiver, in its discretion, but there shall be no obligation for the Receiver to accept the Agreement of Purchase and Sale and the Receiver may request such additional terms as are necessary or desirable in its sole discretion.

[remainder of page intentionally left blank]

DATED at Toronto, this 17th day of April, 2019.

(Signature of Witness)

(Signature of Person)

– OR –

BioNorth Technology Holding Corporation

(Name of Corporation)

Authorized Signing Officer
Name: Frank Benincasa
Title: President

APPENDIX "A" ATTACHED HERETO

SCHEDULES "1" to "9" ATTACHED HERETO

AGREEMENT OF PURCHASE AND SALE ATTACHED HERETO

Schedule "1"

Parcel 1 – Land and Buildings

LAND	
Item	**Description**
Location	999562 Highway 11 North, Harley, Ontario P0J 1P0
Size of Land	89.39 acres
Legal Description	Part of Parts of the North ½ of Lots 7 & 8 Concession 4 and Parts 1 & 2 of Registered Plan 54R2220 of Harley Township in the District of Timiskaming.
Zoning	M1 – General Industrial
Property Identification Number	61311-0272

BUILDINGS					
Building No.	**Building Description**	**Estimated Approx. Size (Sq. Ft.)**	**Exterior Construction**		
			Floor	**Walls**	**Roof**
1	Plant & Office	12,100	Poured Concrete	Insulated sandwich panel and brick	Metal
2	Warehouse	14,880	Poured Concrete	Insulated sandwich panel	Metal
3	Pump House	120	Poured Concrete	Insulated sandwich panel	Metal
4	Scale House	120	Poured Concrete	Insulated sandwich panel	Metal

Schedule "2"

Parcel 2 – Pellet Mill Equipment

PELLET MILL EQUIPMENT (By Production Area)			
#	Item #	Asset Description	Qty.
		RECEIVING	
1	01000	Intake receiving bin	1
2	01005	Hopper bins for dumping	2
3	01010	Discharge conveyor from hoppers	1
4	01015	Transfer inclined conveyor	1
5	01020	Pre bin for hammer mill	1
6	01030	Level limit switch	2
7	01040	Hammer mill feeder	1
8	01045	Heavy particle separator	1
9	01050	Hammer mill	1
10	01060	Soft start for hammer mill	1
11	01070	300 HP Motor	1
12	01080	Safety interlocking package	1
13	01090	Magnet installed in hammer mill	1
14	01100	Air assist complete with filter and pick up	1
15	01110	Filter discharge screw	1
16	01120	Cellular wheel lock	1
		HAMMERMILL BIN	
17	01130	Structure for hammer mill	1
18	01140	Elevator type EV 11624	1
19	01150	2-way abort gate	1
20	01160	Explosion protection for hammer mill	1
21	01180	Silo for storage of dried wood	1
22	01190	Silo discharge devise	1
23	01200	Silo conveyor screw	1
24	01210	Elevator type EV 11624	1

25	01220	2-way abort gate	1
		PELLET PRESS – PHASE 1	
26	02040	Mixing conditioner, type M400	1
27	02050	Water proportioning system, type WD GLI 15	1
28	02060	Moisture measuring system	1
29	02070	Prebin, type RWB 2205-1	1
30	02080	Level limit switches	3
31	02090	Proportioning and mixing screw, type DM 400	1
32	02100	Water proportioning system, type WD E	1
33	02110	Pelleting press, type flat die 60-1250	1
34	02120	Drive for pelleting press, type 60-1250	1
35	02130	Central roller lubrication	1
36	02140	Hydraulic system	1
37	02150	Press outlet box	1
38	02160	Oil fitting for the press	1
39	02170	Flat die 6mm	1
40	02180	Electric chain hoist with windlass travelling gear	1
41	02190	Aspiration system for the pelleting press	1
42	02200	Round bottom pellet conveyor	1
43	02210	Countercurrent cooler, type GKI900 R	1
44	02220	Additional equipment for cooler	1
45	02230	Cyclone, type OZ 1300	1
45	02240	Cellular wheel lock, type SL 250	1
46	02250	Radial fan, type RV M 321 x 140	1
47	02260	Set of accessories for the fan, type RV M 031 x 140	1
48	02280	Air piping	1
49	02290	Pellet drag conveyor	1
50	02300	Vibratory screen	1
51	02310	Pellet drag conveyor	1
52	02320	Fines screw conveyor	1
53	02340	Pellet drag conveyor	1

54	02350	Pellet drag conveyor	1
PELLET PRESS – PHASE 2			
55	13010	Proportioning and mixing screw, type DM 400	1
56	13020	Water proportioning system, type WD C	1
57	13030	Pelleting Press, type flat die 60-1250	1
58	13040	Drive for the pelleting press, type 60-1250	1
59	13060	Central roller lubrication	1
60	13070	Hydraulic system	1
61	13080	Press outlet box	1
62	13090	Oil filling for the press	1
63	13100	Flat die for wood pellets 8mm	2
64	13110	Oil coolers for press	1
65	13120	Electric chain hoist with windlass travelling gear	1
66	13130	Item of modifying drag conveyor	1
67	13120	Vibratory system	1
68	13220	Kahl automated pellet control package EAPR	1
69	N/A	Conveyor by-pass system	1
70	N/A	Steam generator model LB -240(L)	1
71	N/A	18" diameter screw conveyor 19'6" long complete with drive (conveyor 1017 15 HP)	1
72	N/A	New drive package for conveyor (conveyor 1016 15HP)	1
LOAD OUT BINS			
73	02360	Elevator type EV 7520	1
74	02370	Bin transfer drag conveyor	1
75	02380	Truck loadout bins	1
MISCELLANEOUS EQUIPMENT			
76	03010	Spot filter, type FI 04 P	1
77	03020	Pipes and transition pieces	1
78	03030	Assembly materials	1
79	03040	Electric control and regulation of plant	1
80	03045	Pellet mill controller EAPR	1
81	03050	Power circuit MCC	1

82	03060	Electric installation material	1
83	03070	Spark detection system	1
84	03080	Spark alarm and extinguishing plant	1
85	04040	Spare parts (2) dies, (10) rollers, (10) bearings for rollers, (10) roller seals, (1) hydraulic nut rebuild kit, (1) revolute joint rebuild kit, (10) hammer mill screens, (2) sets of hammers, (12) kegs of grease	1
86	N/A	Phase 1 transformer	1
87	N/A	Screen frame for Sprout fines removal	1
88	N/A	Mesh screens for Sprout fines screener	35
89	N/A	Magnet and sensor for abort gate	1
90	N/A	Rectifier for abort gate	1
91	N/A	30" spiral duct work with connectors and transitions	1
92	N/A	Schutte hammer mill screens	2
93	N/A	Straw grinder	1
94	N/A	Diesel water pump	1

Schedule "3"

Parcel 3 – Lab Equipment

LAB EQUIPMENT		
#	Asset Description	Qty.
1	Computrac Ash Analyzer MAX-5000XL	1
2	Model 4E Grinding Mill – Model 4FDZ1	1
3	Tumbler Type 1000	1
4	Retsch AS 200 digit	1
5	Scale GP 20K – Model # 50004	1
6	Binder Heater	1
7	Lennox Air Handlers – Model # CBX26UH-024-230-1	2

Schedule "4"

Parcel 4 – CAT Loader

CAT LOADER					
#	Description	Make	Model / Serial Number	Year	Qty.
1	CAT V16 Heavy Duty Loader	Caterpillar	950K Wheel Loader / BFM002822	2012	1

Schedule "5"

Parcel 5 – Lode King Grain Hoppers

GRAIN HOPPERS					
#	Description	Make	Model / Serial Number	Year	Qty.
1	Train Grain Hopper	Lode King	2LDHG2833EF057719	2014	1
2	Train Grain Hopper	Lode King	2LDHG2820EF057720	2014	1

Schedule "6"

Parcel 6 – Horizontal Grinder

HORIZONTAL GRINDER					
#	Description	Make	Model / Serial Number	Year	Qty.
1	Horizontal Industrial Wood Grinder	Vermeer	N1VRY4531271000225	2006	1

Schedule "7"

Parcel 7 – Other Moveable Equipment

OTHER MOVEABLE EQUIPMENT					
#	Description	Make	Model / Serial Number	Year	Qty.
1	Grain Belt	Unknown	Grain-belt 1545	Unknown	1
2	53' Axel Trailer with Cover	Titan	2TVWF1Z43DD000390	2013	1
3	Pneumatic 6,000 lbs. Forklift with 48" Forks	Unknown	12L3000749	Unknown	1

Schedule "8"

Parcel 8 – Office Equipment & Furniture

OFFICE EQUIPMENT			
#	Location	Detail	Qty.
1	Office	Office desks	4
2	Office	Drawer	1
3	Office	Office chairs	10
4	Office	Brother Multi-function Photocopier – MFC9970CDW	1
5	Office	ACER Computer with 22" Monitor	1
6	Lab	Toshiba Flat-screen 38"	1
7	Lab	RCA Flat-screen 48"	1
8	Office	80" Flat-screen Television	1
9	Control Room	HP Computers and 22" Monitors	2
10	Control Room	40" Flat-screen Televisions	2
11	Control Room	Large Office Desk	1

Schedule "9"

Parcel 9 – Other Assets

OTHER ASSETS			
#	Location	Detail	Qty.
1	Kitchen	Kenmore Fridge – Model # 970-417322	1
2	Kitchen	Kenmore Stove – Four Element Range	1
3	Kitchen	Kenmore Microwave	1
4	Kitchen	Hot Water Heater – 4500 Watt 6G805DE1	1
5	Premises	40 ft. Evergreen metal container	1
6	Production Floor	Industrial Scaffold	1
7	Lab	Shelving 18"x36"	5
8	Lab	Bolt Bin 72 pigeon hole	1
9	Electrical Room	Shelving 18"x36"	7

APPENDIX "A"

TO THE OFFER FORM

SUBMITTED BY:

BIONORTH TECHNOLOGY HOLDING CORPORATION

("Bidder")

April 17, 2019

1. The Bidder offers to purchase from the Receiver all of the right, title and interest in and the Receiver shall, on Closing, deliver to the Bidder or as it shall direct, all of the contents of Parcels "1" to "9", inclusive as set out in Schedules "1" to "9" inclusive as attached hereto and represented by the Receiver to be the Assets of KD Pellets available to be purchased from the Receiver free and clear of all encumbrances.

2. The Bidder offers to purchase the Assets for the cash payment on Closing of CDN [redacted] including a Deposit of [redacted] both by Bank Draft or certified cheque.

3. Upon acceptance of the Bidder's offer, the Receiver shall no later than 10 Business days before Closing obtain in form and content reasonably satisfactory to the Bidder a Vesting Order issued by the Superior Court of Justice (Ontario) in favour of the Bidder or as it shall direct such that the Assets are conveyed to the Bidder (or as it shall direct) free and clear of all encumbrances.

CREDITOR RELEASES

4. In addition to the Purchase Price to be paid by the Bidder, the Bidder confirms it has secured and will deliver to the Receiver on Closing (subject only to the delivery by the Receiver to the Bidder or as it shall direct of the Assets) releases of the claims and the security held by 4 Secured Creditors of KD Pellets with combined claims against KD Pellets of [redacted] in addition to delivery to the Receiver of the Purchase Price, in aggregate representing [redacted] credit to the Receiver for distribution to the remaining Secured Creditors of the Purchase Price including:

a) the Full and Final Release of BioNorth Technology Holding Corporation of its outstanding security from KD Pellets in the current amount of approximately [redacted]

b) the Full and Final Release of Jules Roy and Valerie Chort of their outstanding security from KD Pellets in the current amount of approximately [redacted]

c) the Full and Final Release of RJM and SARJ Equipment of their outstanding security from KD Pellets in the current amount of approximately [redacted]

5. In addition to the foregoing, the Bidder shall deliver the Full and Final Release of BioNorth Technology Holding Corporation of its subrogated rights pursuant to the *Mercantile Law Amendment Act* or otherwise of its claims arising from its payments to Hydro One Networks Inc. as recorded by Hydro One Networks Inc. by its letter dated March 5, 2019 appended hereto representing a further release in the amount of [redacted]

Schedule "B"

Permitted Liens

NIL

APPENDIX "15"

Knight, Jason

From: Kanji, Jason
Sent: Thursday, April 11, 2019 9:54 AM
To: Kenny Doupe
Cc: Knight, Jason
Subject: RE: Receivership of 1793082 Ontario Ltd. o/a K.D. Quality Pellets
Attachments: Letter to K. Doupe - April 2, 2019.pdf

Hi Kenny,

Thanks for your email.

Please note, as we are a court-appointed receiver, the onus is on us to prove ownership despite your recollection or prior experience; it is not up to you to determine what assets KD Pellets has the rightful ownership to. As such, please have the Removed Assets (as defined in the Receiver's correspondence dated April 2, 2019) returned to the Premises by end of day Friday, April 12, 2019. If the Removed Assets are not returned, we the Receiver will be seeking a court order to search all properties you own personally or have any relationship to.

We are attempting to work collaboratively with you to be able to address the $416,885 CRA claim, however; you have not provided nor commented on the Receiver's request for the books and records. As stated in our letter dated April 2, 2019, if the Receiver does not have the necessary records to dispute this amount the liability will be maintained by yourself personally, as a previous director of KD Pellets.

Your prompt attention in this matter is warranted.

Regards,
Jason

Jason Kanji, CPA, CA | Senior Associate Linked in profile
Recovery & Reorganization
Grant Thornton Limited
11th Floor | 200 King Street West | Box 11 | Toronto | ON | M5H 3T4
T +1 416 777 6136 | **C** +1 416 407 6361 | **F** +1 416 360 4948
E Jason.Kanji@ca.gt.com | **W** http://www.grantthornton.ca

From: Kenny Doupe [mailto:kendoupe@live.com]
Sent: Wednesday, April 03, 2019 12:14 PM
To: Knight, Jason <Jason.Knight@ca.gt.com>

Cc: Kanji, Jason <Jason.Kanji@ca.gt.com>
Subject: Re: Receivership of 1793082 Ontario Ltd. o/a K.D. Quality Pellets

There has been nothing removed from the property as you know from your pictures the loader and grinder have not been on the property since last year they are not the property of kdqp since we have not made payments over 8months to the leas company and the rest of your list has been repossessed already

Get Outlook for Android

From: Knight, Jason <Jason.Knight@ca.gt.com>
Sent: Tuesday, April 2, 2019 2:21:49 PM
To: Kenny Doupe
Cc: Kanji, Jason
Subject: Receivership of 1793082 Ontario Ltd. o/a K.D. Quality Pellets

Hi Kenny,

Per my voicemail earlier today, please find attached correspondence from the Receiver regarding the above noted matter.

Your immediate attention is required.

Best,
- Jason

Jason Knight, CPA, CA, CIRP | Senior Manager
Recovery & Reorganization
Grant Thornton Limited
11th Floor | 200 King Street West | Toronto | ON | M5H 3T4
T +1 416 369 7017 | **F** +1 416 360 4949
E Jason.Knight@ca.gt.com | **W** http://www.grantthornton.ca/

DELIVERED BY REGISTERED MAIL

Grant Thornton Limited
11th Floor
200 King Street West, Box 11
Toronto, ON
M5H 3T4

T +1 416 366 0100
F +1 416 360 4949

Kenneth Doupe
944484 Maybrook Road
New Liskeard, Ontario
P0J 1P0

– and –

BY EMAIL (kendoupe@live.com)

April 2, 2019

Dear Mr. Doupe:

RE: Receivership of 1793082 Ontario Ltd. o/a K.D. Quality Pellets
Court File No. CV-19-00612265-0000

As you are aware, pursuant to an order of the Ontario Superior Court of Justice (**Commercial List**) (the "**Court**") issued on February 22, 2019 (the "**Receivership Order**"), Grant Thornton Limited became the receiver and manager (in such capacities, the "**Receiver**") of all of the assets, undertakings and properties of 1793082 Ontario Ltd. o/a K.D. Quality Pellets ("**KD Pellets**" or the "**Company**"). A copy of the Receivership Order has been enclosed with this letter for your convenience.

This letter is being sent as the Receiver has not yet received a response to the voicemails left by same on March 18, 2019, March 20, 2019, March 22, 2019, and April 2, 2019 with respect to the below noted matters.

Removed Assets

It has come to the Receiver's attention that certain assets, as outlined in the listing attached to this letter as **Schedule "A"** (the "**Removed Assets**"), owned and/or leased by KD Pellets have been removed from the KD Pellets' business premises located at 999582 Highway 11 North, Harley, Ontario (the "**Premises**"). As you may further be aware, pursuant to paragraph 4 of the Receivership Order:

> *"(i) the Debtor; (ii) all of it current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf (…) 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." [emphasis added]*

The Receiver hereby demands that the Removed Assets, and any other Property (as defined in the Receivership Order) owned and/or leased by KD Pellets, be returned to the Premises immediately.

Books and Records

In addition, the Receiver has made numerous attempts to obtain the books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information (either in an electronic and/or physical state) related to the business or affairs of KD Pellets (collectively the "**Records**") from yourself. As at the date of this letter, you have failed to provide the Receiver with any Records, despite repeated efforts by the Receiver to obtain same. Such attempts to obtain the Records from you have been made via telephone and email; attached to this letter as **Schedule "B"** is email correspondence sent to you requesting such Records. Furthermore, the Receiver has been advised by multiple parties that you are in possession of the Records.

Please note that the Canada Revenue Agency (the **"CRA**") has made a claim against the estate in the amount of $416,885 for outstanding source deductions. As the previous director of the Company, you will be personally responsible for any amounts that remain unpaid to the CRA after the receivership proceedings. If the Receiver does not have the necessary Records to dispute this amount, the claim issued by the CRA will stand as is.

In this regard, paragraphs 5 and 6 of the Receivership Order state that the Records shall be provided to the Receiver forthwith. The Receiver requests that the Records be delivered to Receiver by no later than the close of business on April 5, 2019. Please familiarize yourself with paragraphs 5 & 6 of the Receivership Order in this regard and govern yourself accordingly.

If the Receiver does not receive the Records and confirmation that the Removed Assets have been returned to the Premises before close of business on April 5, 2019, the Receiver will be forced to make a motion to the Court to: (i) compel you to produce the Records and return the Removed Assets; and (ii) gain access to your properties that you own or have potential relationships to, and will seek costs against you personally. As mentioned above, this request and notice follows several requests since our appointment as Receiver (and Interim Receiver) of KD Pellets in order to obtain the information necessary for the administration of these receivership proceedings.

We want to be able to work collaboratively with you to be able to obtain the information required to address the above noted matters.

Should you have any questions regarding the contents of this letter, please contact the undersigned at 416-369-7017 or Jason.Knight@ca.gt.com.

Yours truly,

GRANT THORNTON LIMITED,
solely in its capacity as the court-appointed receiver
and manager of 1793082 Ontario Ltd. o/a K.D. Quality Pellets
and not in its personal or corporate capacity

Per:

Jason Knight, CPA, CA, CIRP
Senior Manager

Encl.

Schedule “A”

Equipment

Description	Make	Model / Serial Number	Year	Qty.
Train Grain Hopper	Lode King	2LDHG2833EF057719	2014	1
Train Grain Hopper	Lode King	2LDHG2820EF057720	2014	1
Horizontal Industrial Wood Grinder	Vermeer	N1VRY4531271000225	2006	1
Grain Belt	Unknown	Grain-belt 1545	Unknown	1
53’ Axel Trailer with Cover	Titan	2TVWF1Z43DD000390	2013	1
Tractor Trailer 4900FR	Western Star	SKJJAED1XEPFN8251	2014	1
Tractor Trailer 4900FR	Western Star	SKJJAED11EPFN8252	2014	1

Other Equipment

#	Location	Detail	Qty.
4	Office	Brother Multi-function Photocopier – MFC9970CDW	1
5	Office	ACER Computer with 22” Monitor	1
8	Office	80" Flat-screen Television	1
9	Control Room	HP Computers	2
10	Control Room	40” Flat-screen Televisions	2

Schedule “B”

Knight, Jason

From: Knight, Jason
Sent: Tuesday, January 29, 2019 11:41 AM
To: 'Kenny Doupe'
Subject: FW: 1793082 Ontario Ltd. o/a K.D. Quality Pellets

Hi Kenny,

Can you please provide the below referenced information at your earliest convenience.

More specifically, can you please provide any appraisals you may have on the property / equipment.

Thanks,
- Jason

Jason Knight, CPA, CA, CIRP | Senior Manager
Recovery & Reorganization
Grant Thornton Limited
T +1 416 369 7017

From: Knight, Jason
Sent: Wednesday, January 16, 2019 10:59 AM
To: 'kendoupe@live.com' <kendoupe@live.com>
Cc: Marques, Bethany <Bethany.Marques@ca.gt.com>; Wootton, Daniel <Dan.Wootton@ca.gt.com>
Subject: 1793082 Ontario Ltd. o/a K.D. Quality Pellets

Hi Kenny,

I have tried to reach you via telephone and leave a voicemail, however, I was unable to do so as your voicemail box is full.

As you are aware, on January 10, 2018, the Ontario Superior Court of Justice (Commercial List) issued an Order that, among other things, granted Temiskaming Development Fund Corporation ("**Temfund**") the right to appoint an authorized representative (in such capacities, the "**Representative**") with respect to its secured interest in the properties, assets, and undertakings of 1793082 Ontario Ltd. o/a K.D. Quality Pellets ("**KD Pellets**" or the "**Company**"). I have attached the Order for your reference.

On January 15, 2018, pursuant to the aforementioned Order, Grant Thornton Limited was engaged by Temfund as the Representative. Our mandate as representative includes, among other things:

1) attending and inspecting the premises located at 999582 Highway 11 North, R.R. #2, New Liskeard, Ontario (the "**Premises**") and the assets located at same; and
2) reviewing and assessing the affairs and business of KD Pellets.

With regards to item (1), please provide some dates and times **this week** that work for yourself for us to visit the Premises. My colleague Bethany Marques (cc'd), who is located in our New Liskeard office, will be attending the Premises so please coordinate directly with her.

With respect to item (2), we ask that you please provide the following information:

Financial Information

- Monthly financial statements for the past 2 years.
- Most current accounts receivable listing (aged, including names and addresses) and listing of other receivables.
- Most current accounts payable listing (aged, including names and addresses).
- A list of assets leased and owned by the company that including each asset's: model, make, year, cost, net book value, etc.

- Equipment and real estate appraisals, if any.

Employees/Operations

- The status of the current utilities at the Premises (e.g. if they are functioning, the arrears balances, if any, etc.).
- The status of the operations (i.e. dormant or continuing).
- List of employees by location with salary/hourly rates and outstanding amounts owing such as vacation pay.
- Details/status of any benefit plans (retirement/pension etc.) including related accrued liabilities.

Government Remittances

- Copy of last filed income tax returns and corresponding Notices of Assessment.
- Copies of last two filed GST/HST returns and statements of account from Canada Revenue Agency.
- Copies of last two filed payroll remittance to CRA and statement of account from CRA supporting payments year to date.

Contracts

- Copies of any contracts, or legal documents to which the Company is a party.
- Summary of lease obligations and copies of leases (premises, equipment etc.)
- The status of the insurance coverage in place and a copy of such policy(ies), if any, and if no coverage is in place the expiry date of the most recent policy(ies) and the reason same were not renewed.

Please send all documents via email to myself and Bethany Marques.

Best regards,

- Jason

Jason Knight, CPA, CA, CIRP | Senior Manager
Recovery & Reorganization
Grant Thornton Limited
11th Floor | 200 King Street West | Toronto | ON | M5H 3T4
T +1 416 369 7017 | **F** +1 416 360 4949
E Jason.Knight@ca.gt.com | **W** http://www.grantthornton.ca/

Knight, Jason

From: Marques, Bethany
Sent: Monday, February 11, 2019 10:19 AM
To: 'kendoupe@live.com'
Subject: Information needed

Hello Kenny,

Further to my phone call, the following is a list of items that I need your assistance in pulling together for the receivership.

Financial

- Most recent monthly financial statements for a 2 year period.
  - Can you provide me with the most current copy of your accounting records (in QuickBooks perhaps) and the password?
  - The last annual financial statements that Grant Thornton finalized was for 2013. I have a copy of the corresponding corporate tax return and notice of assessment for this year. I see from your account with Canada Revenue Agency (CRA) online that a tax return was filed for 2014. Please provide a copy of that tax return as well as a copy of the corresponding financial statements prepared by your other accountant.
- A copy of your most current accounts receivable listing (if different from that listed in the accounting records requested above) including names and addresses. If there are no receivables owed to the company as of now, please indicate this.
- A copy of your most current accounts payable listing (if different from that listed in the accounting records requested above) including names and addresses.
- I have a list of assets prepared by Grant Thornton as at October 31, 2014. If this listing matches your 2014 financial statements, we can go through the list and update it for any additional purchases, disposals or repossessions that have occurred since that time.
- Copies of any financing/lease contracts that currently have balances owing (i.e. Pay loader & grinder).

Employees

- Listing of any balances outstanding to employees (active or inactive)
- Are there any balances owing to employee benefit plans (i.e. health, life, etc.)? If so, please provide details.

Government

- I see T4 slips were submitted to CRA for 2015. Please provide a copy of your 2015 T4 Summary and slips that were filed.

If you have any questions, please don't hesitate to reach out.

Thank you,
Bethany

Bethany Marques | Senior Accountant
Grant Thornton LLP
17 Wellington Street | PO Box 2170 | New Liskeard | ON | P0J 1P0
T +1 705 475 6027 | **F** +1 705 647 7026
E Bethany.Marques@ca.gt.com | **W** http://www.grantthornton.ca/

APPENDIX "16"

INTERCREDITOR AGREEMENT

This Agreement is made as of December 9, 2013

Among:

1793082 ONTARIO LTD., o/a "K.D. QUALITY PELLETS"
a corporation existing
under the laws of the Province of Ontario

(the "**Borrower**")

- and -

NORTHERN ONTARIO HERITAGE FUND CORPORATION,

a corporation existing
under the laws of the Province of Ontario

(**"NOHFC"**)

- and -

SOUTH TEMISKAMING COMMUNITY FUTURES DEVELOPMENT CORPORATION / SOCIETE D'AIDE AU DEVELOPPEMENT DES COLLECTIVITES DU TEMISKAMING SUD,
a corporation existing
under the laws of the Province of Ontario

(**"STCFDC"**)

- and –

TEMISKAMING DEVELOPMENT FUND CORPORATION,
a corporation existing
under the laws of the Province of Ontario

(**"TemFund"**)

- and –

ROYAL BANK OF CANADA / BANQUE ROYALE DU CANADA,
a chartered bank existing under the federal laws of Canada

("**RBC**")

Whereas:

(a) pursuant to a loan and conditional contribution agreement made as of October 9, 2012, between NOHFC and the Borrower, NOHFC has agreed to provide a term loan to the Borrower of up to $500,000 and a conditional contribution of up to $500,000;

(b) pursuant to a loan agreement dated June 21, 2012 made by STCFDC to the Borrower, STCFDC has agreed to make a term loan to the Borrower of up to $500,000;

(c) Pursuant to an Offer of Loan dated May 8, 2012 between TemFund and the Borrower, TemFund has agreed to make a term loan to the Borrower of up to $400,000;

(d) RBC has agreed to provide the following financing to the Borrower: a margined operating line of credit of up to $300,000, a Visa expense facility of up to $30,000 and an equipment lease facility (whereby RBC will purchase and lease equipment to the Borrower from time to time, and take purchase-money security interests in such equipment) of up to $510,000; and

(e) the parties wish to enter into this Agreement to establish the relative priorities of the NOHFC Security, the STCFDC Security, the TemFund Security and the RBC Security (as those terms are hereinafter defined) and the indebtedness secured thereby.

Now therefore for good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. **Definitions.** In this Agreement, "collateral", "equipment", "personal property" and "proceeds" have the meanings assigned by the *Personal Property Security Act* (Ontario). Unless there is something in the subject matter or context inconsistent therewith:

(a) "**Business Day**" means a day other than a Saturday, Sunday or any statutory holiday in the Province of Ontario;

(b) "**Lenders**" means collectively NOHFC, STCFDC, TemFund and RBC, and "**Lender**" means any one of them;

(c) "**Lenders' Security**" means collectively the NOHFC Security, the STCFDC Security, the TemFund Security and/or the RBC Security;

(d) "**NOHFC Obligations**" means all present and future indebtedness of the Borrower to NOHFC up to a maximum principal amount of **$1,000,000**, together with interest, fees (including legal fees) and similar charges and costs of enforcement, whether or not the Borrower is in default;

(e) "**NOHFC Security**" means all present and future security granted by the Borrower to NOHFC to secure the payment and performance of the NOHFC Obligations;

(f) "**Obligations**" means the NOHFC Obligations, the STCFDC Loan Obligations, the TemFund Obligations and the RBC Obligations;

(g) "***pari passu***" on any date means equality in priority (rank) and the rateable sharing of security and the proceeds thereof in the same proportion as the balance of the Obligations then outstanding;

(h) "***pari passu Lenders***" means collectively NOHFC, STCFDC, and TemFund and, and "**Lender**" means any one of them;

(i) "***pari passu Security***" means collectively the NOHFC Security, the STCFDC Security, and the TemFund Security;

(j) "**RBC Equipment**" means the equipment purchased by RBC and leased to the Borrower, in which RBC intends to take purchase-money security interests;

(k) "**RBC Obligations**" means all present and future indebtedness of the Borrower to RBC up to a maximum aggregate principal amount of **$840,000,** together with interest, fees (including legal fees) and similar charges and costs of enforcement, whether or not the Borrower is in default;

(l) "**RBC Security**" means all present and future security granted by the Borrower to RBC to secure the payment and performance of the RBC Obligations;

(m) "**Real Property**" means all right, title and interest of the Borrower in and to any real or immovable property now owned or leased or hereafter acquired or leased and wheresoever situate, and specifically including all buildings and fixtures located thereon, with the exception that the term "Real Property" herein shall not include any RBC Equipment and/or the proceeds thereof, regardless of the degree of annexation to any such real property and/or whether such equipment is or becomes a fixture;

(n) "**STCFDC Loan Obligations**" means all present and future indebtedness of the Borrower to STCFDC up to a maximum principal amount of **$500,000**, together with interest, fees (including legal fees) and similar charges and costs of enforcement, whether or not the Borrower is in default;

(o) "**STCFDC Remaining Obligations**" means the principal amount (if any) of all present and future indebtedness of the Borrower to STCFDC up to a maximum aggregate principal amount of **$234,159**, excluding the STCFDC Loan Obligations, together with interest, fees (including legal fees) and similar charges and costs of enforcement, whether or not the Borrower is in default;

(p) "**STCFDC Security**" means all present and future security granted by the Borrower to STCFDC to secure the payment and performance of the STCFDC Loan Obligations and the STCFDC Remaining Obligations;

(q) "**TemFund Obligations**" means all present and future indebtedness of the Borrower to TemFund up to a maximum principal amount of **$400,000,** together with interest, fees (including legal fees) and similar charges and costs of enforcement, whether or not the Borrower is in default; and

(r) "**TemFund Security**" means all present and future security granted by the Borrower to TemFund to secure the payment and performance of the TemFund Obligations.

2. **Priority on Real Property.** The Lenders' Security shall rank in descending order of priority with respect to the Real Property as follows:

(a) firstly, the NOHFC Security, the STCFDC Security and the TemFund Security shall rank *pari passu* to the extent of the NOHFC Obligations, the STCFDC Loan Obligations and the TemFund Obligations, respectively;

(b) secondly, the STCFDC Security to the extent of the STCFDC Remaining Obligations.

3. **Priority on Personal Property.** Subject to the terms and conditions of this Agreement, the Lenders' Security shall rank in descending order of priority with respect to the Borrower's personal property (excluding consumer goods) and any RBC Equipment and the proceeds thereof, regardless of the degree of annexation to any such real property and/or whether such equipment is or becomes a fixture, as follows:

(a) firstly, the RBC Security to the extent of the RBC Obligations;

(b) secondly, the NOHFC Security, the STCFDC Security and the TemFund Security shall rank *pari passu* to the extent of the NOHFC Obligations, the STCFDC Loan Obligations and the TemFund Obligations, respectively, and

(c) thirdly, the STCFDC Security to the extent of the STCFDC Remaining Obligations.

4. **Subordination.** The respective rights of each of NOHFC, STCFDC, TemFund and RBC under the Lenders' Security are hereby postponed and subordinated to the extent necessary to effectuate the priority ranking set out in this Agreement.

5. **Applicability of Priorities.** The respective priorities of the Lenders' Security set out in this Agreement and all other rights established, altered or specified herein, are applicable irrespective of the time, place or order of creation, execution, delivery, attachment or perfection thereof, the method of perfecting, the time, place or order of registration or filing of financing statements or recording of mortgages or other instruments, assignments or agreements, the giving of or failure to give notice of the acquiring of any charge, lien or security interest or the date or dates of any advance or advances, the date or dates of any default by the Borrower or any other relevant party or the date of the taking of enforcement proceedings (including possession).

6. **Lenders Not to Amend or Assign.** Each of NOHFC, STCFDC, TemFund and RBC agrees not to (a) increase the maximum principal amount of the NOHFC Obligations, STCFDC Loan Obligations, TemFund Obligations or RBC Obligations, as applicable, without the prior written consent of the other Lenders, or (b) transfer or assign its rights in the Lenders' Security without obtaining from the transferee or assignee an agreement to be bound by the provisions of this Agreement and without obtaining an acknowledgment from the transferee or assignee that this Agreement shall apply to both financing advanced prior to and subsequent to the date of the assignment or transfer.

7. **Agreement by Borrower.** The Borrower hereby agrees with the provisions hereof and further agrees that so long as any of the Lenders' Security is outstanding, it will stand possessed of its properties and assets thereby mortgaged, charged or assigned for the Lenders in accordance with the priorities herein set out.

8. **No Additional Rights.** Nothing in this Agreement shall be construed so as to entitle any Lender to receive any proceeds of realization upon any of the property or assets of the Borrower in respect of which such Lender does not have any security or in respect of which such Lender's security is invalid or unenforceable as against third parties. Nothing contained in this Agreement shall be construed as conferring any rights upon the Borrower or any party not a party to this Agreement.

9. **Rights to Proceeds.** If any of the property or assets of the Borrower are dealt with, damaged, destroyed, lost or expropriated so as to give rise to proceeds (including amounts payable under insurance policies), the relative priority of claims of the Lenders against such proceeds shall be determined as if the claims were made against the original collateral which gave rise to such proceeds.

10. **Lenders to Furnish Information.** Each of the Lenders shall provide to the others from time to time, upon request, full information and particulars as to the amounts owing to such Lender by the Borrower, the performance by the Borrower of the terms and conditions of its agreements and obligations to such Lender and any other information which the party requesting the same deems material, and the Borrower consents to such disclosure.

11. **Agreement Not to Affect Payments.** Nothing in this Agreement shall prevent the Borrower from making payment of principal or interest to the Lenders until the bankruptcy, liquidation or winding-up of the Borrower or any other distribution of the property and assets of the Borrower for the purpose of winding up its affairs or until any of the Lenders shall have commenced to enforce their respective security over any of the property and assets of the Borrower.

12. **Customer Bank Account.** The *pari passu Lenders* shall not be entitled, notwithstanding anything to the contrary in this Agreement, to make a claim against any monies which are deposited in or disbursed from any account of the Borrower maintained with RBC, except for:

    (a) monies deposited in any accounts designated as trust accounts by the Borrower for the benefit of the on or more of the *pari passu Lenders*;

    (b) monies, over which the *pari passu Security* has priority pursuant to this Agreement, deposited after the time RBC has received written notice from the *pari passu Lenders* that:

        (i) they are enforcing their security interests against the Borrower, or

        (ii) the *pari passu Lenders* are entitled to such monies pursuant to this Agreement;

    (c) monies, over which the *pari passu Lenders* have priority pursuant to this Agreement, which are deposited after RBC has commenced enforcing its security against the Borrower; or

    (d) monies which are proceeds of assets over which the *pari passu Security* has priority pursuant to this agreement, if RBC has express actual knowledge thereof.

13. Pari Passu Provisions. Each of the Borrower, NOHFC, STCFDC and TemFund agrees, as between themselves, that:

(a) the *pari passu Security* shall rank equally on a pari passu basis in accordance with the provisions of this Agreement;

(b) each of the Lenders shall notify the other Lenders forthwith upon it becoming aware of any default under its respective *pari passu Security* and shall make reasonable efforts to meet promptly to discuss and reach agreement as to the procedure to be followed in realization of such security; provided that nothing contained in this Agreement shall prevent any Lender from taking any action against the Borrower that such Lender deems necessary, in its sole discretion, to protect its interests. If any Lender determines that it does not wish to realize upon its *pari passu Security* it shall, upon the request and at the expense of the other Lenders, subordinate and postpone its *pari passu Security* to the other *pari passu Security*;.

(c) each of the *pari passu Security* is hereby amended to provide that in addition to the events specified therein, the moneys secured by such *pari passu Security* shall become payable, and such *pari passu Security* shall become enforceable, upon default under any of the provisions of any of the other *pari passu Security*;

(d) all proceeds received by any of the Lenders or any receiver, receiver manager or agent acting on behalf of such Lender, following the occurrence of any default referred to in paragraph (b) above, shall be received in trust by such person for the benefit of all Lenders and shall be promptly applied as follows:

(i) firstly, if two or more of the Lenders have agreed to the appointment of a receiver or receiver-manager, in payment of all costs, charges and expenses of and incidental to the appointment of such receiver or receiver-manager and the exercise by such receiver or receiver-manager of all or any of its powers including the remuneration of the receiver or receiver-manager and reimbursement of all amounts properly paid by it;

(ii) secondly, if such payment was received by a Lender as a direct result of any individual enforcement action taken by such Lender or any receiver, receiver manager or agent acting on behalf of such Lender alone, in payment of or in reimbursement to such Lender of all reasonable costs, charges and expenses directly incurred by such Lender in connection with such action including reimbursement of any costs, charges or expenses of any such receiver, receiver manager or agent paid by such Lender individually;

(iii) thirdly, with respect to proceeds of the Borrower's personal property, to RBC to the extent of the RBC Obligations then outstanding;

(iv) fourthly, each of NOHFC, STCFDC and TemFund rateably in the same proportion as the balance of their respective Obligations then outstanding, until such obligations have been paid in full;

(v) fifthly, to STCFDC to the extent of the STCFDC Remaining Obligations, until such obligations have been paid in full, and

(vi) fifthly, any surplus remaining to the Borrower or to the party next entitled thereto.

14. **Notice of Enforcement.** The Lenders agree that they will use their reasonable best efforts to give prompt written notice to each other of any action taken by them against the Borrower to enforce their security. Such notice shall be given prior to or forthwith after taking such action, but failure to give such notice will not give either party any cause of action or right to damages or other remedy against one another, provided that nothing in this Section 14 is intended to waive or relieve against the specific notice requirements of Section 12 of this Agreement..

15. **Intervening Lenders.** If any person, other than the Lenders, shall have a valid claim, right or interest in or to any of the present or after-acquired personal property of the Borrower which is subject to all or any part of the Lenders' Security, or the proceeds thereof, in priority to or on a parity with one of the Lenders but not in priority to or on a parity with the other Lender, then this Agreement shall not apply so as to diminish the rights (as such rights would have been but for this Agreement) of such other Lender to such property or the proceeds thereof.

16. **Notice.** Any demand, notice, direction or other communication to be made or given hereunder (in each case, "**Communication**") shall be in writing and shall be made or given by personal delivery, by courier, by facsimile transmission, or sent by registered mail, charges prepaid, addressed to the respective parties as follows:

(i) if to the Borrower:

1793082 Ontario Ltd.
999582 Hwy 11 N., RR #2
New Liskeard, ON P0J 1P0
Attention: Kenneth Doupe, President
Fax: 705-647-1339

(ii) if to NOHFC:

Deloitte & Touche, LLP
181 Bay Street, Suite 1400
Toronto, ON M5J 2V1

Attention: Joelle Gott, Associate Partner, Financial Advisory
Fax: (416) 601-6690

With a copy to:

Northern Ontario Heritage Fund Corporation
Suite 200, Roberta Bondar Place,
70 Foster Drive, Sault Ste. Marie, Ontario P6A 6V8

Attention: Executive Director
Fax: (705) 945-6701

(iii) if to STCFDC:

South Temiskaming Community Futures Development Corporation
467 Ferguson Avenue
P.O. Box 339
Haileybury, ON P0J 1K0

Attention: Ed Leduc, Business Services Officer
Fax: 705-672-5959

(iv) if to TemFund:

Temiskaming Development Fund Corporation
74C Scott Street
P.O. Box 1810
New Liskeard, Ontario P0J 1P0

Attention: Lorne Hilcoat, Business Development Officer
Fax: 705-628-2554

(v) if to RBC:

Royal Bank of Canada
Box 1300, 5 Armstrong Street
New Liskeard, Ontario P0J 1P0

Attention: Account Manager responsible for 1793082 Ontario Ltd., o/a K.D. Quality Pellets
Fax: 705-647-5822

or to such other address or facsimile number as any party may from time to time designate in accordance with this Section. Any Communication made by personal delivery or by courier shall be conclusively deemed to have been given and received on the day of actual delivery thereof or if such day is not a Business Day, on the first Business Day thereafter. Any Communication made or given by facsimile on a Business Day before 4:00 p.m. (local time of the recipient) shall be conclusively deemed to have been given and received on such Business Day and otherwise shall be conclusively deemed to have been given and received on the first Business Day following the transmittal thereof. Any Communication that is mailed shall be conclusively deemed to have been given and received on the fifth Business Day following the date of mailing but if, at the time of mailing or within five Business Days thereafter, there is or occurs a labour dispute or other event that might reasonably be expected to disrupt delivery of documents by mail, any Communication shall be delivered or transmitted by any other means provided for in this Section.

17. **Amendments.** This Agreement may not be amended or otherwise modified except by an instrument in writing executed by all the parties hereto.

18. Severability. If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination shall not impair or affect the validity, legality or enforceability of the remaining provisions hereof, and each such provision shall be interpreted in such a manner as to render them valid, legal and enforceable to the greatest extent permitted by applicable law. Each provision of this Agreement is declared to be separate, severable and distinct.

19. Successors and Assigns. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

20. Execution in Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which so executed shall be deemed to be an original. Such counterparts together shall constitute one and the same instrument and notwithstanding the date of execution shall be deemed to bear the effective date set forth above.

21. Execution by Facsimile. Delivery of an executed copy of a signature page to this Agreement by facsimile or other electronic transmission shall be effective as delivery of a manually executed copy of this Agreement and each party hereto undertakes to provide each other party hereto with a copy of the Agreement bearing original signatures forthwith upon demand.

22. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

23. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto relating to the subject matter hereof, and supersedes all prior agreements, representations, warranties, understandings, conditions or collateral agreements, whether oral or written, express or implied, with respect to the subject matter hereof.

24. Further Assurances. Each of the parties hereto shall forthwith, at its own expense and from time to time, do or file, or cause to be done or filed, all such things and shall execute and deliver all such agreements, certificates and instruments reasonably requested by any other party hereto as may be necessary or desirable to complete the transactions contemplated by this Agreement and carry out its provisions and intention.

[continued on following page]

This Agreement has been executed by the parties as of the date first stated above.

1793082 ONTARIO LTD.

By: ______________________
Kenneth Andrew Doupe
President

NORTHERN ONTARIO HERITAGE FUND CORPORATION

By: ______________________
~~Bruce Strapp~~ Robert Tarantini
A/ Executive Director

SOUTH TEMISKAMING COMMUNITY FUTURES DEVELOPMENT CORPORATION / SOCIETE D'AIDE AU DEVELOPPEMENT DES COLLECTIVITES DU TEMISKAMING SUD

By: ______________________
Name: DAN CLEROUX
Title: CHAIR

By: ______________________
Name: JOHN ROWSELL
Title: TREASURER.

TEMISKAMING DEVELOPMENT FUND CORPORATION

By: ______________________
Name: LORNE HILLCOAT
Title: BUSINESS DEVELOPMENT COORDINATOR

By: ______________________
Name:
Title:

[continued on following page]

ROYAL BANK OF CANADA / BANQUE ROYALE DU CANADA

By: ______________________
Name: Darryl VenLeer
Title: Account manager

By: ______________________
Name: JEFF LAFERRIERE
Title: BRANCH MANAGER.

APPENDIX "17"

Canada Revenue Agency | Agence du revenu du Canada

RECEIVED
APR 3 - 2019

Tax Centre
Kitchener ON N2H 0A9

March 27, 2019

ATTENTION: JASON KNIGHT
1793082 ONTARIO LTD.
C/O GRANT THORNTON LIMITED
200 KING ST W, 11TH FL, BOX 11
TORONTO ON M5H 3T4

Account Number
81575 5897 RP0001

Dear Mr. Knight:

Re: 1793082 ONTARIO LTD
Account number: 81575 5897 RP0001

We have been advised that you have been appointed as receiver for the above-named. At present, there is indebtedness to Canada Revenue Agency (CRA) for source deductions amounting to $416,885.04.

Particulars of this liability are as follows:

Date of assessment (DD/MM/YYYY)	08/09/2016
Tax deductions:	$72,407.02
CPP:	$ 0.00
EI:	$ 0.00
Penalties and interest:	$13,032.40
Total:	$85,439.42

Date of assessment (DD/MM/YYYY)	08/09/2016
Tax deductions:	$ 0.00
CPP:	$ 0.00
EI:	$ 0.00
Penalties and interest:	$16,970.11
Total:	$16,970.11

Date of assessment (DD/MM/YYYY)	08/09/2016
Tax deductions:	$ 94,200.00
CPP:	$ 0.00
EI:	$ 0.00
Penalties and interest:	$ 25,906.80
Total:	$120,106.80

.../2

Canada

National Insolvency Office
166 Frederick Street
Kitchener ON N2H 0A9

Local : 519-570-5438
Toll Free : 1-844-496-9342
Fax : 519-570-5424
Web site : canada.ca/taxes

Date of assessment (DD/MM/YYYY)	16/11/2016
Tax deductions:	$47,100.00
CPP:	$ 0.00
EI:	$ 0.00
Penalties and interest:	$11,885.82
Total:	$58,985.82
Date of assessment (DD/MM/YYYY)	08/03/2017
Tax deductions:	$47,100.00
CPP:	$ 0.00
EI:	$ 0.00
Penalties and interest:	$11,137.01
Total:	$58,237.01
Date of assessment (DD/MM/YYYY)	07/03/2017
Law costs:	$75.27
Date of assessment (DD/MM/YYYY)	08/03/2017
Tax deductions:	$15,700.00
CPP:	$ 0.00
EI:	$ 0.00
Penalties and interest:	$ 3,563.77
Total:	$19,263.77
Date of assessment (DD/MM/YYYY)	30/05/2017
Tax deductions:	$47,100.00
CPP:	$ 0.00
EI:	$ 0.00
Penalties and interest:	$10,206.05
Total:	$57,306.05
Date of assessment (DD/MM/YYYY)	07/01/2019
Tax deductions:	$ 0.00
CPP:	$ 0.00
EI:	$ 0.00
Penalties and interest:	$100.72
Total:	$100.72
Date of assessment (DD/MM/YYYY)	18/02/2019
Tax deductions:	$ 0.00
CPP:	$ 0.00
EI:	$ 0.00
Penalties and interest:	$400.04
Total:	$400.04
Grand total:	$416,885.01

Pursuant to the provisions of subsection 227(4) of the Income Tax Act (ITA), subsection 23(3) of the Canada Pension Plan (CPP),

.../3

subsection 57(2) of the Unemployment Insurance Act (UIA), subsection 86(2) of the Employment Insurance Act (EIA), the following amounts, which are included in the above totals, are trust funds and form no part of the property, business, or estate of 1793082 ONTARIO LTD in receivership.

Grand total: NIL

Payment for the total amount of this trust, namely NIL should be made to the Receiver General out of the realization of any property that is subject to these statutory trusts in priority to all other creditors. Please forward payment by return mail. In the event this is not possible, please indicate when payment will be forthcoming.

Please advise when payment of the remaining balance of $416,885.04 will be forthcoming. Your attention is drawn to section 159 of the ITA, subsection 23(5) of the CPP, subsection 57(4.1)of the UIA and subsection 86(4) of the EIA.

This letter also serves as notice that should payment be made for any amount described in subsection 153(1) of the ITA for periods prior or subsequent to your appointment, tax deductions must be withheld and remitted in accordance with this subsection and Income Tax Regulations 101 and 108. Your attention is also directed to section 3 of the Unemployment Insurance (Collection of Premiums) Regulations, section 5 of the EIA and section 8 of the Canada Pension Plan Regulations.

Please note, on March 7, 2017 Canada Revenue Agency registered a lien on title on PIN: 61311-0291 with legal description: PT N 1/2 LT 7 CON 4 HARLEY PT 2 54R5414; PT N 1/2 LT 8 CON 4 HARLEY PT 1, 54R5437 HARLEY; DISTRICT OF TIMISKAMING; SUBJECT TO AN EASEMENT IN GROSS OVER PT 3 54R-5732 AS IN DT46532; SUBJECT TO AN EASEMENT IN GROSS OVER PT 3 54R-5732 AS IN DT46533, known municipally as: RR2 999562 Highway 11 North, New Liskeard, ON, in the amount of $253,568.76. The current value of the lien is $281,502.15, and applies to all source deductions owing for the September 8, 2016 and November 16, 2016 assessment dates. Interest will continue to accrue on this balance until payment in full is received.

If you require further information, please contact the undersigned at 519-570-5438.

Yours truly,

Wendy Rueger

W. Rueger 1215
Revenue Collections

Properties

PIN 61311 - 0291 LT

Description PT N 1/2 LT 7 CON 4 HARLEY PT 2 54R5414; PT N 1/2 LT 8 CON 4 HARLEY PT 1, 54R5437 HARLEY; DISTRICT OF TIMISKAMING; SUBJECT TO AN EASEMENT IN GROSS OVER PT 3 54R-5732 AS IN DT46532; SUBJECT TO AN EASEMENT IN GROSS OVER PT 3 54R-5732 AS IN DT46533

Address NEW LISKEARD

Claimant(s)

Name HER MAJESTY THE QUEEN IN RIGHT OF CANADA AS REPRESENTED BY THE MINISTER OF NATIONAL REVENUE

Address for Service Canada Revenue Agency
5001 Yonge Street
North York, Ontario
M2N 6R9

This document is not authorized under Power of Attorney by this party.

This document is being authorized by a representative of the Crown.

Statements

Schedule: See Schedules

Signed By

Paul A Lourie	5001 Yonge St., 17th floor North York M2N 6R9	acting for Applicant(s)	Signed	2017 03 07

Tel 416-218-4662

Fax 416-954-6319

I have the authority to sign and register the document on behalf of the Applicant(s).

Submitted By

CANADA REVENUE AGENCY	5001 Yonge St., 17th floor North York M2N 6R9	2017 03 07

Tel 416-218-4662

Fax 416-954-6319

Fees/Taxes/Payment

Statutory Registration Fee $63.35

Total Paid $63.35

NOTICE OF LIEN PURSUANT TO SUBSECTION 223(5) AND (6) OF THE INCOME TAX ACT

CONSIDERATION:$253,568.76

WHEREAS pursuant to subsection 223(2) and (3) of the Income Tax Act, any amount payable or any part of the amount payable by a tax debtor (the "amount") and that amount remains unpaid the amount may be certified by the Minister of National Revenue and registered in the Federal Court of Canada (the 'Court") at which point the certificate is deemed to be a judgment against the tax debtor;

WHEREAS pursuant to subsection 223(5) and (6) of the Income Tax Act, a document which the Court has issued, and which evidences a certificate of that Court upon registration on title or otherwise recorded creates a charge, lien or priority on, or a binding interest in property that the tax debtor holds;

AND WHEREAS 1793082 ONTARIO LTD.
is indebted to the Minister of National Revenue for income taxes and other amounts totalling $253,568.76 at the date of issuance of the Certificate in Court File Number ITA-1695-17 by the Court, together with interest at such rate or rates as determined from time to time by Section 161 of the Income Tax Act;

AND WHEREAS 1793082 ONTARIO LTD.
has an interest in the lands described in this notice.

NOW THEREFORE TAKE NOTICE that HER MAJESTY THE QUEEN IN RIGHT OF CANADA AS REPRESENTED BY THE MINISTER OF NATIONAL REVENUE claims a lien and charge against the interest of 1793082 ONTARIO LTD. in the lands described in this notice.

Notwithstanding the date of registration of this lien, a portion of the lien takes priority over all other encumbrances except those that fall within the definition of "prescribed security interest" in Regulation 2201 of the Income Tax Act. This priority is claimed pursuant to subsections 227(4) and (4.1) of the Income Tax Act, and/or section 222 of the Excise Tax Act.

APPENDIX "18"

Court File No.: CV-19-00612265-0000

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

BETWEEN:

TEMISKAMING DEVELOPMENT FUND CORPORATION,

Applicant

- and -

1793082 ONTARIO LTD., o/a K.D. QUALITY PELLETS

Respondent

AFFIDAVIT OF DANIEL WOOTTON

I, Daniel Wootton, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY** as follows:

1. I am a Senior Vice President of Grant Thornton Limited, ("**GTL**") which was appointed as Interim Receiver and manager ("**Interim Receiver**") and then Receiver and manager (the "**Receiver**") without security, of all the properties, assets and undertakings and 1793082 Ontario Ltd. o/a K.D. Quality Pellets. As such, I have knowledge of the matters hereinafter deposed to, except where stated to be on information and belief and whereso stated I verily believe such to be true.

2. Attached and marked as Exhibit "**A**" to this my affidavit is a detailed billing setting out the fees and disbursements of GTL incurred in its role as Interim Receiver from January 7, 2018

to February 22, 2019, totalling $43,652.14, and including disbursements of $28.53 and HST of $5,021.93 and as Receiver from January 25, 2019 to April 30, 2019, totalling $71,386.57, and including disbursements of $541.46 and HST of $8,212.61, and as such is summarized on Exhibit "**B**" to this my affidavit. The average hourly rate is $363.96.

3. Given the complexity of this insolvency matter, I believe the hourly rates and the total amount of fees are reasonable and comparable for insolvency services of this nature rendered by other firms in the City of Toronto.

4. This affidavit is sworn in connection with the approval of the fees and disbursements of GTL and for no improper purpose.

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario, this 14th day of May, 2019. Commissioner for Taking Affidavits, etc. Jonathan David Krieger, a Commissioner, etc., Province of Ontario, for Grant Thornton Limited. Expires January 03, 2020.	DANIEL WOOTTON

Exhibit "**A**" to the Affidavit of Daniel Wootton,
sworn before me this 14 day of May, 2019.

Commissioner for Taking Affidavits, etc.
Jonathan David Krieger,
a Commissioner, etc., Province of Ontario,
for Grant Thornton Limited.
Expires January 03, 2020.

Court File No. CV-19-00612265-0000

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE INTERIM RECEIVERSHIP OF 1793082 ONTARIO LTD. *o/a* K.D. QUALITY PELLETS

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

BILL OF COSTS

BN 12738 4717 RT0001
Client #261724
Invoice#LSON-5236

To professional services rendered as Court-Appointed Interim Receiver of 1793082 Ontario Ltd. o/a K.D. Quality Pellets for the period from January 7, 2019 to February 22, 2019.

Date	Full Name	Hours	Detail
January 7, 2019	Bethany Marques	0.90	Discussions with Glen regarding presence required at KDQP; Discussing Scheduling with team of NL office due to time constraints; Phone call with D. Wootton regarding what is required at attendance to gather info for proposal.
January 8, 2019	Bethany Marques	0.10	Discussion with D. Wootton.
January 14, 2019	Jason Knight	1.30	Review Court Order and Endorsement dated Jan 10, 2018; Draft, discuss, and finalize engagement letter for Representative engagement
January 15, 2019	Bethany Marques	0.30	Review correspondence; Discussion with team.
January 15, 2019	Jason Knight	0.60	Review correspondence; Internal meeting to discuss next steps re: engagement and items to be requested from debtor.
January 16, 2019	Bethany Marques	0.10	Phone discussion with J. Knight.

Date	Full Name	Hours	Detail
January 16, 2019	Jason Knight	7.20	Correspondence with team re: size visit and items required for same; Review correspondence provided by Temfund's counsel and discuss same internally; Draft email correspondence to KD Pellets' principal re: GTL's engagement, site visit, and information required; Various phone calls and correspondence with Tempfund's counsel and the principal of KD Pellets re: potential appointment; Draft and review email correspondence to KD Pellets re: receivership appointment; Conference call with KD Pellets' counsel and Temfund's counsel; Draft Second Report re: receivership; Draft correspondence to KD Pellets and counsel to same re: recap of conversation and information to be provided.
January 17, 2019	Bethany Marques	0.40	Discussion with K. Doupe to set up visit of site.
January 17, 2019	Daniel Wootton	1.20	Correspond with Temfund counsel, Cassels and internally re: property issues and interim relief.
January 17, 2019	Jason Knight	4.40	Correspondence with team and K. Doupe re: site visit; Correspondence with TemFund's counsel; Phone conversation with Bionorth re: insurance and utilities and debrief conversation internally; Draft correspondence to Bionorth recapping conversation and providing copy of court documents; Draft follow-up email correspondence to K. Doupe and counsel to KD Pellets re: requested information; Various correspondence with Cassels, Temfund's counsel, K. Doupe, and team re: receivership and other matters; Revise Second Report for internal comments and include additional commentary regarding correspondence with the Company; Review changes to draft Appointment Order.
January 18, 2019	Bethany Marques	4.20	Attend at site to examine assets and discuss financial position with K. Doupe; Draft report on site visit; Communication with J. Knight.
January 18, 2019	Daniel Wootton	0.40	Correspond with Cassels, Temfund counsel and internally re: monitoring of KD premises.

Date	Full Name	Hours	Detail
January 18, 2019	Jason Knight	5.80	Various correspondence with counsel and Temfund's counsel re: issues and potential receivership; Prepare for and attend conference call with counsel and Temfund's counsel; Prepare for and attend Court with Temfund's counsel re: requested relief; Various correspondence debriefing Court attendance; Correspondence with K. Doupe re: hydro and other matters; Review information obtained from site visit and discuss same internally; Draft correspondence to Hydro One re: issed Endorsement; Review comments and changes to the report from counsel and discuss same; Draft and revise report to Temfund to include additional events that have transpired; Various other correspondence with team and counsel.
January 21, 2019	Bethany Marques	0.10	Phone conversation with J. Knight.
January 21, 2019	Daniel Wootton	1.20	Correspond with Temfund and counsel re: progress with court and status of property; Correspond internally and with Cassels re: same.
January 21, 2019	Jason Knight	1.70	Compile Memorandum to Temfund and send same to Temfund's counsel and Cassels; Phone calls with Hydro One re: January 18th Endorsement and scheduled hearing; Email correspondence to Temfund; Conference call with Temfund to discuss funding of receivership, among other things; Correspondence with third-party re: securing premises; Correspondence with team to discuss potential to take possession.
January 22, 2019	Bethany Marques	0.80	Discussions with J. Knight; Arrange for a locksmith to attend at site.
January 22, 2019	Daniel Wootton	1.00	Correspond with D. Potter; Review court order and assist with arrangements to take possession and stabilize property.
January 22, 2019	Jason Knight	6.10	Prepare for and attend Court re: Interim Receiver appointment and debrief same; Phone call with Cassels re: funding; Various correspondence with locksmith and colleagues re: securing Premises; Correspondence with D. Perlin re: various matters; Draft correspondence to potential interim receivership financer; Correspondence with insurance provider and completing required forms re: insurance on Premises.
January 23, 2019	Bethany Marques	6.00	Attendance at site.

Date	Full Name	Hours	Detail
January 23, 2019	Jason Knight	1.40	Correspondence with counsel re: Interim Receiver Order; Administration of case website; Various correspondence with staff onsite at Premises re: various matters re: taking possession; Phone conversation with potential lender re: receivership funding.
January 23, 2019	Meghann Packard	0.30	Call from Dalton Potter re: water leak; Discussion with J. Knight and D. Wootton.
January 24, 2019	Bethany Marques	3.20	Site visit; Draft report and discussion with J. Knight.
January 24, 2019	Jason Knight	2.30	Draft email correspondence to potential lender re: interim receivership funding to provide background on assets and company; Correspondence with team re: banking matters; Phone conversation with Temfund re: file update and other matters; Finalize insurance policy forms and discuss same with FCA Insurance; Correspondence with team re: taking possession of premises; Draft correspondence to K. Doupe re: premises and insurance.
January 25, 2019	Bethany Marques	0.80	Finalize site visit report; Correspondence with Security personnel.
January 25, 2019	Daniel Wootton	0.30	Internal correspondence with J. Knight re: taking possession, insurance, DIP loan.
January 25, 2019	Jason Knight	1.10	Correspondence with insurance broker re: insurance coverage on premises; Correspondence with potential lender re: funding; Correspondence with team re: taking possession matters.
January 28, 2019	Jason Knight	0.20	Phone call with D. Potter re: file matters.
January 29, 2019	Daniel Wootton	0.20	KD Pellet correspondence re: funding, preparations for sale process.
January 29, 2019	Jason Knight	0.90	Correspondence with Temfund re: books and records; Internal discussions re: file administration; Draft correspondence to K. Doupe re: requested information; Phone call with Bionorth re: proceedings and debrief same.
January 30, 2019	Bethany Marques	0.20	Message from P. Veley regarding pellet usage and offer from vendor for pellets.
January 30, 2019	Daniel Wootton	0.20	Internal correspondence and update on utilities, funding and asset details.
January 31, 2019	Bethany Marques	0.20	Phone call with P. Veley regarding purchase of more pellets.

Date	Full Name	Hours	Detail
January 31, 2019	Jason Knight	0.30	Correspondence with team to discuss continued heating of facility; Correspondence with potential funder; Review correspondence re: banking matters.
February 3, 2019	Bethany Marques	0.20	Correspondence with P. Veley regarding pellet stove breakdown and need for electrician and aerator.
February 4, 2019	Bethany Marques	0.30	Review correspondence re site maintenance.
February 4, 2019	Jason Knight	0.30	Correspondence with counsel re: registration on property.
February 5, 2019	Bethany Marques	0.20	Review correspondence re site maintenance.
February 5, 2019	Jason Knight	0.70	Internal meeting to discuss status of file; Correspondence with insurance provider re: policy; Phone call with insurance broker re: clarification of questions; Correspondence with potential lender re: receivership funding.
February 6, 2019	Daniel Wootton	1.00	Correspond with secured creditor's counsel re: opposition, arguments, and update on interim receivership matters.
February 6, 2019	Jason Knight	2.90	Correspondence with insurance provider re: coverage on facility; Phone call with Temfund re: various matters including correspondence with Bionorth; Draft email correspondence to counsel re: Bionorth for review and comment; Internal discussions re: various file matters and required report of the interim receiver; Draft email correspondence to Temfund re: summary of interim receivership proceedings and other matters; Review correspondence provided by D. Perlin; Review offers sent by Bionorth et. al. provided by Temfund.
February 7, 2019	Bethany Marques	0.60	Call from J. Knight regarding information to be collected and timeline; Message from P. Veley regarding pellets on hand & diesel needed; Follow up on electrical issue with pellet stove.
February 7, 2019	Daniel Wootton	1.10	Work with J. Knight to plan for Temfund call, response to BioNorth, response to KD's counsel and review of interim funding and proposed receivership order.

Date	Full Name	Hours	Detail
February 7, 2019	Jason Knight	6.40	Internal meeting to discuss file status and correspondence to Bionorth; Discussions with team re: books and records of the company; Phone call with potential lender re: draft lending agreement and discuss same internally; Phone call with Temfund; Phone call with Temfund's counsel; Revise draft response to Bionorth and draft correspondence to counsel re: same; Calculate recovery to community lenders under Bionorth offer; Draft Interim Receiver's Report and provide draft to counsel for their review; Prepare for and attend conference call with counsel to discuss Bionorth correspondence, funding, and other matters; Prepare for and attend conference call with Temfund Board re: receivership proceedings and offer put forth by Bionorth; Revise correspondence to Bionorth and finalize same.
February 8, 2019	Bethany Marques	2.00	Compile financial and government information; CRA Represent a Client.
February 8, 2019	Daniel Wootton	1.10	Update call with counsel, review and comment on draft report, plan for court hearing. Update call with Hydro One.
February 8, 2019	Jason Knight	1.10	Prepare for and attend conference call with counsel re: file update; Review correspondence from Temfund re: Board vote on receivership and correspondence with Northern Heritage Fund; Review invoices to be paid and organize same; Review internal comments on the Interim Receiver's Report and draft correspondence to counsel re: same; Review comments on Interim Receiver Report from counsel and discuss same; Finalize and coordinate service of Interim Receiver Report.
February 8, 2019	Meghann Packard	0.30	Internal discussion.
February 9, 2019	Bethany Marques	3.10	Attend at site; Obtain asset serial numbers, model information & looking again for financial records; Backup of data and Server connectivity issues.
February 11, 2019	Bethany Marques	2.10	Review information re financial and government remittances and summarize; Forward site pictures to server; Deal with maintenance issues with K. Doupe.
February 11, 2019	Daniel Wootton	1.00	Correspond with counsel and internally in preparation for court hearing.
February 11, 2019	Jason Kanji	2.40	Prepare confidential information memorandum; Internal meeting re: client matters and potential sales process.
February 11, 2019	Jason Knight	2.00	

Date	Full Name	Hours	Detail
February 12, 2019	Daniel Wootton	1.20	Correspond re: court hearing, relief sought, compromises and review of endorsement.
February 12, 2019	Jason Kanji	3.40	Prepare confidential memorandum
February 12, 2019	Jason Knight	5.10	Prepare for and attend Court re: receivership application hearing; Internal debrief and discussions re: Court attendance; Review circulated endorsement re: adjournment; Case website administration; Internal discussions re: banking matters; Correspondence with insurance provider re: confirmation of coverage; Internal discussions re: preparation of Solicitation Letter / CIM.
February 13, 2019	Jason Knight	0.40	Administration of case website; Draft correspondence to K. Orser re: payment of IR Funding amount; Internal discussion with team re: February 12th hearing.
February 14, 2019	Bethany Marques	0.10	Internal discussion.
February 14, 2019	Daniel Wootton	0.70	Correspond with counsel re: non-payment of $25K. Internal planning.
February 14, 2019	Jason Knight	0.20	Internal discussions re: adjournment hearing and next steps.
February 15, 2019	Daniel Wootton	0.20	Correspond with counsel and Hydro One re: non-receipt of $25K and plan to collect prior to seeking receivership order.
February 15, 2019	Jason Knight	0.40	Email correspondence with Bionorth et al re: funding; Call with counsel re: funding and court attendance; Internal discussions re: various matters.
February 19, 2019	Jason Knight	0.50	Correspondence with Bionorth re: funding; Review invoices received re: maintenance of property; Correspondence with counsel and D. Perlin re: funding.
February 20, 2019	Jason Knight	0.70	Correspondence with Temfund re: funding and next steps in receivership proceedings; Correspondence with counsel re: court attendance and required items for same; Internal correspondence re: sale process and potential buyers; Review correspondence from Temfund's counsel re: court attendance.
February 21, 2019	Daniel Wootton	0.80	Correspond internally re: court hearing. Correspond with secured creditor's counsel re: court hearing and payment from K. Orser.

Date	Full Name	Hours	Detail
February 21, 2019	Jason Knight	2.60	Prepare for and attend court re: schedule receivership hearing; Various discussion with counsel and Temfund's counsel re: hearing; Draft email correspondence to K. Orser re: issued endorsement; Administration of case website.
February 22, 2019	Daniel Wootton	2.60	Prepare for and attend court re: receivership hearing. Correspond internally and with applicant's counsel re: next steps.
February 22, 2019	Jason Knight	4.80	Administer case website; Discussions with team re: court attendance and outcome of same; Begin drafting Sale Package and supporting appendices to same.

Time Summary

D. Wootton, Sr. Vice President	14.20	hours @	$	595.00	$	8,449.00
J. Knight, Sr. Manager	61.40	hours @	$	375.00	$	23,025.00
M. Packard, Manager	0.60	hours @	$	240.00	$	144.00
J. Kanji, Sr. Associate	5.80	hours @	$	195.00	$	1,131.00
B. Marques, Sr. Accountant	25.90	hours @	$	155.00	$	4,014.50
	107.90				$	36,763.50
5% Technology and Administration Fees					$	1,838.18
					$	38,601.68
Disbursements						
Travel					$	28.53
					$	28.53
Subtotal time and disbursements					$	38,630.21
HST (13%)					$	5,021.93
Total					**$**	**43,652.14**

Court File No. CV-19-00612265-0000

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE RECEIVERSHIP OF 1793082 ONTARIO LTD. o/a K.D. QUALITY PELLETS

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

BILL OF COSTS

BN 12738 4717 RT0001
Client #261724
Invoice#LSON-5237

To professional services rendered as Court-Appointed Receiver of 1793082 Ontario Ltd. o/a K.D. Quality Pellets for the period from January 25, 2019 to April 30, 2019.

Date	Full Name	Hours	Detail
January 24, 2019	Rosa Wilford	2.00	Review internal email instructions from team re Banking; Review Court Order; Emails to banking institution/team; Bank letters; Prepare Bank forms for the request of new account setup; Fax; General banking administration.
February 9, 2019	Rosa Wilford	0.10	Review estate bank account and reconcile January statement.
February 12, 2019	Rosa Wilford	0.25	Provide wire instructions; Letter; Email; General banking administration.
February 21, 2019	Rosa Wilford	0.25	Review internal email instructions from team re Banking; Correspondences with Bank; Review print screens for expecting wire; Respond to email; General banking administration.
February 22, 2019	Rosa Wilford	0.50	Review internal email instructions from team re Banking; Correspondences with Bank; Review print screens for expecting wire; Prepare receipt requisition forms; Post entries; Email team notification of wire. General banking administration.
February 25, 2019	Jason Kanji	6.00	Prepare reports for sales process.

Date	Full Name	Hours	Detail
February 25, 2019	Jason Knight	5.70	Internal discussions re: KD Pellets file; Revise and update schedules to be included with CIM; Draft Offer Form and Standard Terms and conditions to be included in CIM; Draft Asset Purchase and Sale Agreement and discuss same internally; Phone call with K. Doupe re: outstanding information; Phone conversation with RC Morris re: funding; Draft advertisement to be included in newspaper.
February 26, 2019	Daniel Wootton	0.50	Review and comment on draft ad. Correspond internally re: sale process and counsel recommendations.
February 26, 2019	Jason Kanji	3.10	Internal meeting to review documentation received for sales process and sales package, Prepare and meet with secured creditors, Prepare asset listing and potential purchaser listing.
February 26, 2019	Jason Knight	5.00	Prepare for and attend meeting with Bionorth and representatives of same re: sale process, background re: KD Pellets, and certain outstanding information; Internal meeting to debrief discussions with Bionorth; Phone conversation with P. Veley re: agreement to maintain premises; Banking matters; Phone conversation with Temfund re: sale process and status of receivership process; Continue to prepare and finalize documents required for sale process; Perform final review of CIM.
February 27, 2019	Daniel Wootton	1.80	Review and provide comments on sale agreement, offer form and standard terms.
February 27, 2019	Daniel Wootton	0.80	Call with L. Hilcott, forward potential buyers to J. Knight.
February 27, 2019	Gladys Nmoye	0.25	Database search.
February 27, 2019	Jason Kanji	2.00	Prepare asset listing, Call with Phil re: onsite monitoring; Internal meeting re: sales process and package.
February 27, 2019	Jason Knight	6.50	Draft correspondence re: wire transfer; Internal discussions re: various file administration matters; Review comments on Agreement of Purchase and Sale, Offer Form, and Terms and Conditions and revise same; Review comments and discuss changes required to CIM; Revise CIM and include additional information required; Perform final review of CIM and draft correspondence to team re: same.
February 27, 2019	Rosa Wilford	0.50	Review internal email instructions from team re Banking: re wire transfer: Bank letter; Prepare disbursement requisition form; Correspondences to and from Bank for authorization of transfer; Post entries; Provide team with wire confirmation: Post entries; General banking administration.

Date	Full Name	Hours	Detail
February 27, 2019	Valerie Naccarato	0.10	General banking administration.
February 28, 2019	Daniel Wootton	2.10	Review sale documents and sale package and provide comments. Correspond with Temfund and counsel. Review and comment on teaser email content.
February 28, 2019	Jason Kanji	3.00	Review Information package; Amend changes, Internal meeting to discuss package.
February 28, 2019	Jason Knight	3.00	Internal discussions re: buyers list, newspaper advertisement, and comments on CIM; Revise detailed parcel listings and discuss same internally; Review comments received on revised CIM and incorporate such changes; Draft email correspondence to Temfund re: Sale Process documents; Draft email to counsel re: Sale Process documents and required review of same; Draft sonication email to be sent to potential bidders; Review comments on solicitation email and revise same to include comments.
March 1, 2019	Gladys Nmoye	0.50	Database search.
March 1, 2019	Jason Knight	2.80	Review counsel's comments on Sale Process documents and discuss same internally; Review PPSA search results for leased assets; Internal discussions re: file update and outstanding information; Phone conversation with Temfund re: Sale Process; Phone call with creditor re: status of proceedings and next steps re: same; Draft engagement letter to be provided to P. Veley and discuss same with counsel.
March 4, 2019	Bethany Marques	0.10	Review maintenance invoices.
March 4, 2019	Daniel Wootton	0.70	Correspond re: advertising of sale process. DIP loan correspondence.
March 4, 2019	Jason Knight	5.10	Correspondence with P. Veley re: contractor letter and information required; Internal discussions re: Sale Process and information to be included with same; Review and revise Memorandum for additional information; Review and revise Agreement of Purchase and Sale to incorporate additional items noted by counsel; Perform detailed review on buyer list and revise same for additional and non-relevant purchasers; Correspondence with Temfund; Correspondence with potential lenders re: funding for receivership.
March 4, 2019	Valerie Naccarato	0.10	General banking administration.

Date	Full Name	Hours	Detail
March 5, 2019	Bethany Marques	2.50	Follow up with P. Veley re invoicing details/ Email to Jason; Message from Phil regarding Pellets needed for heat; Discussion with J. Knight regarding receivership appointment; Discussion with P. Veley regarding asset documents; Attend at site to meet P. Veley re: access to asset records; Look over premises for issues; Discussion with P. Veley about info outstanding; Call to Kenny regarding info outstanding.
March 5, 2019	Daniel Wootton	1.30	Review sale package and list of creditors. Discuss list of potential buyers.
March 5, 2019	Daniel Wootton	0.20	Internal correspondence re: NOHFC indebtedness.
March 5, 2019	Jason Knight	4.10	Phone correspondence with team re: next steps in maintenance of property; Internal discussions re: correspondence from Temfund; Correspondence with newspaper re: advertisement; Correspondence with P. Veley re: contract and executed copy of same; Correspondence with potential lenders re: funding required for receivership; Phone call with Temfund re: NOHFC matters; Revise and update Parcels of Assets included on the Offer Form based on security registrations on PPSA; Perform final review of Memorandum and supporting appendices and discuss same internally; Update locations of Bidders in potential Bidder listing; Correspondence with Stikemans re: potential party interested in Sale Process.
March 5, 2019	Rania Erian	0.50	Create the Receivership estate in Ascend; Format and upload creditors list in to Ascend.
March 6, 2019	Bethany Marques	0.70	Speaking w. Kenny Doupe regarding information previously requested. Kenny indicates: No Receivables, No trade payables. Jules Roy (a creditor in Toronto 416-200-2099) has provided Jason Kanji with all creditor info already. Action Leasing who holds leases on Grider at Howard Morrows and Loader at Phil's wants to take the equipment as they have lined up a buyer. Action contact is Mathew Story at 416-985-5478. Looking at 2014 RC NOA as Kenny indicated nothing had been filed beyond what was filed by GT. Confirmed 2014 NOA was not a pre-assessment by CRA based on estimated income. Drafted email to Kenny regarding obtaining 2014 corporate tax info and 2015 T4 return info.; Phone conversation w. Jason Kanji regarding outstanding items. Email to Kenny Doupe.
March 6, 2019	Jason Kanji	2.20	Review of Sale Process details, Update asset listing; Call with Leasing Company re: possession of assets.

Date	Full Name	Hours	Detail
March 6, 2019	Jason Knight	0.30	Internal discussions re: Sale Process; Administration of case website.
March 7, 2019	Bethany Marques	0.30	Message regarding someone interested in buying property. Looked online for bid application. Reached out to Jason for information; Reaching out for contact information for Howard Morrow who has the leased grinder.
March 7, 2019	Daniel Wootton	0.20	DIP loan correspondence.
March 7, 2019	Jason Kanji	1.30	Email communication of Sales Process to potential purchasers.
March 7, 2019	Jason Knight	4.30	Continue finalizing potential bidder listing; Various email and phone correspondence with various identified bidders highlighting the opportunity and next steps re: Sale Process; Distributing Information Memorandum and Sale Agreement Draft to parties who indicate interest in participating in sale process; Internal discussions with team; Prepare 245 & 246 report for review; Review and finalize creditor listing.
March 7, 2019	Rosa Wilford	0.10	Review estate bank account and reconcile February statement.
March 8, 2019	Jason Knight	3.50	Phone call with counsel to discuss various matters, including, security review and leased assets; Phone call with Temfund re: Sale Process; Contacting last tranche of potential bidders; Distributing Information Memorandum to bidders requesting same; Updating bidder tracking sheet; Finalize 245/246 report; Correspondence with Bidders re: sale process.
March 11, 2019	Jason Kanji	1.20	Email information memorandum and provide access to the data room to interested parties, Internal discussions re: sales process
March 11, 2019	Jason Knight	0.70	Prepare and compile documents for data room; Create data room and user groups for same; Internal discussions re: administration of data room; Correspondence with P. Veley re: repair of equipment.
March 12, 2019	Bethany Marques	0.80	Looking for read-receipt on March 6th email to K. Doupe; Phone call to follow up.
March 12, 2019	Jason Kanji	0.80	Correspondence with potential purchasers, Circulate information memorandum to potential purchasers.
March 12, 2019	Jason Knight	1.00	Phone call with counsel re: security review; Review correspondence re: Sale Process from potential Bidders.

Date	Full Name	Hours	Detail
March 13, 2019	Daniel Wootton	0.20	Internal correspondence re: costs, borrowing and sale process.
March 13, 2019	Jason Kanji	1.70	Calls with potential purchasers re: Sales process, Drafting of ad for Insolvency Insider re: Sale; Information package emails to potential purchasers.
March 13, 2019	Jason Knight	0.90	Review advertisement to be included in Insolvency Insider; Correspondence with interested Bidders; Internal discussions re: file matters; Internal correspondence re: Sale Process; Phone call with Temfund re: status of file and Sale Process;
March 14, 2019	Bethany Marques	0.10	Call from CRA re: HST account related to receivership.
March 14, 2019	Jason Knight	0.50	Correspondence with team re: Sale Process and CRA matters; Phone call with CRA re: notional assessments and registrations made by same against property; Correspondence with NOHFC re: proof of claim question; Correspondence with counsel re: security review.
March 15, 2019	Jason Knight	1.20	Draft response to email received from counsel to Bionorth and discuss same with counsel; Correspondence with P. Veley re: status of property; Internal correspondence re: Sale Process and other matters.
March 17, 2019	Jason Knight	0.30	Email correspondence to NOHFC and Temfund re: security review; Draft correspondence to Temfund and South Temiskaming re: security review.
March 18, 2019	Bethany Marques	0.20	Phone message from Jason Kanji regarding computers at mill; Discussion w. Jason K about same.
March 18, 2019	Jason Kanji	3.40	Circulate Infromation Memorandum to potential purchasers; Internal calls re: Books and Records and Assets off site; Drafting of letter to KD re: Mandated return of books and record along with assets off site.
March 18, 2019	Jason Knight	0.50	Correspondence with NOHFC re: requested information; Internal discussions re: Sale Process and status of same.
March 19, 2019	Daniel Wootton	0.20	Borrowing correspondence.
March 19, 2019	Jason Kanji	1.20	Circulate of information memorandum, Calls with onsite manager and potential purchasers re: arranging site visits; Call with potential purchasers re: general questions on sales process.

Date	Full Name	Hours	Detail
March 20, 2019	Bethany Marques	0.10	Returning Call from Dalton regarding visitations at the site by potential buyers.
March 20, 2019	Jason Kanji	0.50	Circulate information memorandum to potential purchasers.
March 22, 2019	Jason Kanji	1.80	Prepare and draft report/email update to secured creditors on update of sales process; General operational and building maintenance discussions with onsite manager.
March 26, 2019	Bethany Marques	0.10	Message from LeighAnn regarding outstanding invoice from the KeyMan from January.
March 26, 2019	Daniel Wootton	0.30	Update discussion with J. Knight re: sale process and responses to secured creditors and potential purchasers. Correspond with O. Rogers.
March 26, 2019	Jason Knight	1.50	Draft email correspondence to Temfund re: Sale Process; Review various loan documents provided by community lenders and organize same; Draft email to counsel re: loan documents for security review.
March 27, 2019	Bethany Marques	0.80	Site visit; Noticed several gutters falling or fallen off building due to buildup of pellet debris, ice, snow and water. Discussion with J. Knight and P. Veley re: the issue.
March 27, 2019	Jason Knight	1.20	Internal discussion re: funding; Correspondence to vendor re: payment of invoice; Correspondence with potential bidder re: site visit and discussion internally re: same; Draft letter to counsel to potential bidder re: various items.
March 28, 2019	Bethany Marques	0.30	Follow up on invoices from Key Man; General administration work.
March 28, 2019	Jason Knight	3.40	Phone call with Temfund re: receivership update; Internal discussions re: receivership funding and next steps re: same; Correspondence with parties interested in Sale Process; Correspondence with Harley Township re: property taxes and Sale Process; Administer interested party tracker and data room; Draft letter to counsel to potential Bidder re: security review and other matters.
March 28, 2019	Rosa Wilford	0.50	Review estate account ledger re Banking; Prepare advance payment request for fees; Provide supporting documentation for review and approval to Trustee; Email; General banking administration.

Date	Full Name	Hours	Detail
March 29, 2019	Jason Knight	2.90	Review documents provided by Harley Township re: property taxes; Correspondence with potential Bidders re: Sale Process; Administer interested party tracker and data room; Correspondence with counsel re: letter to potential bidder; Compile listing of assets claimed to be off-site and draft formal letter to K. Doupe re: same for internal review.
April 1, 2019	Jason Knight	1.30	Prepare summary of actual costs and estimated future costs and draft correspondence to team re: same; Discussions with counsel re: letter to potential bidders re: correspondence received.
April 2, 2019	Daniel Wootton	0.40	Update on sale process and funding. Respond to counsel for potential purchaser.
April 2, 2019	Jason Knight	3.40	Internal discussions re: file update; Review and revise correspondence to potential bidder's counsel and finalize same; Revise letter to K. Doupe re: assets and books and records and draft correspondence to team re: same; Draft correspondence to community lenders re: request for payout statements; Finalize letter to K. Doupe and draft correspondence to K. Doupe re: same; Phone call with potential bidder's counsel re: credit bid and other matters; Prepare for and attend phone call with secured creditor's counsel re: Sale Process.
April 3, 2019	Jason Knight	0.50	Correspondence with P. Veley re: site tours and other matters; Internal discussions re: file update and next steps re: same.
April 4, 2019	Daniel Wootton	0.20	Correspond with Hydro One, update on sale process and follow up on borrowing.
April 4, 2019	Jason Knight	0.10	Internal discussions re: Sale Process.
April 4, 2019	Rosa Wilford	0.80	Review mail; Prepare receipt and disbursement requisition forms; Post deposit and payment entries; Issue cheques; Prepare invoice; E-file remittance advice; General banking and filing administration.
April 8, 2019	Bethany Marques	0.10	Discussion with interested parties re: KD property.
April 8, 2019	Jason Knight	1.40	Phone call with Temfund re: Sale Process and correspondence received from bidder re: same; Phone correspondence with interested bidder re: Sale Process; Internal correspondence re: file matters; Draft correspondence to Temfund re: Sale Process and next steps re: same.

Date	Full Name	Hours	Detail
April 9, 2019	Jason Knight	0.70	Correspondence with potential bidder re: site visit; Review correspondence from Temfund; Coordinate site visit with retained individual on premises; Internal call re: response to K. Doupe; Review Sale Process tracker and draft update to Temfund re: same.
April 9, 2019	Rosa Wilford	0.10	Review estate bank account and reconcile March statement.
April 10, 2019	Jason Kanji	1.10	Send sales package to interested parties; Calls with interested parties re: sales process and bid procedures.
April 10, 2019	Jason Knight	0.40	Review draft response to K. Doupe re: missing assets and books and records and provide revisions to same; Correspondence with NOHFC re: outstanding claim and correspondence received from bidder's counsel.
April 11, 2019	Jason Knight	0.80	Email correspondence with Bionorth's counsel re: loan documents; Correspondence with counsel re: security review; Phone conversation with Bionorth's counsel re: Sale Process and loan documents; Draft email correspondence to Bionorth counsel; Phone correspondence with NOHFC re: payout statement.
April 12, 2019	Jason Kanji	0.50	Call with potential purchasers re: Sales process.
April 12, 2019	Jason Knight	0.20	Correspondence with retained staff re: Sale Process and site attendance; Internal call re: correspondence from bidder re: Sale Process.
April 12, 2019	Rosa Wilford	0.10	Review banking reports and approve monthly estate balances.
April 14, 2019	Daniel Wootton	0.60	Correspond with M. Pickett re: offer. Review CRA correspondence and follow up with J. Knight.
April 15, 2019	Daniel Wootton	1.80	Correspond with potential purchasers' counsel re: bid deadline and extension request; Update call with Temfund's counsel and discuss extension request internally.
April 15, 2019	Jason Knight	3.10	Internal discussions re: Sale Process and other file matters; Review correspondence from bidder's counsel re: Sale Process and discuss same internally; Review land title registers; Phone call with Temfund's counsel re: Sale Process and correspondence from bidder re: same; Correspondence with retained individual re: repair of building; Begin drafting receiver's first report for approval of sale.

Date	Full Name	Hours	Detail
April 16, 2019	Jason Knight	3.00	Review and revise email to be sent to bidders re: bid deadline; Correspondence re: security review; Draft First Report (Introduction and Background and Sale Process sections); Phone call with Temfund's counsel re: Sale Process; Review correspondence from BioNorth's counsel and discuss same internally.
April 16, 2019	Rosa Wilford	0.40	Respond to phone call from Bank and client; Provide account instructions; General banking administration.
April 17, 2019	Jason Knight	2.80	Internal discussions re: Sale Process and offers received; Phone call with Temfund re: Sale Process and next steps; Meeting with potential bidder re: submission of offer and next steps in Sale Process; Review bids submitted and summarize financial terms of same; Review terms and conditions included in the agreement of purchases and sale from bidders; Correspondence with bidders re: clarification of terms.
April 17, 2019	Rosa Wilford	0.40	Review internal email instructions from team re Banking; Correspondences and follow-up with Bank; Review print screens for expecting wires; Emails; General banking administration.
April 18, 2019	Daniel Wootton	0.40	Update call with Temfund re: sale process, distributions and summary of costs and fees.
April 18, 2019	Jason Knight	3.40	Prepare for and attend call with Temfund re: Sale Process; Revise and finalize summary of offers received; Draft email correspondence to Temfund re: Sale Process; Internal discussions re: Sale Process and other file matters; Prepare for and attend conference call with various secured creditors re: results of the Sale Process; Phone correspondence with counsel re: offers received and status of executed APS'; Correspondence with South Temiskaming re: GSA and security review; Correspondence with Bionorth and counsel to same re: security documents.

Date	Full Name	Hours	Detail
April 18, 2019	Rosa Wilford	1.00	Review internal email instructions from team re Banking; Correspondences with Bank; Review print screens for expecting wires; Prepare receipt and disbursement requisition forms; Post entries; Email team notification of wires. General banking administration.
April 22, 2019	Daniel Wootton	1.10	Review of offers and discuss options, summary, secured creditor communications and review of draft report.
April 22, 2019	Jason Kanji	0.80	Internal meeting re: Sales process and closing.
April 22, 2019	Jason Knight	4.60	Correspondence with BioNorth's counsel re: security documents and blacklined agreement of purchase and sale (APS); Prepare estimated recovery analysis to the secured creditors based on offers received; Correspondence with counsel re: submitted APS and changes made to same; Continue drafting First Report; Prepare for and attend internal meeting to discuss status of file and next steps re: Sale Process; Correspondence with counsel re: security review.
April 22, 2019	Valerie Naccarato	0.10	General banking administration.
April 23, 2019	Daniel Wootton	1.20	Review of offer summary and call with Temfund to discuss.
April 23, 2019	Jason Knight	5.00	Finalize realization analysis and draft email correspondence to secured lenders re: same; Correspondence with bidders counsel re: agreement of purchase and sale; Call with Temfund re: realization analysis; Correspondence with counsel re: Sale Process and security review; Prepare for and attend conference call with bidder's counsel re: agreement of purchase and sale and revisions made to same; Various internal discussions re: file matters; Draft email correspondence to bidder's counsel re: parcels in Sale Process; Draft correspondence to creditors re: update on sale process and realization analysis; Continue drafting First Report.
April 24, 2019	Daniel Wootton	1.10	Prepare for and discussion with secured creditors re: sale process, results, offer acceptance, distribution, and next steps.
April 24, 2019	Jason Kanji	1.00	Calls with bidders re: status update on offers; Internal meetings review Purchase and Sale agreement.

Date	Full Name	Hours	Detail
April 24, 2019	Jason Knight	8.10	Prepare for and attend conference call with secured lenders re: Sale Process and selection of winning bid; Continue drafting First Report (security and distribution sections); Various phone correspondence with counsel re: security opinion and Sale Agreement; Perform final review of First Report and discuss same internally.
April 24, 2019	Rosa Wilford	0.30	Review internal email instructions from team re Banking; Correspondences with Bank; Review print screens for expecting wire; Respond to email; General banking administration.
April 25, 2019	Daniel Wootton	0.50	Call with counsel re: plan for sale approval, distribution, discharge and related relief.
April 25, 2019	Jason Knight	4.80	Conference call with counsel to discuss next step re: execution of Sale Agreement and relief to be requested; Draft letter to Axiom Leasing re: registrations made on assets; Internal discussions re: First Report; Phone correspondence with Temfund re: distribution of proceeds; Revise First Report to include discharge of receiver and remaining activities; Correspondence with counsel re: letter to Axiom Leasing.
April 25, 2019	Rosa Wilford	0.30	Review internal email instructions from team re Banking; Correspondences with Bank; Review print screens for expecting various wires; Email team; General banking administration.
April 26, 2019	Daniel Wootton	0.30	Discuss sale agreement and approve of execution. Discuss PMSI registrant.
April 26, 2019	Jason Knight	2.40	Coordinate finalization of agreement of purchase and sale and correspond internally re: same; Various correspondence with BioNorth's counsel re: scheduled court date and executed agreement of purchase and sale; Correspondence with BioNorth re: agreement of purchase and sale; Internal correspondence re: banking matters and return of deposits from unsuccessful bidders; Internal correspondence re: Axiom leasing documents; Perform preliminary review of Axiom Leasing document provided; Correspondence with counsel re: Court attendance and documents provided by leasing company.
April 26, 2019	Rosa Wilford	0.50	Review internal email instructions from team re Banking; Prepare receit requisition forms; Post deposit entries; General banking and filing administration.
April 26, 2019	Valerie Naccarato	0.10	Deposit at bank.
April 29, 2019	Daniel Wootton	1.00	Axion call with counsel. Review draft report.

Date	Full Name	Hours	Detail
April 29, 2019	Jason Knight	3.30	Correspondence with Purchaser's counsel re: Axiom Leasing and finalization of transaction; Correspondence with counsel re: outstanding matters; Draft email correspondence to Purchaser's counsel re: purchase price allocation; Review and summarize documents received from Axiom re: leases; Prepare for and attend conference call with counsel re: Axiom; Prepare for and attend conference call with counsel and the Purchaser's counsel re: closing of sale transaction; Prepare for and attend conference call with Axiom Leasing's counsel.
April 30, 2019	Daniel Wootton	1.60	Review and provide comments on draft report to court. Discuss secured creditor matters internally and court hearing schedule.
April 30, 2019	Jason Knight	0.50	Internal discussions re: First Report and Axiom Leasing matters; Draft email correspondence to Temfund re: hyrdo costs; Correspondence with counsel re: Axiom Leasing.
April 30, 2019	Valerie Naccarato	0.10	General banking administration.

Time Summary

D. Wootton, Sr. Vice President	18.50	hours @	$	595.00	$	11,007.50
J. Knight, Sr. Manager	104.20	hours @	$	375.00	$	39,075.00
R. Wilford, Manager	8.10	hours @	$	275.00	$	2,227.50
J. Kanji, Sr. Associate	31.60	hours @	$	195.00	$	6,162.00
B. Marques, Sr. Accountant	6.10	hours @	$	155.00	$	945.50
R. Erian, Analyst	0.50	hours @	$	135.00	$	67.50
V. Naccarato, Analyst	0.50	hours @	$	135.00	$	67.50
G. Nmoye, Analyst	0.75	hours @	$	130.00	$	97.50
	170.25				$	59,650.00
5% Technology and Administration Fees					$	2,982.50
					$	62,632.50
Disbursements						
Postage					$	120.63
Travel					$	40.08
Ascend and OSB License Fees					$	380.75
					$	541.46
Subtotal time and disbursements					$	63,173.96
HST (13%)					$	8,212.61
Total					**$**	**71,386.57**

Exhibit "**B**" to the Affidavit of Daniel Wootton,

sworn before me this 14 day of May, 2019.

Commissioner for Taking Affidavits, etc.

Jonathan David Krieger,
a Commissioner, etc., Province of Ontario,
for Grant Thornton Limited.
Expires January 03, 2020.

1793082 Ontario Ltd. o/a K.D. Quality Pellets
Summary of Billings
January 7, 2019 to April 30, 2019

Date	Hours	Fees	Disbursements	Subtotal	HST	Total
Interim Receiver						
January 7, 2019 to February 22, 2019	107.90	$ 38,601.68	$ 28.53	$ 38,630.21	$ 5,021.93	$ 43,652.14
Receiver						
January 25, 2019 to April 30, 2019	170.25	$ 62,632.50	$ 541.46	$ 63,173.96	$ 8,212.61	$ 71,386.57
	278.15	**$ 101,234.18**	**$ 569.99**	**$ 101,804.17**	**$ 13,234.54**	**$ 115,038.71**

Average Hourly Rate:	363.96

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

Court File No. CV-19-00612265-0000

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at **Toronto**

AFFIDAVIT OF DANIEL WOOTTON

Cassels Brock & Blackwell LLP
Suite 2100, Scotia Plaza
40 King Street West
Toronto, ON M5H 3C2

David Ward
Tel: (416) 869-5960
Fax: (416) 640-3154
Email: dward@casselsbrock.com

Lawyers for the Interim Receiver and Receiver

APPENDIX "19"

Court File No.: CV-19-00612265-
0000

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

BETWEEN:

TEMISKAMING DEVELOPMENT FUND CORPORATION

Applicant

- and -

1793082 ONTARIO LTD., o/a K.D. QUALITY PELLETS

Respondent

AFFIDAVIT OF DAVID WARD
(sworn May **13**, 2019)

I, David Ward, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY:

1. I am a lawyer with Cassels Brock & Blackwell LLP ("**Cassels**"), counsel to Grant Thornton Limited ("**GTL**") in its capacity as proposed receiver, interim receiver and court-appointed receiver and manager over the property, assets and undertakings (the "**Property**") of the Respondent. As such, I have knowledge of the matters to which I depose except where stated to be on information and belief, and where so stated, I verily believe it to be true.

2. On January 9, 2019 the Applicant served a motion record returnable on January 10, 2019 which sought, among other things an order (the "**Receivership Order**") appointing GTL as receiver and manager over the Property of the Debtor (the "**Property**") pursuant to section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "**CJA**").

3. On January 15, 2019 the Applicant appointed GTL as its "Representative" pursuant to on order of the Court issued on January 10, 2019 which permitted GTL immediate, reasonable and unrestricted access to the premises of the Debtor.

4. Between December 12, 2018 and April 30, 2019, Cassels charged fees and disbursements in the aggregate amount of $96,427.35 plus applicable Harmonized Sales Tax. Attached as **Exhibit "A"** are true copies of these invoices.

5. Attached hereto and marked as **Exhibit** "**B**" is a summary of the lawyers whose services are reflected on the invoices, including year of call, hourly rate, and a summary of the total fees and hours billed.

6. Further, attached as **Exhibit "C"** is a summary of each invoice together with a calculation of the average hourly billing rates for the lawyers whose services are reflected thereon. The average hourly billed rate for this period of the engagement is $528.80.

7. To the best of my knowledge, the rates charged by Cassels are comparable to the rates charged for the provision of similar services by other legal firms in the Toronto market.

8. This affidavit is made in support of a motion to, among other things, seek approval of the foregoing fees and disbursements as fair and reasonable.

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario, on the 13th day of May, 2019.	
Commissioner for Taking Affidavits	David D Ward DAVID WARD

TAB A

This is **Exhibit "A"** referred to in the affidavit of **DAVID WARD** sworn before me in the City of Toronto, in the Province of Ontario, this 13th day of May, 2019.

....

A Commissioner For Taking Affidavits

EXHIBIT "A"

True Copy of Invoices issued by Cassels to Interim Receiver.

See attached.

CASSELS BROCK
LAWYERS

GRANT THORNTON LLP
ATTN: DAN WOOTTON
200 KING STREET WEST, 11TH FLOOR, BOX 11
TORONTO, ON M5H 3T4

Date: 02/08/19
Our File #: 025614-00032
Invoice #: 2068980
HST/GST #: R121379572

Re: KD Quality Pellets Re: BioNorth Technologies Group et al

TO PROFESSIONAL SERVICES RENDERED up to and including JANUARY 31, 2019, as described below:

Date		Description	Hours
12/12/18	LCE	Prepare for and attend on call with Dan Wootton and Dan Perlin; review information provided by Dan Wootton; instruction to Monique Sassi regarding review of information;	0.20
12/17/18	LCE	Review and consider information provided for by secured creditor; call with Dan Wootton to provide advice;	0.30
12/17/18	SMA	Review of all materials received including intercreditor agreement and real property searches;	1.20
12/18/18	MS	KD Pellets- Review of intercreditor agreement and demand letters; call with client re: notice requirements and timing for receivership application. Follow up email regarding insurance strategy.	1.60
12/18/18	SMA	Preparing for and attending call to discuss notice provisions in intercreditor agreement and timeline for filing; Follow-up meeting with L. Ellis to discuss same;	1.30
12/21/18	MS	KD- Pellets- Call with D. Perlis re: next steps;	0.30
12/28/18	LCE	Review and consider material from secured creditor's counsel;	0.20

Date		Description	Hours
12/29/18	MS	KD Pellets - Review of order and Notice of Application and order and correspondence re: same.	0.80
12/31/18	LCE	Call with Monique Sassi to discuss material; review court material (draft); review emails from Dan Wootton regarding receivership material; call with counsel for secured creditor and receiver to discuss timing for application and test for providing monitor;	1.20
12/31/18	MS	KD Pellets- Call with team regarding strategy and next steps; call with L Ellis re: comments on order etc; review of Notice of application	1.20
01/02/19	MS	KD- Pellets - Call with D. Perlin re: draft court materials	0.30
01/02/19	LCE	Review and consider email from Monique Sassi; respond providing advice and direction;	0.20
01/03/19	MS	Calls with D. Perlin re: receivership materials; review and comment on draft affidavit	2.10
01/03/19	LCE	Calls and emails to provide advice and direction to team in connection with filing receivership application;	0.30
01/04/19	MS	Call with working group to discuss CCAA materials; review of NOA and Affidavit; discussion re: cases for factum; correspondence re: same; discussion re: sales process and materials re: same.	3.50
01/04/19	LCE	Calls with client and with secured creditors' counsel and provide advice regarding monitor proceeding and sales process; review and respond to emails from counsel for secured creditor; calls with Dan Wootton to provide legal advice;	0.50
01/04/19	SMA	Attending meeting to discuss status of file generally; Research relating to appointing an interim monitor;	1.40
01/05/19	MS	Calls with D. Perlin re: receivership materials; drafting rider for affidavit re: sales process; drafting riders for NOA re: sales process.	3.70

Date		Description	Hours
01/06/19	MS	Call with D. Perlin, review of report and providing comments re: same; drafting Sale Process Order and circulation re: same; correspondence re: affidavit and NOA	1.70
01/06/19	LCE	Review and provide comment on the draft materials;	0.20
01/07/19	LCE	Multiple emails regarding proceedings tomorrow; multiple meetings/calls with team to consider timing for tomorrow;	0.20
01/07/19	MS	Calls with D. Perlin re: materials; research re: soft receivership/monitor appointment; review of affidavit; discussion with L. Ellis re: next steps	2.50
01/08/19	MS	Meeting with team to discuss materials and next steps; correspondence re: application materials and review of same; discussion re: PPSA renewal and correspondence re: same; review of court materials	5.20
01/08/19	ALS	Attended to corporate due diligence request matters against 1793082 Ontario Ltd.; historical Ontario personal property security act registration searches conducted pertaining to secured creditor Temiskaming Development Fund Corporation, further to same;	0.30
01/08/19	ALF	Meeting with M. Sassi, L. Ellis and client; research of expired registrations and search requirements; reporting to M. Sassi;	0.50
01/08/19	LCE	Meetings during the day to review draft materials;	1.50
01/08/19	JEP	Prepare and register Ontario PPSA re-registration for 1793082 Ontario Ltd. and KD Quality Pellets;	0.50
01/09/19	MS	Attending at court to schedule hearing; finalization of application record and correspondence re: same; discussions with L. Ellis re: court hearing; call with GT re: report	4.70
01/09/19	LCE	Assistance during the day to finalize court material; advice to client regarding sales process;	0.50
01/10/19	JEP	Review Ontario PPSA report for KD Quality Pellets;	0.20

Date		Description	Hours
01/10/19	MS	Preparation for court; Attending at Court for Monitor order and revisions to order re: same; Discussion with L. Ellis and Monitor about draft order provisions.	3.60
01/10/19	LCE	Multiple calls and meetings with client and Monique Sassi to provide advice and direction regarding the obtaining of an order to monitor the goods;	0.50
01/14/19	MS	Call with D. Perlin re: next steps; drafting letter re: access to Premises and circulation of steps.	1.00
01/14/19	LCE	Calls with Monique Sassi to confirm strategy for moving forward with notice to service list and scheduling motion; call with counsel for the secured creditor regarding next steps to schedule court hearing; review draft communications regarding client's attendance at the facility and provide input;	1.00
01/15/19	LCE	Review and consider next steps regarding receivership appointment; review material served;	0.20
01/15/19	ALS	Attended to ongoing corporate due diligence request matters on behalf of 1793082 Ontario Ltd.; obtained and reviewed historical PPSA registration information, further to same;	0.30
01/15/19	MS	Call with D. Perlin re: booking court time; review of materials served; review of historical PPSA search results and circulation re: same.	0.80
01/16/19	LCE	Review and respond to emails from client in connection with updated report from GT's first calls with debtor; review draft emails and provide advice;	0.30
01/16/19	MS	Calls with GT and D. Perlin re: next steps; drafting letter re: insurance and utilities and correspondence re: same.	1.10

Date		Description	Hours
01/17/19	LCE	Review numerous emails from client regarding information received from various stakeholders; review information to be included in report to secured creditor; calls with Dan Wootton during the day to provide advice regarding delivery of report; calls with team to discuss next steps; email to team regarding same;	1.00
01/17/19	MS	Calls with GT and D. Perlin re: next steps; review and comment on draft court order;	2.30
01/18/19	MS	Calls with D. Perlin and GT about next steps; revisions to court order; review of report and correspondence re: same	3.50
01/18/19	LCE	Multiple calls with parties in connection with the possibility of attending court today; follow up calls to discuss court appearance and service requirements; review and provide comments on the draft report to secured creditor; review more than 20 emails from the team in connection with completion of court materials;	1.20
01/21/19	MS	Correspondence re: receivership application; correspondence re: application printing etc.	0.20
01/21/19	LCE	Review and consider emails in connection with the KD report to secured creditor delivered by client; emails to team regarding court appearance tomorrow; review materials in preparation for hearing;	1.00
01/22/19	LCE	Prepare for and attend in court; calls with team to finalize interim receivership order; review final documents and provide advice; meeting with client to consider next steps; follow up call to advise on next steps in IR appointment;	3.00
01/22/19	MS	Preparation for attending at court; attending at court; revisions to order and correspondence re: same.	3.50
01/23/19	LCE	Review and respond to email from team regarding next steps;	0.20
01/23/19	MS	Correspondence re: order	0.20

CASSELS BROCK
LAWYERS

Date		Description	Hours
01/24/19	MS	Discussion re: order on title and correspondence re: same.	0.40
01/24/19	CB	Emails and telephone conversation with M Sassi- review Order; conduct search; draft Application to Register Court Order; draft A&D; report to M Sassi; report to K Tabi	1.80

Time Summary

Timekeeper	Hours	Rate	Fees	
Alex Slota	0.60	250.00	150.00	
Alexis Fitzjohn	0.50	395.00	197.50	
Colleen Brewster	1.80	395.00	711.00	
Jessica Polegri	0.70	250.00	175.00	
Larry Ellis	13.70	777.92	10,657.50	
Monique Sassi	44.20	532.79	23,549.50	
Samuel Massie	3.90	378.97	1,478.00	
Our Fee				36,918.50
HST on Fees				4,799.41
Total Fees and Tax				**41,717.91**

Taxable Disbursements

Binding, Tabs, Disks, etc	196.39	
Courier Delivery Charges	27.63	
PPSA Search/Registrations	12.00	
EDD-Electronic Due Diligence	74.00	
Title Search	59.00	
Total Taxable Disbursements		369.02
HST on Disbursements		47.97
Total Taxable Disbursements and Tax		416.99

CASSELS BROCK
LAWYERS

Non-Taxable Disbursements

PPSA Search/Registrations	40.00	
EDD-Electronic Due Diligence	116.00	
Title Search	19.30	
Sub-total		175.30
Total Disbursements and Tax		**592.29**
Total Fees, Disbursements & Tax	**CAD**	**42,310.20**

This is our account herein
Cassels Brock & Blackwell LLP

Larry Ellis
E&OE

CASSELS BROCK
LAWYERS

GRANT THORNTON LLP
ATTN: DAN WOOTTON
200 KING STREET WEST, 11TH FLOOR, BOX 11
TORONTO, ON M5H 3T4

Date: 03/06/19
Our File #: 025614-00032
Invoice #: 2070876
HST/GST #: R121379572

Re: KD Quality Pellets Adverse to BioNorth Technologies Group et al

TO PROFESSIONAL SERVICES RENDERED up to and including FEBRUARY 28, 2019, as described below:

Date		Description	Hours
01/22/19	SMA	Preparing materials for 10am hearing; Reviewing materials;	0.60
01/23/19	SMA	Discussions with L. Ellis and M. Sassi to discuss status of file and next steps;	0.40
02/04/19	MS	Call with D. Perlin re: direction for order on title.	0.40
02/06/19	LCE	Review and respond to emails from client in connection with upcoming receivership application;	0.30
02/06/19	MS	Review of correspondence re: challenge to receivership; revisions to email correspondence	0.60
02/07/19	MS	Review of correspondence and call with Monitor re: next steps	0.90
02/07/19	LCE	Review and respond to multiple emails in connection with the offers to TemFund; review and respond to emails from the client; set up call for later today; review and respond to emails from Richard Householder in connection with the Hydro expense; review prior offers and current offer and provide advice to IR in connection with their role in the sales process during IR stage; schedule call for tomorrow and work through agenda;	1.00

Date		Description	Hours
02/08/19	MS	Review of report and service of same	1.10
02/08/19	LCE	Call with client to discuss and consider next steps regarding service of IR report; call with Richard Householder to discuss hydro related issues; follow up with client to consider same; review draft report and provide input; calls with Dan Wootton to discuss charge and evidence for Tuesday;	1.50
02/11/19	MS	Calls with counsel to the applicant re: receivership application; review of orders.	0.70
02/11/19	LCE	Review multiple emails related to the hearing tomorrow; review record in preparation for court hearing tomorrow; emails with team regarding jurisdiction of the commercial list to hear matter;	2.00
02/12/19	MS	Preparation and attending at court re: receivership application	2.00
02/12/19	LCE	Prepare for and attend in court for Receivership application; meeting with stakeholders to discuss solutions; advice to IR during the day regarding options available; assist in drafting endorsement;	2.00
02/14/19	LCE	Review emails from team regarding next steps to collect amounts for funding IR proceeding;	0.30
02/15/19	LCE	Review emails from team regarding non payment by shareholder; review update from Richard Householder;	0.40
02/20/19	MS	Calls with interim receiver and counsel for the secured and correspondence re: receivership	0.80
02/20/19	LCE	Review and consider emails and letter from counsel for secured creditor; consider next steps regarding the court hearing scheduled for tomorrow in meeting with Monique Sassi; review correspondence from debtor regarding receivership process;	0.50
02/21/19	MS	Call with interim receiver and counsel to the secured lender re: court and receivership application	0.20

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LAWYERS

Date		Description	Hours
02/21/19	LCE	Review emails updating status of court hearing today; meeting with Monique Sassi to discuss same; review multiple emails in connection with $10k deposit and strategy for next steps;	0.50
02/22/19	MS	Preparation and attending hearing re: receivership order sale process order	2.50
02/22/19	LCE	Meeting with Monique Sassi to receive update regarding court hearing;	0.20
02/28/19	MS	Review of sale process documents and comments re: same; correspondence and review of PPSA research re: sale documents.	1.60

Time Summary

Timekeeper	Hours	Rate	Fees
Larry Ellis	8.70	780.00	6,786.00
Monique Sassi	10.80	550.00	5,940.00
Samuel Massie	1.00	395.00	395.00

Our Fee	13,121.00
HST on Fees	1,705.73
Total Fees and Tax	**14,826.73**

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LAWYERS

Taxable Disbursements

Binding, Tabs, Disks, etc	55.72	
Agency Fees and Disbursements	110.50	
Courier Delivery Charges	138.94	
Total Taxable Disbursements		305.16
HST on Disbursements		39.67
Total Disbursements and Tax		**344.83**
Total Fees, Disbursements & Tax	**CAD**	**15,171.56**

This is our account herein
Cassels Brock & Blackwell LLP

Larry Ellis
E&OE

Accounts are due when rendered. Pursuant to the Solicitors' Act, interest will be charged on any unpaid balance of this account from one month after the date rendered, at the rate of 1.30 % per annum until paid.

CASSELS BROCK
LAWYERS

GRANT THORNTON LLP
ATTN: DAN WOOTTON
200 KING STREET WEST, 11TH FLOOR, BOX 11
TORONTO, ON M5H 3T4

Date: 04/03/19
Our File #: 025614-00032
Invoice #: 2073401
HST/GST #: R121379572

Re: KD Quality Pellets Adverse to BioNorth Technologies Group et al

TO PROFESSIONAL SERVICES RENDERED up to and including MARCH 31, 2019, as described below:

Date		Description	Hours
03/01/19	LCE	Review and respond to email regarding proposed sales process; review information memorandum and provide comment;	0.10
03/03/19	LCE	Review contractor letter and emails regarding same;	0.20
03/03/19	MS	Review and comments on contractor letter and sale documents.	0.90
03/08/19	ALS	Attended to corporate due diligence request matters against 1793082 Ontario Ltd., K.D. Quality Pellets and KD Quality Pellets; Ontario personal property security act searches conducted, obtained and reviewed, further to same;	0.60
03/08/19	MS	Call with J. Knight re: sale documents and searches; ordering searches re: same	0.40
03/08/19	LJO	Locate, obtain, review and forward PIN re 999582 Highway 11 North, New Liskeard;	0.50
03/11/19	MS	Review of PPSA and real property searches and correspondence re: same.	0.90

Date		Description	Hours
03/11/19	ALS	Attended to ongoing corporate due diligence request matters against 1793082 Ontario Ltd., K.D. Quality Pellets and KD Quality Pellets; balance of Ontario personal property security act searches and summary report, obtained and reviewed, further to same;	0.40
03/12/19	MS	Correspondence re: security opinion.	0.30
03/13/19	MS	Meeting with S. Massie re: security review	0.30
03/13/19	SMA	Attending meeting with M. Sassi to discuss status of file and necessary next steps for security review; Correspondence regarding same;	0.80
03/14/19	MS	Correspondence re: sales process.	0.30
03/14/19	LCE	Review and consider emails from client and Peter Welsh; review responding emails from client;	0.30
03/14/19	SMA	Correspondence with A. Manzer regarding security review; Correspondence with J. Knight regarding documents required for review; Initial review of materials;	1.10
03/15/19	MS	Correspondence and review of responding email re: sale process and correspondence with S. Massie re: security review	0.80
03/15/19	LCE	Review and consider information memorandum; review and consider email to Nicole Bajor and Peter Welsh;	0.30
03/19/19	SMA	Internal correspondence regarding security review; Follow-up correspondence with Grant Thornton requesting security documents;	0.20
03/25/19	SMA	Discussions with M. Sassi regarding file generally; Correspondence with A. Manzer regarding security review;	0.20
03/26/19	ARM	Prepare for review;	0.90
03/26/19	SMA	Review of materials relating to secured lenders and security held; Discussions with A. Manzer regarding security review; Document management and initial review of documents received;	1.60

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LAWYERS

Date		Description	Hours
03/27/19	ARM	Set up security review;	0.50
03/27/19	SMA	Meeting with A. Manzer to discuss security review and lay out framework;	1.30
03/28/19	LCE	Review and consider Bio letter and consider draft response; exchange emails and consider legal issues;	0.40
03/29/19	LCE	Review draft correspondence and provide advice regarding same;	0.20

Time Summary

Timekeeper	Hours	Rate	Fees
Alex Slota	1.00	250.00	250.00
Alison R. Manzer	1.40	950.00	1,330.00
Jane Oliveira	0.50	180.00	90.00
Larry Ellis	1.50	780.00	1,170.00
Monique Sassi	3.90	550.00	2,145.00
Samuel Massie	5.20	395.00	2,054.00

Our Fee	7,039.00
HST on Fees	915.07
Total Fees and Tax	**7,954.07**

Taxable Disbursements

PPSA Search/Registrations	150.00	
EDD-Electronic Due Diligence	96.00	
Title Search	32.25	
Total Taxable Disbursements		278.25
HST on Disbursements		36.17
Total Taxable Disbursements and Tax		314.42

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Non-Taxable Disbursements

Delivery	45.01	
EDD-Electronic Due Diligence	24.00	
Title Search	20.30	
Sub-total		89.31
Total Disbursements and Tax		**403.73**
Total Fees, Disbursements & Tax	**CAD**	**8,357.80**

This is our account herein
Cassels Brock & Blackwell LLP

Larry Ellis
E&OE

CASSELS BROCK
LAWYERS

GRANT THORNTON LLP
ATTN: DAN WOOTTON
200 KING STREET WEST, 11TH FLOOR, BOX 11
TORONTO, ON M5H 3T4

Date: 05/07/19
Our File #: 025614-00032
Invoice #: 2076584
HST/GST #: R121379572

Re: KD Quality Pellets Adverse to BioNorth Technologies Group et al

TO PROFESSIONAL SERVICES RENDERED up to and including APRIL 30, 2019, as described below:

Date		Description	Hours
04/01/19	LCE	Review updated correspondence; call with client; draft email and provide to Monique Sassi for comment;	0.40
04/01/19	MS	Review of draft letter provided by GT; Call with L. Ellis and J. Knight re: letter responses to bidders; correspondence re: same	0.80
04/01/19	SMA	Attending meeting with L. Ellis and M. Sassi to discuss status of file; Attending call with J. Knight regarding security information being provided to bidders; Correspondence regarding outstanding documents;	0.80
04/02/19	MS	Call with counsel bidders re: credit bid	1.30
04/02/19	SMA	Further review of materials, focusing on security documents received from Temiskaming Development Fund;	1.40
04/04/19	SMA	Correspondence relating to security documents;	0.20
04/05/19	SMA	Review of security documents relating to TemFund;	0.40

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LAWYERS

Date		Description	Hours
04/08/19	SMA	Meeting with A. Manzer to discuss security review; Correspondence with Receiver regarding same; Correspondence with R. Lysy regarding real property portion of security review; Review of all searches and documents management, listing outstanding agreement; Review of sale process materials;	2.30
04/09/19	SMA	Correspondence with Receiver to discuss outstanding documents; Completing review of TemFund security documents; Creating chart to provide overview comments;	2.40
04/10/19	SMA	Meeting with L. Ellis to discuss file generally and security review; Correspondence with real estate group regarding security review; Initial review of security documents relating to NOHFC;	1.30
04/11/19	BEL	Reviewing title search; discussions with S. Massie; reviewing underlying loan documents.	0.60
04/11/19	EVW	Attend to matters relating to conducting corporate due diligence search against 1793082 Ontario Ltd.;	0.50
04/11/19	SMA	Review of all security documents for NOHFC and South Tem; Calls with receiver to discuss same; Internal discussions regarding same; Calls with B. Leith to discuss real property aspect of review;	4.30
04/12/19	BEL	Reviewing instruments on title; reviewing charges; reviewing underlying loan documents; discussions with L. Blair.	0.60
04/12/19	EVW	Attend to matters relating to conducting corporate due diligence search against 1793082 Ontario Ltd.;	0.60
04/12/19	SMA	Drafting outline for security review;	0.60
04/13/19	SMA	Drafting Security review;	6.10
04/15/19	BEL	Drafting real estate provisions in security review memo.	0.90
04/15/19	LBL	Review of correspondence; Confer with B. Leith; Pull registered instruments from Teraview; Initial review of security;	0.40
04/15/19	ARM	Check security review;	0.90

CASSELS BROCK
LAWYERS

Date		Description	Hours
04/15/19	ALS	Attended to corporate due diligence request matters on behalf of 1793082 Ontario Ltd., K.D. Quality Pellets and KD Quality Pellets; Ontario certificate of status, litigation, provincial bankruptcy, and federal bankruptcy and insolvency act and companies' creditors arrangement act searches conducted, further to same;	0.80
04/15/19	SMA	Completing first draft of security review; Reviewing and revising same; Meeting with A. Manzer to discuss qualifications and conclusions; Internal correspondence regarding real property aspect of review; Discussions with M. Sassi regarding review;	5.00
04/16/19	LBL	Meeting with B. Leith regarding security review; Conduct security review with respect to the real property; Update draft security review letter; Confer with S. Massie;	1.70
04/16/19	ALS	Attended to ongoing corporate due diligence request matters on behalf of 1793082 Ontario Ltd., K.D. Quality Pellets, KD Quality Pellets and 1330711 Ontario Ltd.; Ontario corporate profile report and Temiskaming litigation searches conducted, obtained and reviewed, further to same;	1.00
04/16/19	MS	Discussion with S. Massie re: security review and opinion	0.30
04/16/19	SMA	Reviewing, revising, finalizing and circulating security review for comment; Meeting with A. Manzer to discuss comments; Turning comments and revising TemFund security section; Creating schedules; Ordering and reviewing additional searches; Discussions with M. Sassi; Meeting with A. Manzer to finalize draft; Revising based on meeting; Call with J. Knight to discuss outstanding documents; Correspondence with B. Leith, L. Blair regarding real property;	5.80
04/16/19	BEL	Reviewing charges; updating security review memorandum; discussions with L. Blair regarding real property issues.	1.10
04/16/19	ARM	Review security vet report and revise;	0.90
04/17/19	BEL	Finalizing real estate portions of security review.	0.70
04/17/19	ARM	Real estate review;	0.50

Date		Description	Hours
04/17/19	SMA	Review of real estate comments on security review; Meeting with A. Manzer to discuss same and receive further comments; Reviewing and revising security review accordingly;	1.00
04/18/19	MS	Review of bids; call with J. knight re: bids.	0.70
04/22/19	LCE	Review and consider next steps regarding the purchase agreement submitted by Bio; provide advice and direction to team regarding the security reviews and next steps to close the transaction; review purchase agreement;	1.10
04/22/19	MS	Review of BioNorth APA; correspondence with receiver regarding same; discussion with L Ellis re: APA and next steps	1.40
04/22/19	SMA	Correspondence regarding outstanding security documents; Call with M. Sassi and L. Ellis to discuss same; Review of BioNorth bid and discussions with L. Ellis regarding same;	1.40
04/23/19	LCE	Review purchase agreement; meeting and direction to Monique Sassi regarding motion materials; call with Dan Wootton to discuss strategy regarding next steps;	1.00
04/23/19	SMA	Further review of BioNorth bid; Meeting with L. Ellis and M. Sassi to discuss BioNorth bid, security review and next steps; Correspondence with J. Knight regarding outstanding general security agreement;	0.90
04/23/19	MS	Discussion with L. Ellis and S. Massie about security review and APA and next steps; discussion with L. Ellis re: court materials and real property search; review of real property searches and PINs	1.70
04/24/19	BEL	Follow-up questions regarding security review.	0.60
04/24/19	MS	Review of APA and real property searches regarding permitted liens; drafting AVO; review of APA correspondence re: same and security and call with receiver.	2.00

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LAWYERS

Date		Description	Hours
04/24/19	SMA	Call with J. Knight to discuss BioNorth documents and finalizing review; Internal correspondence and discussions with M. Sassi regarding same; Follow-up call with M. Sassi and J. Knight to discuss distribution given STCFDC's missing general security agreement; Correspondence with L. Ellis regarding same; Review of revised BioNorth bid;	2.10
04/25/19	LBL	Review of Approval and Vesting Order; Populate Schedule C of same with real property registrations to be vested off; Correspondence with S. Massie;	0.60
04/25/19	BEL	Analysis regarding vesting order questions.	0.30
04/25/19	MS	Call with receiver re: agreement of purchase and sale; review of letter to Axiom r: security documents	1.20
04/25/19	SMA	Preparing for and attending client call to discuss BioNorth offer, status of security review, and plan for distribution; Follow-up discussions with M. Sassi regarding same; Correspondence with real estate group to clarify certain points in approval and vesting order; Reviewing and revising security review based on confirmation that we will not receive GSA from STCFDC; Circulating same for comment;	5.20
04/25/19	LCE	Call with client to consider next steps regarding sale agreement and court approvals; review emails regarding security documentation concerns and provide advice;	0.70
04/26/19	SMA	Reviewing and revising letter from Receiver to Axiom explaining the need to review security documents; Circulating comments regarding same; Completing schedules and real estate section of approval and vesting order and circulating same;	1.20
04/28/19	LCE	Review and consider emails from client and final agreement of purchase and sale; review and consider leased assets and correspondence related thereto;	0.50
04/28/19	SMA	Review of correspondence relating to signed BioNorth APA and lease documents received from Axiom;	0.20
04/29/19	ARM	Check lease; revised opinion; distribution proposal; discuss;	0.90

CASSELS BROCK
LAWYERS

Date		Description	Hours
04/29/19	MS	Review of Axiom security documents; call with GT, purchaser counsel and Axiom counsel re: closing; correspondence re: court time; drafting on Approval and vesting order and circulation re: same.	5.70
04/29/19	SMA	Review of correspondence and lease documents relating to Axiom's claimed PMSI interest; Meeting with M. Sassi to discuss same; Attending multiple calls with client, purchaser and Axiom's counsel to discuss impact of potential PMSI; Meeting with A. Manzer to discuss same and to discuss security review;	4.10
04/29/19	LCE	Multiple calls and emails during the day in connection with the lease documents, strategy, purchase agreement and advice to client; review and comment on approval and vesting order;	0.50

Time Summary

Timekeeper	Hours	Rate	Fees
Alex Slota	1.80	250.00	450.00
Alison R. Manzer	3.20	950.00	3,040.00
Ben Leith	4.80	575.00	2,760.00
Eve Wong	1.10	215.00	236.50
Larry Ellis	4.20	780.00	3,276.00
Lucas Blair	2.70	375.00	1,012.50
Monique Sassi	15.10	550.00	8,305.00
Samuel Massie	46.70	395.00	18,446.50

Our Fee	37,526.50
HST on Fees	4,878.45
Total Fees and Tax	**42,404.95**

CASSELS BROCK
LAWYERS

Taxable Disbursements		
Electronic Due Diligence	400.75	
Title Search	12.00	
Total Taxable Disbursements		412.75
HST on Disbursements		53.66
Total Taxable Disbursements and Tax		466.41
Non-Taxable Disbursements		
Electronic Due Diligence	143.35	
Title Search	0.00	
Sub-total		143.35
Total Disbursements and Tax		**609.76**
Total Fees, Disbursements & Tax	**CAD**	**43,014.71**

This is our account herein
Cassels Brock & Blackwell LLP

Larry Ellis
E&OE

Accounts are due when rendered. Pursuant to the Solicitors' Act, interest will be charged on any unpaid balance of this account from one month after the date rendered, at the rate of 1.30 % per annum until paid.

Outstanding Invoice Summary

Invoice No.	Date	Amount
2068980	Feb. 8, 2019	42,310.20
2070876	Mar. 6, 2019	15,171.56
2073401	Apr. 3, 2019	8,357.80
Total Outstanding Invoices		65,839.56

For payment by wire, please send funds to:

Bank of Nova Scotia

Address: 44 King St. West; Toronto, Ontario; M5H 1H1

Bank #: 002

Transit #: 47696

CDN Account #: 00739-11

SWIFT CODE: NOSCCATT

ABA Routing #: 026 002 532

Reference:
Please include the lawyer's name, file name and the invoice number

For additional inquiries please contact our Accounts Receivable department at payments@casselsbrock.com or by phone at 416-869-5727

TAB B

This is **Exhibit "B"** referred to in the affidavit of **DAVID WARD** sworn before me in the City of Toronto, in the Province of Ontario, this 13th day of May, 2019.

....

A Commissioner For Taking Affidavits

EXHIBIT "B"

Summary of Lawyers Services per Invoice Issued

Invoice No. 2068980 (for the period from December 12, 2018 – January 24, 2019)

Year of Call	Lawyer	Billed Rate ($)	Fees Billed ($)	Hours Worked
2004	Larry Ellis	777.92	10,657.50	13.70
2013	Monique Sassi	532.79	23,549.50	44.20
2017	Samuel Massie	378.97	1,478.00	3.90
Law Clerk	Alex Slota	250.00	150.00	0.60
Law Clerk	Jessica Polegri	250.00	175.00	0.70
Law Clerk	Colleen Brewster	395.00	711.00	1.80
Law Clerk	Alexis Fitzjohn	395.00	197.50	0.50
Actual Fees Incurred			36,918.50	
Total Fees Billed with HST			**41,717.91**	**65.40**

Invoice No. 2070876 (for the period from January 22, 2019 – February 28, 2019)

Year of Call	Lawyer	Billed Rate ($)	Fees Billed ($)	Hours Worked
2004	Larry Ellis	780.00	6,786.00	8.70
2013	Monique Sassi	550.00	5,940.00	10.80
2017	Samuel Massie	395.00	395.00	1.0
Actual Fees Incurred			13,121.00	
Total Fees Billed with HST			**14,826.73**	**20.50**

Invoice No. 2073401 (for the period from March 1, 2019 – March 31, 2019)

Year of Call	Lawyer	Billed Rate ($)	Fees Billed ($)	Hours Worked
1979	Alison R. Manzer	950.00	1,330.00	1.40
2004	Larry Ellis	780.00	1,170.00	1.50
2013	Monique Sassi	550.00	2,145.00	3.90
2017	Samuel Massie	395.00	2,054.00	5.20
Law Clerk	Alex Slota	250.00	250.00	1.00
Law Clerk	Jane Oliveira	180.00	90.00	0.50
Actual Fees Incurred			7,039.00	
Total Fees Billed with HST			**7,954.07**	**13.50**

Invoice No. 2076584 (for the period from April 1, 2019 – April 30, 2019)

Year of Call	Lawyer	Billed Rate ($)	Fees Billed ($)	Hours Worked
1979	Alison R. Manzer	950.00	3,040.00	3.20
2004	Larry Ellis	780.00	3,276.00	4.20
2008	Ben Leith	575.00	2,760.00	4.80
2013	Monique Sassi	550.00	8,305.00	15.10
2017	Samuel Massie	395.00	18,446.50	46.70
2018	Lucas Blair	375.00	1,012.50	2.70
Law Clerk	Alex Slota	250.00	450.00	1.80
Law Clerk	Eve Wong	215.00	236.50	1.10
Actual Fees Incurred			37,526.50	0.00
Total Fees Billed with HST			**42,404.95**	**79.60**

TAB C

This is **Exhibit "C"** referred to in the affidavit of **DAVID WARD** sworn before me in the City of Toronto, in the Province of Ontario, this 13th day of May, 2019.

....

A Commissioner For Taking Affidavits

EXHIBIT "C"

Calculation of Average Hourly Billing Rates of
Cassels Brock & Blackwell LLP
For the period December 12, 2018 to April 30, 2019

Invoice No./ Period	Fees ($)	Disbursements ($)	HST ($)	Total Fees, Disbursements and HST ($)	Hours Billed	Average Billed Rate ($)
Inv. # 2068980 (December 12, 2018 to January 24, 2019)	$36,918.50	$544.32	$4,847.38	$42,310.20	65.40	$564.50
Inv. # 2070876 (January 22, 2019 to February 28, 2019)	$13,121.00	$305.16	$1,745.40	$15,171.56	20.50	$640.05
Inv. # 2073401 (March 1, 2019 – March 31, 2019)	$7,039.00	$367.17	$951.24	$8,357.80	13.50	$521.41
Inv. # 2076584 (April 1, 2019 – April 30, 2019)	$37,526,50	$556.10	$4,931.11	$43,014.71	79.60	$471.44
TOTAL	**$94,654.60**	**$1,772.75**	**$12,475.13**	**$108,854.27**	**179.0**	**$528.80**

TEMISKAMING DEVELOPMENT FUND CORPORATION and 1793082 ONTARIO LTD., o/a K.D. QUALITY PELLETS

Applicant | Respondent

Court File No. CV-19-00612265-0000

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT
TORONTO

AFFIDAVIT OF DAVID S. WARD
(SWORN MAY 13, 2019)

Cassels Brock & Blackwell LLP
Barristers & Solicitors
2100 Scotia Plaza
40 King Street West
Toronto, ON M5H 3C2

Larry C. Ellis LSUC# 49313K
Tel: 416.869.5406
Fax: 416.350.6923
lellis@casselsbrock.com

Monique Sassi LSO # 63638L
Tel: 416.860.6886
Fax: 416.640.3005
Email: msassi@casselsbrock.com

Lawyers for the Receiver, Grant Thornton Limited

<u>CONFIDENTIAL</u>

<u>APPENDIX 1</u>

[Subject to a request for a sealing order]

<u>CONFIDENTIAL</u>

<u>APPENDIX 2</u>

[Subject to a request for a sealing order]

<u>CONFIDENTIAL</u>

<u>APPENDIX 3</u>

[Subject to a request for a sealing order]