

**COURT FILE NUMBER** 1903-21122

**COURT** COURT OF QUEEN'S BENCH OF ALBERTA

**JUDICIAL CENTRE** EDMONTON

**PLAINTIFF(S)** ROYAL BANK OF CANADA

**DEFENDANTS** MACHINE WORKS INDUSTRIAL INC., PAUL BURNS, JODY COOMBS, AND ALLAN MCNUTT

**DOCUMENT** **SUPPLEMENTAL SECOND REPORT OF THE RECEIVER**

**ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT** Counsel

Duncan Craig LLP  
Suite 2800, 10060 Jasper Avenue  
Edmonton, Alberta T5J 3V9

Attention: Darren R. Bieganeck, QC

Telephone: (780) 441 4386  
Fax: (780) 428 9683  
Email: dbieganeck@dcllp.com

Deloitte Restructuring Inc.  
1500 Manulife Place, 10180 101 Street  
Edmonton, Alberta T5J 4K1

Attention: Darren M. Crocker, CPA, CGA, CIRP, LIT

Telephone: (780) 421 3687  
Fax: (780) 421 3782  
Email: dcrocker@deloitte.ca

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Appendix "A"

Correspondence and Secured Proof of Claim

# Introduction

1. On August 13, 2019 (the "**Date of Receivership**"), Machine Works Industrial Inc. (the "**Company**") was placed into receivership pursuant to an Order (the "**Receivership Order**") issued by the Court of Queen's Bench of Alberta (the "**Court**"). Deloitte Restructuring Inc. (the "**Receiver**") was appointed as interim receiver and receiver and manager, without security, of all of the Company's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "**Property**").
2. The Company is incorporated under the laws of Alberta and carried on business from a leased premises located at 11405 85 Avenue, Fort Saskatchewan, Alberta (the "**Head Office**"). The Company primarily serviced oil and gas customers, providing welding, mechanical, structural fabrication, piping fabrication and technical services throughout Alberta for the past ten (10) years. The directors and senior managers of the Company are Paul Burns, Jody Coombs, and Allan McNutt (collectively "**Management**").
3. Information on the receivership proceedings can be accessed on Deloitte's website at [www.insolvencies.deloitte.ca](http://www.insolvencies.deloitte.ca) under the link "Machine Works Industrial Inc." (the "**Receiver's Website**").

## *Purpose of this report*

4. This supplemental Second Report of the Receiver (the "**Supplemental Second Report**") is filed to provide the Court with details of an additional secured claim filed by Equirex, a division of Bennington Financial Corp. in the amount of \$32,045.19 and to provide the Court with a revised Proposed Distribution Schedule as referenced in the Second Report of the Receiver.

## *Terms of reference*

5. In preparing this Supplemental Second Report, the Receiver has relied upon unaudited financial information prepared by Management, the Company's books and records, and discussions with Management. The Receiver has not audited, reviewed

or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants Canada Handbook*. The Receiver expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Supplemental Second Report, or relied upon by the Receiver in preparing this Supplemental Second Report.

6. The Receiver assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction or use of this Supplemental Second Report. Any use which any party makes of this Supplemental Second Report, or any reliance or decision to be made based on this Supplemental Second Report, is the sole responsibility of such party.
7. Capitalized terms used in this Supplemental Second Report but not defined herein are as defined in the Receivership Order, the First Report and the Second Report.

### *Currency*

8. All currency references in this Second Report are in Canadian dollars.

## Secured Claim of Bennington Financial Corp.

9. Subsequent to the filing of the Second Report of the Receiver and as a result of Legal Counsel providing notice of the Receiver's application for an Order approving a distribution to the proven secured creditors, a company known as Bennington Financial Corp. ("**Bennington**") contacted the Receiver to determine the status of its secured claim.
10. At the time of the filing of the Second Report, the Receiver was unaware that a secured claim had been filed by Bennington, although in reviewing the secured claim, it was clear that the claim had been filed on October 9, 2019 and acknowledged as received by a member of the Receiver's staff. Details of the secured claim are summarized as follows:

Secured Creditor	Type of Security	Indebtedness
Equirex, a Division of Bennington Financial Corp.	Purchase Money Security Interest	\$32,045.19

11. Bennington advises by way of correspondence dated March 3, 2020 that on January 1, 2019, Equirex Vehicle Leasing 2007 Inc. was part of an upward amalgamation with its parent company, Bennington Financial Services Corp. Subsequent to the amalgamation, Bennington Financial Services Corp. amended its name to Bennington Financial Corp. A copy of the March 3, 2020 correspondence and secured proof of claim are attached as **Appendix "A"**.
12. Legal counsel has reviewed the Bennington secured claim and opines that, notwithstanding that the lessor noted in the lease contract was Equirex Vehicle Leasing 2007 Inc., the security creates a valid and enforceable security interest in the assets noted in Schedule A of the lease agreement.

### *Revised Proposed Distribution Schedule*

13. As noted in the Second Report, the Receiver presently holds the sum of \$2,169,060.74 in its trust account and proposes to make the following distribution to Peplinski, RBC and Bennington:

Funds on Hand	\$2,169,060.74	
Less: Peplinski	\$225,319.15	
Less: RBC	\$1,700,000.00	
Less: Bennington	<u>\$32,045.19</u>	
Amount Retained by Receiver		<u>\$211,696.40</u>

## Conclusion and Recommendation

14. The Receiver apologizes to this Honourable Court and to Bennington for the oversight in considering the Bennington secured claim under the proposed distribution schedule detailed in the Second Report. The Receiver respectfully seeks the authority of this Honourable Court to make an interim distribution to the secured creditors as detailed in paragraph 13 above.

All of which is respectfully submitted this 4<sup>th</sup> day of March, 2020.

**DELOITTE RESTRUCTURING INC.,**

In its capacity as Court Appointed Receiver of  
Machine Works Industrial Inc.  
and not in its personal capacity



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Darren Crocker, CPA, CGA, CIRP, LIT  
Senior Vice-President



**BENNINGTON**  
Financial Corp.

An Equitable Bank Company

Seana Chin  
Legal Counsel  
Tel: (905) 618-0460  
Toll Free: 1-844-223-2372 ext. 0460  
Fax: 1-866-405-4869  
seanac@benningtonfinancial.ca

100 – 1465 North Service Road East  
Oakville, ON  
L6H 1A7

**SENT VIA E-MAIL – dbiegane@dsllp.com**

**SENT VIA FACSIMILE – 780-428-9683**  
**TOTAL PAGES SENT – 26**

March 3, 2020

DUNCAN CRAIG LLP  
Suite 2800, 10060 Jasper Avenue  
Edmonton, Alberta T5J 3V9

Attn: Darren R. Biegane

To Mr. Biegane

Re: Your File No. 204-203220  
Royal Bank of Canada v. Machine Works Industrial Inc., et al.  
Action Number: 1903 21122

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I am writing in regards to the above noted matter in which I understand you are acting as counsel for the receiver, Deloitte Restructuring Inc. (the "**Receiver**").

I am Legal Counsel for Bennington Financial Corp. ("**Bennington**"). On January 1, 2019, Equirex Vehicle Leasing 2007 Inc. ("**Equirex**") was part of an upward amalgamation with its parent company, Bennington Financial Services Corp., the resulting corporation being known as Bennington Financial Services Corp.

Subsequent to the amalgamation, Bennington Financial Services Corp. amended its name to Bennington Financial Corp.

Equirex, now Bennington, is a secured creditor of Machine Works Industrial Inc. On October 9, 2019, we sent our Proof of Claim to via e-mail to Michael Rowley, a representative of the Receiver. I verily believe that he received the Proof of Claim as he responded to the e-mail that same day.

At all times, we were a secured creditor with regards to the equipment outlined in Schedule "A" of Lease Agreement 20000138.

Our secured Proof of Claim was filed and accepted.

Subsequent to a phone call from Mr. Rowley on or about October 29, 2019, we have received no further response regarding our equipment despite e-mails sent to Mr. Rowley on October 29, 2019 and February 24, 2020.





**BENNINGTON**  
Financial Corp.

An Equitable Bank Company

Seana Chin  
Legal Counsel  
Tel: (905) 618-0460  
Toll Free: 1-844-223-2372 ext. 0460  
Fax: 1-866-405-4869  
seanac@benningtonfinancial.ca

100 – 1465 North Service Road East  
Oakville, ON  
L6H 1A7

For your reference, I have attached a copy of the Proof of Claim, Lease Agreement 20000138 and all correspondence we have to and from Mr. Rowley.

We are now in receipt of the materials for the application, returnable March 9, 2020 (the "Application"), which omit Equirex as secured creditor.

Please provide us with an update on the status of our equipment and advise as to what date we can expect payment.

If we do not receive a response by the end of today, we will be taking a position in the Application and seeking remedies against all appropriate parties.

Best Regards,  
**BENNINGTON FINANCIAL CORP.**

Per: Seana Chin  
Legal Counsel

Encls.

Cc: Darren M. Crocker, Deloitte Restructuring Inc.  
Sent via e-mail – dcrocker@deloitte.ca  
Sent via facsimile – 780-421-3782

**PROOF OF CLAIM**

Court No.: 1901-07789  
Estate No.: 24-116038

FORM 31

# PROOF OF CLAIM

(Section 50.1, subsections 65.2(4), 81.2(1), 102(2), 124(2), 128(1), and paragraphs 51(1)(e) and 66.14 (b) of the Act)

All notices or correspondence regarding this claim must be forwarded to the following address:

Legal Department  
Equirex, A Division of Bennington Financial Corp.  
Suite 102 – 1465 North Service Road East  
Oakville, ON L6H 1A7  
Fax: 1-866-405-4869  
Account: 20000138

IN THE MATTER OF THE RECEIVERSHIP of Machine Works Industrial Inc. of the City of Fort Saskatchewan in the Province of Alberta, and the claim of Equirex, A Division of Bennington Financial Corp., a creditor.

I, Linda PhaoThai, of the City of Hamilton of the Province of Ontario, do hereby certify:

1. I am a Law Clerk of Equirex, A Division of Bennington Financial Corp.
2. That I have knowledge of all the circumstances connected with the claim referred to below.
3. That the debtor was, at the date of RECEIVERSHIP, namely the 13th day of August, 2019, and still is, indebted to the aforementioned creditor in the sum of **\$32,045.19**, as specified in the statement of account attached and marked Schedule "A", after deducting any counterclaims to which the debtor is entitled.
4. *(Check and complete appropriate category.)*

A. UNSECURED CLAIM OF \$

That in respect of this debt, I do not hold any assets of the debtor as security and

*(Check appropriate description)*

Regarding the amount of \$ , I claim a right to a priority under section 136 or the Act.

Regarding the amount of \$ , I do not claim a right to a priority

B. CLAIM OF LESSOR FOR DISCLAIMER OF A LEASE \$

That I hereby make a claim under subsection 65.2(4) of the Act, particulars of which are as follows:

C. SECURED CLAIM OF **\$32,045.19**

Court No.: 1901-07789

Estate No.: 24-116038

**FORM 31 – Continued**

That in respect of this debt, I hold assets of the debtor valued at \$ \_\_\_\_\_ as security, particulars of which are as follows:

*(Give full particulars of the security, including the date on which the security was given and the value at which you assess the security, and attach a copy of the security documents.)*

D. CLAIM BY FARMER, FISHERMAN OR AQUACULTURIST OF \$ \_\_\_\_\_

That I hereby make a claim under subsection 81.2(1) of the Act for the unpaid amount of \$ \_\_\_\_\_

E. CLAIM BY WAGE EARNER OF \$ \_\_\_\_\_

That I hereby make a claim under subsection 81.3(8) of the Act in the amount of \$ \_\_\_\_\_.

That I hereby make a claim under subsection 81.4(8) of the Act in the amount of \$ \_\_\_\_\_.

F. CLAIM BY EMPLOYEE FOR UNPAID AMOUNT REGARDING PENSION PLAN OF \$ \_\_\_\_\_

That I hereby make a claim under subsection 81.5 of the Act in the amount of \$ \_\_\_\_\_.

That I hereby make a claim under subsection 81.6 of the Act in the amount of \$ \_\_\_\_\_.

G. CLAIM AGAINST DIRECTOR \$ \_\_\_\_\_

That I hereby make a claim under subsection 50(13) of the Act, particulars of which are as follows:

H. CLAIM OF A CUSTOMER OF A BANKRUPT SECURITIES FIRM \$ \_\_\_\_\_

That I hereby make a claim as a customer for net equity as contemplated by section 262 of the Act, particulars of which are as follows:

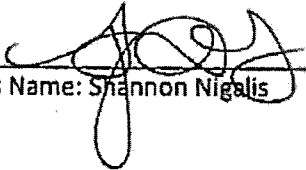
5. That, to the best of my knowledge, the above-named creditor, is not related to the debtor within the meaning of section 4 of the Act, and has not dealt with the debtor in a non-arm's length manner.
6. That the following are the payments that I have received from, and the credits that I have allowed to, and the transfers at undervalue within the meaning of subsection 2(1) of the Act that I have been privy to or a party to with the debtor within the three months immediately before the date of the initial bankruptcy event within the meaning of Section 2(1) of the Act:
7. *(Applicable only in the case of the bankruptcy of an individual.)*


Court No.: 1901-07789  
Estate No.: 24-116038

**FORM 31 – Continued**

- I request to be advised of any material change in the financial situation of the bankrupt, pursuant to subparagraph 102(3)(b)(i) of the Act.
- I request to be advised of any amendment made regarding the amount that the bankrupt is required to pay, pursuant to subsection 68(4) of the Act.
- I request that a copy of the report filed by the trustee regarding the bankrupt's application for discharge pursuant to subsection 170(1) of the Act be sent to the above address.

Dated at Oakville, this 9th day of October, 2019.

  
\_\_\_\_\_  
Witness Name: Shannon Nigalis

  
\_\_\_\_\_  
Linda PhaoThai  
on behalf of: Equirex, A Division of Bennington  
Financial Corp.

Phone No: 905-901-6258  
Fax No: 866-405-4869  
E-mail Address: [lindap@benningtonfsc.com](mailto:lindap@benningtonfsc.com)

**NOTE:** If an affidavit is attached, it must have been made before a person qualified to take affidavits.

**WARNINGS:** A trustee may, pursuant to subsection 128(3) of the Act, redeem a security on payment to the secured creditor of the debt or the value of the security as assessed, in a proof of security, by the secured creditor.

Subsection 201(1) of the Act provides severe penalties for making any false claim, proof, declaration or statement of account.

Court No.: 1901-07789

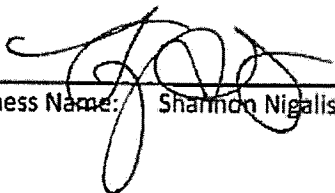
Estate No.: 24-116038

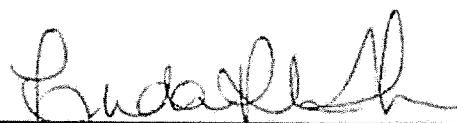
**FORM 31 – Continued**

**GENERAL PROXY**

In the matter of the RECEIVERSHIP of Machine Works Industrial Inc. of the city of Fort Saskatchewan in the Province of Alberta, and the claim of Equirex, A Division of Bennington Financial Corp., a creditor, the creditor hereby appoints (with power of substitution) Linda PhaoThai and Shahan Khan (name) of the city (or town) of Hamilton and Mississauga (city or town) to be the creditor's general proxy in the above matter (excepting only as to the receipt of dividends).

Dated at Oakville, this 9th day of October, 2019.

  
\_\_\_\_\_  
Witness Name: Shannon Nigalis

  
\_\_\_\_\_  
Linda PhaoThai  
on behalf of: Equirex, A Division of Bennington  
Financial Corp.

Phone No: 905-901-6258

Fax No: 866-405-4869

E-mail Address: [lindap@benningtonfsc.com](mailto:lindap@benningtonfsc.com)



101-1465 North Service Rd E  
 Oakville, ON L6H 1A7  
 (905) 844-4424 FAX (905) 844-9548

August 13, 2019

Machine Works Industrial Inc.  
 Machine Works Industrial Inc.  
 11405 85 Ave  
 Fort Saskatchewan, AB, T8L 0A9

Schedule "A"

Re: Buyout request for lease#20000138, Machine Works Industrial Inc.

Dear Machine Works Industrial Inc.:

As requested, I have calculated the buyout price for the above lease. Your next regular lease payment is scheduled for September 7, 2019. Please note that this buyout assumes that any regularly scheduled payments between the date of this letter and the effective ('as at') date are made.

As at August 13, 2019 the buyout price for this lease is \$32045.19 increasing at \$21.07 per day for every day after that date that you decide to buy this lease out. This buyout expires August 27, 2019.

The above buyout price is calculated as follows:

	<u>Starting</u>	<u>#pmts</u>	<u>pmt \$</u>	
Balance of Payments	07-Sep-19	1	Monthly payment of \$10,133.61	
				Total Balance of Payments \$ 10,133.61
FMV / Residual Value				10.00
Discount				(41.60)
<b>Total Due</b>				<b>\$ 10,102.01</b>
Discharge Fee				\$ 150.00
Taxes			tax rate = 5 %	512.60
Add Arrears				21,280.58
Less Security Deposit				-
<b>Net Buyout Price</b>				<b>\$ 32,045.19</b>
			Per Diem for every day after August 13, 2019	\$ 21.07

Please note that the above buyout price assumes that all payments scheduled to be paid between the date of this letter and the effective date ("as at") of the buyout are cleared by the Bank. If a payment is subsequently returned unpaid by the Bank, that amount must be added to the buyout price.

If you decide to buyout the above lease, we will issue a Bill of Sale to you once your buyout payment clears the Bank. For this purpose, we wait 8 business days.

If you have any questions or comments, please do not hesitate to contact me.

Sincerely,

Steve Wu  
 Accountant



Equus Vehicle Leasing 2007 Inc.  
101-1465 North Service Rd E Oakville ON L6H 1A7  
Phone: (877)-373-4739 Fax: (905)-404-1148

### VEHICLE LEASE AGREEMENT

Notice: This is a Non-Cancelable, Binding Contract.  
It contains Important Legal and Financial Terms and  
Conditions. Please read all pages carefully. Feel free to ask  
questions before signing

Lease #	20070215
App. #	70207

<b>LESSEE</b>	Machine Works Industrial Inc. AND Paul Francis Jr. Burns AND Jody F Coombs					
<b>ADDRESS</b>	Street	11405 85 Ave	City	Fort Saskatchewan	Prov.	AB Postal T8L 0A9
<b>Contact</b>	Name	Jody Coombs	Tel.	(980)-992-9290	Fax:	Email jody.coombs@machineworks.ca

<b>VEHICLE INFORMATION</b>						
<b>Location</b>						
<b>Quantity</b>	Make, Model, Serial Number, Description					
	See attached Schedule A which forms an integral part of this Lease Agreement					

<b>RENTAL DETAILS</b>							
TERM # OF MOS.	NUMBER OF PAYMENTS	PAYMENT/ FREQUENCY	PAYMENT METHOD	RENT(AMOUNT)	GST \$ / HST \$	PST \$	TOTAL RENT (AMOUNT)
18	17	Due On Signing Monthly	Cheque PAD	\$16,000.00 \$10,133.61	\$ 800.00 \$508.68	\$0.00 \$0.00	\$16,800.00 \$10,640.29

**TERMS AND CONDITIONS (Continued on page 2 and 3)**

**1. CREDIT INVESTIGATION & CONSENT TO PERSONAL INFORMATION SHARING.** Lessee hereby authorizes Lessor to conduct financial and credit investigations of Lessee for the purposes of approval, maintenance and enforcement of this Lease, or any judgment obtained by Lessor as a result of any default hereunder, and to obtain any information required from any source to which it may apply, and each source is hereby authorized to provide such information to Lessor. This includes, but is not limited to, the Lessor obtaining information from any credit reporting agency, creditor of Lessee, or banking and other financial institution where Lessee may have credit or depositary facilities. Lessor may obtain such information at any time during the Lease Term or after termination of the Lease in the event any monies remain owing to Lessor. I understand and consent to this application being held on file by Lessor for the above purposes, as well as for statistical analysis, until twelve months from the end of the leasing relationship, after which Lessor, in keeping with its privacy policy, will destroy this document subject to any overriding legislation or government regulations. If I wish a copy of the official Privacy Policy, I may request same.

**2. JOINT AND SEVERAL LIABILITY.** Lessee and Co-Lessee(s), unconditionally and absolutely promise to Lessor, including its successors and assigns, as Principal obligor, the full and prompt performance of all present and future obligations under the Agreement, including all schedules, addenda and amendments which may be added or made from time to time. Lessee and Co-Lessee(s) agree that their liability for such obligations is joint and several. Any and all payments made in respect of the obligations hereunder from time to time, and monies realized from any securities held therefore, may be applied to such part or parts of the obligations as Lessor sees fit. Lessor shall not be required to enforce or exhaust any particular remedy, as against any particular obligor, but may choose to enforce against any one or more of the obligors, and may select any one or more remedies, all of which shall be cumulative, not exclusive, and in no order of requirement.

**3. NOTE TO LESSEES AND CO-LESSEES:** All signatories to this Lease bind the Signator(s) to Lessor for the duration of the Lease regardless of any agreements between Lessees. All Lessees acknowledge that they have read the multi-page Agreement and Accept the Terms and conditions and had the opportunity to ask for any explanations, and that they have had ample time to consult legal and other advisors prior to signing. Lessee and Co-Lessee(s) accept that where they have signed this contract under their own names, they have signed in their personal capacity. This Agreement shall not become binding on Lessor until accepted in writing by Lessor as evidenced by the dated signature of a duly authorized representative of Lessor.

**4. NON-CANCELABLE CONTRACT** The Lessee authorizes and directs the Lessor to purchase the Vehicle from the Vendor and authorizes payment of the Vendor's invoice. Notwithstanding that delivery of the Vehicle is pending and may not have been delivered, the Lessee agrees that all of its obligations under the Lease, including its obligation to make payments hereunder, are of full force and effect as of the date of this Lease. Once funds are advanced by the Lessor, this agreement cannot be terminated by the Lessee for any reason whatsoever. In the event the Lessee cancels this Lease after signing the Lease but prior to funds being advanced, Lessee will pay a cancellation fee of the greater of a) \$ 500.00, or b) 10% of the total Vehicle cost in addition to any partial funds advanced. This cancellation fee will also apply if Lessor cancels the Lease due to a) Lessor's initial payment being dishonoured, or b) Lessee making misrepresentations that influenced the Lessor into approving the Lease.

**5. RENTAL PAYMENT AND ACKNOWLEDGEMENT.** Lessor hereby rents to Lessee the personal property listed and described hereof ("Vehicle") set forth herein. The Lessee acknowledges that the payments under the proposed lease are rental payments for the use of the Vehicle, and not payments of principal and interest. The Lessee further acknowledges that he/she cannot and should not rely on any interest rate representations made by the broker, the vendor, or any other third party. The rental payments include a return on investment to the Lessor and therefore the total payments are greater than the value of the vehicle. Lessee shall pay to Lessor the Total Rent ("Rent") set forth on the first page of the Lease Agreement on the first day of each payment period of the Term commencing in the period following the delivery of the Vehicle.

**6. FAX COPY AND AGREEMENT IN COUNTERPART.** The parties agree that a fax copy or an electronically transmitted copy of this Agreement and any ancillary documents and the signature of the parties to this Agreement and those documents shall be sufficient for contractual purposes and the fax copy or the electronically transmitted copy shall be deemed to be an original. The parties agree that this Agreement and any ancillary documents thereto may be signed in counterparts, each of which shall be deemed to be an original and which together shall constitute one and the same agreement. Notices and documents required by law may also be sent by the Lessor electronically or by Fax.

**7. FIDUCIARY DUTY .** Lessee acknowledges that it uses the Vehicle solely at the discretion of the Lessor and in accordance with the terms of this Agreement. Lessee holds the Vehicle as trustee for the Lessor, and the Lessee's fiduciary obligations to Lessor include, but are not limited to, holding and maintaining the Vehicle in Lessee's care and control for benefit of Lessor so the Vehicle may be returned to Lessor upon default or completion of the Agreement.

Machine Works Industrial Inc.	Initial:	Paul Francis Jr. Burns	Initial:
Jody F Coombs	Initial:		

Business Number 821391004  
Version: 20170221, 116164

Printed: March 21, 2013 0:56 AM 70207 Rev.1



**ADDITIONAL TERMS AND CONDITIONS (Continued on page 3)**

**8. NO RIGHT TO SELL.** Lessee has no right to sell, sublet, or otherwise transfer any interest in the Vehicle. If such sale, sublet, or transfer is deemed to occur, any proceeds shall be received and held in trust for benefit of Lessor, to be promptly delivered to Lessor, without any compromise or waiver of Lessor's interest in the Vehicle.

**9. LOCATION AND USE.** The Vehicle shall be located and stored at the place designated on the first page of the Lease Agreement. The Vehicle shall not be located or stored elsewhere without the prior consent of the Lessor. Removal without such consent shall be deemed theft of the Vehicle. The Lessee shall, upon request by the Lessor, provide the location of the Vehicle at any point in time. Failure to provide the location upon request, and removal without consent, trigger a default of this Lease. Lessee warrants and agrees that the Vehicle will be used for business or commercial purposes only, and not personal, family or household purposes and accordingly will not be subject to or interpreted in accordance with any consumer protection laws.

**10. REPRESENTATIONS AND WARRANTIES.** Lessee acknowledges that the Vendor of the Vehicle and the Vehicle itself have been selected by Lessee for the purpose of the rental under this Agreement and that the Lessee alone has full knowledge of the Vehicle and its condition. Lessee acknowledges that Lessor has had no part in the sale or selection of the Vehicle nor has Lessor had the opportunity to inspect the Vehicle. Except as hereafter set forth, there are no representations, warranties or conditions (express, implied, statutory or otherwise) whatsoever given by the Lessor in respect to the Vehicle, including, but without limitation, the merchantability, condition, design, capabilities, use, operation or fitness for any particular purpose or its freedom from liens and encumbrances. The Vendor of the Vehicle and the broker are not agents of the Lessor and are merely conduits for the purposes of facilitating the paperwork and funds required to bring this Lease into effect and any representations or warranties made by the Vendor, broker or any third party do not bind the Lessor unless distinctly documented and approved in writing by the Lessor. If the Vehicle does not function, perform or operate as intended by Lessee or as represented by the Vendor, or is unacceptably for any other reason whatsoever, Lessee shall claim: only against supplier or Vendor and shall nevertheless unconditionally pay Lessor all Rent and other amounts payable hereunder. The Lessor is not liable for any loss, loss of business, damage, or expense of any kind whatsoever and flowever caused, directly or indirectly, by the Vehicle or its use, operation, ownership, installation, service or repairs. Lessee accepts Vehicle on an "as is, where is" basis against Lessor. Lessor hereby assigns to Lessee and Lessee hereby accepts for and during the applicable Term, any warranties of the Vendor with respect to the Vehicle.

**11. RETURN OF VEHICLE UPON TERMINATION.** At the end of the Term or upon termination of this Lease for any reason, Lessee shall at Lessee's expense deliver the Vehicle to Lessor. If Lessee fails to do so within ten (10) days, Lessor shall have the right to enter upon the premises where the Vehicle may be and take possession of it at Lessee's expense without legal process, without liability to Lessor. Lessee hereby waives any claims for damages which it might otherwise have by reason of any such entry, taking or removal including claims for trespass. If the Vehicle, when returned to or recovered by Lessor, is not in good condition and repair Lessor may, at Lessee's expense payable on demand as additional Rent, make all repairs and replacements necessary to place such Vehicle in as good condition as it was at the date of commencement of the original term hereof, reasonable wear and tear excepted. In the event that Lessee fails to return the Vehicle to Lessor upon the expiration of the Term, then Lessee shall be deemed to be "overholding" and Rent shall continue to accrue. In the event of default in the Lease as hereinafter set forth, the Lessee irrevocably grants the Lessor the right to sign a Voluntary Consent and Order for the Surrender and Sale of the Equipment on behalf of the Lessee.

**12. LAWS AND TAXES.** Lessee shall comply with all governmental laws, regulations and orders applicable to the Vehicle and its use and agrees to pay when due all license fees, assessments and all taxes, including but not limited to sales taxes, goods and services taxes, property taxes, excise and other taxes ever imposed by any federal, provincial, municipal or other taxing authority relating to the Agreement and/or the Vehicle (excluding income and capital taxes of Lessor), and further include all tolls and toll violations, fines or other government levies attributable to your usage during the term or continuation of the Lease. Any fees, taxes or other lawful charges paid by Lessor upon failure of Lessee to make such payments shall at Lessor's option be payable immediately from Lessee to Lessor.

**13. DISURANCE.** Lessee shall obtain prior to the delivery of the Vehicle and maintain for the entire term of this Lease, at its own expense, insurance for all risks of physical loss or damage to the Vehicle and to persons associated with the Vehicle, including without limitation, theft, collision, personal injury or death and liability and damage to property of others and such other risks of loss as are customarily covered by insurance on the type of Vehicle leased hereunder and by prudent operators of businesses similar to that in which Lessee is engaged. In such amounts, in such form and with such insurers as shall be satisfactory to Lessor with the following minimums (unless a higher amount is required by law): a) third party liability with a combined single occurrence limit of at least \$2,000,000 for a truck and \$1,000,000 for a trailer; b) comprehensive fire and theft for the full replacement cost of the vehicle with a maximum deductible of \$5,000; c) collision for at least the full replacement cost of the vehicle with a maximum deductible of \$5,000. Each insurance policy will name Lessor as an additional insured in respect of the Vehicle, will designate Lessor its sole and exclusive loss payee in respect of the Vehicle, and will specify that the proceeds of insurance generated in the event of any damage to or loss of the Vehicle ("Proceeds") shall be allocable exclusively to the Vehicle, segregated from proceeds generated by any damage to or loss of other property and persons insured under the policy, and payable to Lessor. Each such policy shall also contain a clause requiring the insurer to give at least 30 days prior written notice of any termination in terms of such policy or the cancellation thereof. Lessee shall furnish to Lessor a certificate of insurance prior to the commencement of the term of this Lease and 30 days prior to the expiry date of each such insurance policy. Lessee further agrees to give Lessor prompt notice of any damage or loss of the Vehicle or any part thereof. Lessee will at its own expense make all parts of loss and all other steps necessary to recover insurance benefits. If the vehicle and/or is damaged but is capable of being repaired and the proceeds are insufficient to pay the repair cost, the Lessee accepts that the Vehicle will be repaired or replaced and the Lessee will be responsible and pay any and all shortfalls between the insurance proceeds and the repair or replacement costs. Where, in the opinion of the insurer, the Vehicle is damaged beyond repair Lessee agrees to continue to pay the Lease Payments for the Term until a complete and full settlement, as determined by the Lessor in our sole and absolute discretion, is received by us from the insurer or the Lessee. Lessee agrees that the Lessor shall not be required to provide the Lessee with a replacement vehicle while the Vehicle is being repaired or replaced or if the vehicle is damaged beyond repair. Performance by Lessor under this paragraph will not affect or release Lessee's obligations and liabilities. All expenses incurred under this paragraph shall be borne by Lessee. Lessor may, without limiting its rights under this paragraph, make any registration and any such charges shall be immediately payable to the Lessor by the Lessee.

**14. ASSIGNMENT BY LESSEE/LESSOR.** Lessee shall not assign or further encumber the Vehicle. Lessor shall be free to assign this Lease or any of its rights hereunder with or without notice to the Lessee. The rights of the assignee will not be subject to any claims, defenses or setoffs that the Lessee may have against the Lessor or any other person.

**15. COMPLETION OF LEASE.** Lessee's adherence by Lessee to complete or correct this Lease, even though previously signed by Lessee, by the intention or correction of serial numbers, make/model numbers, and/or other identifying references to the Vehicle and by adjustments and/or corrections deemed by Lessor to be clerical in nature. Lessee acknowledges and agrees that clerical errors shall not affect the validity of this Agreement, and that Lessor shall be entitled to unilaterally correct same.

**16. TITLE AND REGISTRATION.** The Vehicle shall be registered in the name of the Lessor under the Provincial Laws pertaining to motor vehicles in the Province of regular use. The License plates will be registered in the name of the Lessee. Lessee shall have no right, title, interest in the Vehicle other than the right to maintain its possession and its use for the full Term and any Renewal Period, conditional upon Lessee's fulfillment of all the terms and conditions of this Agreement. Lessor and Lessee hereby confirm their intent that the Vehicle and always remain and be deemed personal or movable property. All expenses incurred under this paragraph shall be borne by Lessee. Lessor may, without limiting its rights under this paragraph, make any registration and any such charges shall be immediately payable to the Lessor by the Lessee.

**17. TRACKING DEVICE.** Lessor reserves the right to install any tracking or engine control device and to use same for its benefit to locate, track or seize the Vehicle if any of the lease terms are not honored. Lessor's right to do so is cumulative with all other remedies set out herein and available at law. Lessor will not be responsible for any damage or loss of business suffered by Lessee as a result of such use by Lessor of any device of the nature described herein.

**18. MAINTENANCE, REPAIR AND REPLACEMENT.** Lessee at its own expense will maintain the Vehicle in good working order and condition, furnish parts, repair and other services necessary for such purpose, as set out in the owner's manual in accordance with the manufacturer's suggested maintenance schedule. Lessee agrees that only certified mechanics will repair the vehicle. Lessor shall at all reasonable times have access to the Vehicle for the purpose of inspecting it. All replacement parts and accessories shall immediately upon acquisition by Lessee become the property of Lessor. Lessee may from time to time add parts or accessories not listed hereunder to the Vehicle only if such addition does not impair the present or future value or utility of the Vehicle or affect any warranty. Lessor may, at its sole discretion, make or pay for all repairs and replacements necessary to maintain the Equipment in good repair, including payment of liens that are placed against the Equipment for repair and/or storage of the equipment. Any costs incurred by the Lessor relating to the Equipment shall be immediately due and payable to the Lessor by the Lessee and shall form part of the outstanding balance of the Lease. Lessor may, at its sole discretion, set out terms for repayment of such amounts, in addition to or as part of the regular lease payments.

**19. INDEMNIFICATION OF LESSOR BY LESSEE.** Lessee hereby assumes liability for, and does hereby agree to indemnify and save harmless Lessor, its agents and servants, officers and directors from and against any and all actions, claims, fees, costs, disbursements, expenses (including legal expenses), liabilities or losses whatsoever in any way relating to the Vehicle, (including, without limitation, any claim relating to any type of defects whatsoever whether or not discoverable by Lessee, any claim in tort for strict liability or negligence or any traffic tickets, parking tickets, moving violations or toll charges). Lessee agrees to give Lessor prompt notice of any claim or liability thereby indemnified against. This clause shall be effective and in full force and effect from the date of the execution of this Lease even though the rental term of any Vehicle under this Lease has not yet commenced. The indemnities contained in this clause shall continue in full force and effect notwithstanding the expiration or other termination of this Agreement and shall be payable on demand. All expenses incurred under this paragraph shall be borne by Lessee.

Mechins Works Industrial Inc.	Initial X 	Paul Francis Jr. Burns	Initial X 
Jody F Coombs	Initial X 		

**ADDITIONAL TERMS AND CONDITIONS**

**20. SECURITY DEPOSIT.** Lessor may apply the Security Deposit as it wishes, at any time, to any amounts due under this Lease if not paid by Lessee. Lessor will not return any interest on the Security Deposit. At the termination date of this Lease, the Security Deposit, net of any arrears or payments due, will be refunded to Lessee.

**21. EVENTS OF DEFAULT.** The occurrence or happening of any one or more of the following shall constitute an Event of Default: (i) Lessee fails to pay any amounts payable hereunder; (ii) Lessee fails to perform or observe any covenant, term or condition hereunder; (iii) Lessor has made any material misrepresentation in seeking or performing this Agreement; (iv) Lessee becomes insolvent or commits an act of insolvency; (v) Bankruptcy, reorganization or insolvency proceedings are instituted by or against Lessee; (vi) a writ, judgment, execution, lien, attachment or process is issued or levied against the Vehicle; (vii) Lessee loses control or possession of its business premises and/or the Vehicle to any creditor; (viii) Vehicle is at risk; (ix) Lessee fails to provide adequate insurance as outlined in our "Insurance" clause. Upon the happening of any Event of Default, Lessor in its absolute discretion may: (a) enter upon the premises where such Vehicle is located and take immediate possession thereof and remove the same without liability to Lessor by reason of such entry or taking of possession; (b) in the name of and as the irrevocably appointed agent and power of attorney for Lessee and without terminating or being deemed to have terminated this Agreement, proceed to rent the Vehicle to any other, firm or corporation on such terms and conditions, for such rent and for such period of time as Lessor may deem fit and apply such rent to any amounts payable hereunder; (c) Lessee accepts that Lessor's remedies will include the right to make any Software used by the Vehicle inoperative through any means; (d) terminate this Agreement and by written notice to Lessee specifying a payment does not earlier than seven (7) days from the date of such notice, require Lessee to pay to Lessor as its financial obligation ("Financial Obligation") on the date specified in such notice the sum of (i) any Rent and other amounts due and unpaid, and (ii) as a genuine pre-estimate of actual damages for loss of a bargain and not as a penalty, an amount equal to the present value of the aggregate of all Rent payable to the expiration of the Term discounted using a six percent (6%) discount rate, and (iii) the amount of any residual interest which Lessor may have in the Vehicle which was used in the calculation of the Rent; (iv) as a late charge, require the payment of interest at the rate of twenty-six and eighty-two one-hundredths percent (26.82%), on such amount, calculated and compounded at the rate of two percent (2%) per month compounded monthly on any due payment until paid and (v) all legal costs on a full substantial indemnity basis and collection costs incurred by Lessor as a result of the event of default. No remedy of Lessor available in this Lease, in law, or in equity, shall be exclusive or dependent on any other such remedy but any one or more of such remedies may from time to time be exercised independently or in combination. Lessee hereby authorizes its landlord to provide Lessor access to the Location to remove the Vehicle in case of default. Once Lessee can hire all Lessees in the event of a voluntary surrender.



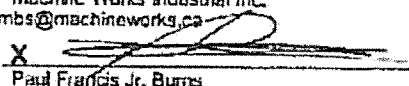

**22. CROSS-COLLATERAL DEFAULT.** A material default under this agreement shall be deemed and trigger a material default under any and all agreements between Lessor (whether Lessor is original Lessor or assignee) and any and all Lessees signed on this Agreement. This section applies to each Lessee or Guarantor jointly and severally and to any agreements between Lessor and Lessee where Lessee is also joint and several Lessee may elect, in its sole discretion, to forbear enforcement on any other Lease, but in so doing, Lessor shall not be deemed to waive its rights under this section.

**23. CROSS COLLATERAL SECURITY.** If the Lessee is a Lessee under two or more leases with the Lessor, the Lessor may, from time to time, modify the Vehicle and payment terms of each lease by transferring some or all of the Vehicle and corresponding payments from among any of the leases in which the Lessee is a party, to any other lease in which the Lessee is a party provided that the cumulative payments of the Lessee after the transfer does not exceed the total pre-transfer payments owing on all leases. Lessor is at liberty to make such modifications at its own discretion and will provide the Lessee with notification of such modifications.

**24. NOTICES AND WAIVER.** Any notices required to be given herein shall be given in writing at the addresses herein, or to such other address as the parties may hereafter substitute by written notice. Each party hereto agrees that such notices shall be deemed to have been received by the other party on the day when such notices were sent. The parties hereto agree that this Agreement and all documents related thereto be written in the English language. Les parties en présence conviennent à ce que ce document soit rédigé en anglais. In provinces where applicable, the Lessee waives written notice under the relevant Personal Property Security Act of a copy of the Financing Statement from the Lessor.

**25. COLLECTION CHARGES.** Should Lessee fail to pay when due any part of the Rent, or renewal Rent herein reserved or any sum required to be paid to Lessor hereunder, Lessee shall pay to Lessor, in addition to any other payments, interest on any and all delinquent payments from the date thereof until paid in full at the rate of twenty-six and eighty-two one-hundredths percent (26.82%) on such amount, calculated and compounded at the rate of two percent (2%) per month compounded monthly. Lessee further agrees to pay to Lessor for a returned cheque or a Pre-Authorized Payment Dept a charge in an amount the greater of \$50.00 or the actual bank charge.

**26. MISCELLANEOUS.** (a) This Agreement shall be governed by the laws of the Province of Ontario or, at the option of the Lessor, the Province(s) in which the use of this Vehicle was originally intended and Lessee hereby attests to the jurisdiction of the courts of such Province as the Lessor selects; (b) No waiver by Lessor of any term of this Agreement shall constitute a waiver of any other term or any of Lessor's rights; (c) This Agreement contains the whole of the agreement between the parties and there are no collateral agreements or conditions not specifically set forth herein, and no modifications, amendments, additions or variations shall be binding unless agreed to in writing and properly executed by the parties; (d) This Agreement shall be binding upon the parties hereto and their permitted successors and assigns; (e) For purposes of the Civil Code of Quebec, Lessee acknowledges that this Agreement shall be considered a Contract of Leasing; (f) For purposes of Leases contracted in the Province of Saskatchewan, if the Lessee is a corporation, the Lessee agrees that the Limitation of Civil Rights Act has no application to this Agreement or any renewal or extension period, and hereby waives any and all benefits and remedies provided by that Act; (g) Lessee hereby acknowledges receipt of a copy of this Agreement; (h) All instruments of Lessor by Lessee as set in this Agreement shall survive the termination of this Agreement; (i) If any Term or condition of the Lease is found to be unenforceable, the remainder of the Lease Terms & Conditions shall remain in effect.

<b>Authorized Signature(s):</b>		<b>Accepted by Lessor:</b> Equirex Vehicle Leasing 2007 Inc. 101-1465 North Service Rd E Oakville, ON L6H 1A7   Authorized Signature  APR 05 2018 Date
Lessee(s)	<input checked="" type="checkbox"/>  Machine Works Industrial Inc.	
Email	Jody.coombs@machineworks.ca	
Co-Lessee(s)	<input checked="" type="checkbox"/>  Paul Francis Jr. Burns	
Co-Lessee(s)	<input checked="" type="checkbox"/>  Jody F. Coombs	
Co-Lessee(s)	_____	



Equipment Leasing 2007 Inc.  
 101-1-655 Norm Service Rd E Oakville ON L6H 1A7  
 Phone: (905) 372-4750  
 Fax: (905) 404-4148

## EQUIPMENT LIST SCHEDULE A

It contains important legal and financial terms and conditions. Please read all pages carefully. Feel free to ask questions before signing.

Lease #	70207
App. #	70207

Lessee Name | Machine Works Industrial Inc. AND Paul Francis Jr. Burns AND Jody F Coombs

Equipment Location (if different from Lease)

Qty	Model, Description, Serial Number
1	Applied Fabrication 2022 Exchanger Tube Sheet Diameter 68" - Weight Capacity 60,000 lbs S/N-J291-22-0909
1	Tube and Shell Trainer
1	2014 Maxey GDS30ACKT Trailer with c/w 36' Containment S/N-5R0GN3026EM031202
1	Careylift - Model 60 - Serial # 6021
1	Careylift - Model 45 - Serial # 4517
1	Applied Fabrication 2026 Exchanger Tube Sheet Diameter 79" - Weight Capacity 60,000 lbs S/N-J291-24-0909

FAX COPY: The Parties agree that a fax copy or an electronically transmitted copy of this document and the signatures of the parties on this document shall be sufficient for contractual purposes and will be deemed to be an original and forms an integral part of the Lease Agreement. The parties agree that this document may be signed in counterparts, each of which shall be deemed to be an original and which together shall constitute one and the same agreement.

Signatures	The Undersigned Affirms That He/She is Duly Authorized To Execute This Agreement		Date
Machine Works Industrial Inc.	X	Paul Francis Jr. Burns	10/23/13
Jody F Coombs	X		

**LEASE AGREEMENT 20000138**



Equirex Vehicle Leasing 2007 Inc.  
 101-1465 North Service Rd E Oakville, ON, L6H 1A7  
 Phone: (877)-375-4739 Fax: (888)-404-4148

## VEHICLE LEASE AGREEMENT

**Notice: This is a Non-Cancelable, Binding Contract.**  
 It contains important Legal and Financial Terms and  
 Conditions. Please read all pages carefully. Feel free to ask  
 questions before signing

Lease #	200207
App. #	70207

<b>LESSEE</b>	Machine Works Industrial Inc. AND Paul Francis Jr. Burns AND Jody F Coombs							
<b>ADDRESS</b>	Street	11405 85 Ave	City	Fort Saskatchewan	Prov.	AB	Postal	T8L 0A9
<b>Contact</b>	Name	Jody Coombs	Tel:	(880)-992-9290	Fax:		Email:	jody.coombs@machineworks.ca

<b>VEHICLE INFORMATION</b>	
Location	
Quantity	Make, Model, Serial Number, Description
	See attached Schedule A which forms an integral part of this Lease Agreement

RENTAL DETAILS							
TERM # OF MOS.	NUMBER OF PAYMENTS	PAYMENT/FREQUENCY	PAYMENT METHOD	RENT(AMOUNT)	GST \$ / HST \$	PST \$	TOTAL RENT (AMOUNT)
		Due On Signing	Cheque	\$16,000.00	\$ 800.00	\$0.00	\$16,800.00
18	17	Monthly	PAD	\$10,133.61	\$506.68	\$0.00	\$10,640.29

**TERMS AND CONDITIONS (Continued on page 2 and 3)**

**1. CREDIT INVESTIGATION & CONSENT TO PERSONAL INFORMATION SHARING.** Lessee hereby authorizes Lessor to conduct financial and credit investigations of Lessee for the purposes of approval, maintenance and enforcement of this Lease, or any judgment obtained by Lessor as a result of any default hereunder, and to obtain any information required from any source to which it may apply, and each source is hereby authorized to provide such information to Lessor. This includes, but is not limited to, the Lessor obtaining information from any credit reporting agency, creditor of Lessee, or banking and other financial institution where Lessee may have credit or depository facilities. Lessor may obtain such information at any time during the Lease Term or after termination of the Lease in the event any monies remain owing to Lessor. I understand and consent to this application being held on file by Lessor for the above purposes, as well as for statistical analysis, until twelve months from the end of the leasing relationship, after which Lessor, in keeping with its privacy policy, will destroy this document subject to any overriding legislation or government regulations. If I wish a copy of the official Privacy Policy, I may request same.

**2. JOINT AND SEVERAL LIABILITY.** Lessee and Co-Lessee(s), unconditionally and absolutely promise to Lessor, including its successors and assigns, as Principal obligor, the full and prompt performance of all present and future obligations under the Agreement, including all schedules, addenda and amendments which may be added or made from time to time. Lessee and Co-Lessee(s) agree that their liability for such obligations is joint and several. Any and all payments made in respect of the obligations hereunder from time to time, and monies realized from any securities held therefore, may be applied to such part or parts of the obligations as Lessor sees fit. Lessor shall not be required to enforce or exhaust any particular remedy, as against any particular obligor, but may choose to enforce against any one or more of the obligors, and may select any one or more remedies, all of which shall be cumulative, not exclusive, and in no order of requirement.

**3. NOTE TO LESSEES AND CO-LESSEES:** All signatures to this Lease bind the Signator(s) to Lessor for the duration of the Lease regardless of any agreements between Lessees. All Lessees acknowledge that they have read the multi-page Agreement and Accept the Terms and conditions and had the opportunity to ask for any explanations, and that they have had ample time to consult legal and other advisors prior to signing. Lessee and Co-Lessee(s) accept that where they have signed this contract under their own names, they have signed in their personal capacity. This Agreement shall not become binding on Lessor until accepted in writing by Lessor as evidenced by the dated signature of a duly authorized representative of Lessor.

**4. NON-CANCELABLE CONTRACT.** The Lessee authorizes and directs the Lessor to purchase the Vehicle from the Vendor and authorizes payment of the Vendor's invoice. Notwithstanding that delivery of the Vehicle is pending and may not have been delivered, the Lessee agrees that all of its obligations under the Lease, including its obligation to make payments hereunder, are of full force and effect as of the date of this Lease. Once funds are advanced by the Lessor, this agreement cannot be terminated by the Lessee for any reason whatsoever. In the event the Lessee cancels this Lease after signing the Lease but prior to funds being advanced, Lessee will pay a cancellation fee of the greater of a) \$ 500.00, or, b) 10% of the total Vehicle cost in addition to any partial funds advanced. This cancellation fee will also apply if Lessor cancels the Lease due to a) Lessee's initial payment being dishonoured, or, b) Lessee making misrepresentations that influenced the Lessor into approving the Lease.

**5. RENTAL PAYMENT AND ACKNOWLEDGEMENT.** Lessor hereby rents to Lessee the personal property listed and described hereof ("Vehicle") set forth herein. The Lessee acknowledges that the payments under the proposed lease are rental payments for the use of the Vehicle, and not payments of principal and interest. The Lessee further acknowledges that he/she cannot and should not rely on any interest rate representations made by the broker, the vendor, or any other third party. The rental payments include a return on investment to the funder and therefore the total payments are greater than the value of the vehicle. Lessee shall pay to Lessor the Total Rent ("Rent") set forth on the first page of the Lease Agreement) on the first day of each payment period of the Term commencing in the period following the delivery of the Vehicle.

**6. FAX COPY AND AGREEMENT IN COUNTERPART.** The parties agree that a fax copy or an electronically transmitted copy of this Agreement and any ancillary documents and the signature of the parties on this Agreement and those documents shall be sufficient for contractual purposes and the fax copy or the electronically transmitted copy shall be deemed to be an original. The parties agree that this Agreement and any ancillary documents thereto may be signed in counterparts, each of which shall be deemed to be an original and which together shall constitute one and the same agreement. Notices and documents required by law may also be sent by the Lessor electronically or by Fax.

**7. FIDUCIARY DUTY.** Lessee acknowledges that it uses the Vehicle solely at the discretion of the Lessor and in accordance with the terms of this Agreement. Lessee holds the Vehicle as trustee for the Lessor, and the Lessee's fiduciary obligations to Lessor include, but are not limited to, holding and maintaining the Vehicle in Lessee's care and control for benefit of Lessor so the Vehicle may be returned to Lessor upon default or completion of this Agreement.

Machine Works Industrial Inc.	Initial:	Paul Francis Jr. Burns	Initial:
Jody F Coombs	X		X

Business Number : 821391634

Version: 20170221 - 116154

Printed: March 21, 2016 8:55 AM 70207, Rev.1

**ADDITIONAL TERMS AND CONDITIONS (Continued on page 3)**

8. **NO RIGHT TO SELL.** Lessee has no right to sell, sublet, or otherwise transfer any interest in the Vehicle. If such sale, sublet, or transfer is deemed or occurs, any proceeds shall be received and held in trust for benefit of Lessor, to be promptly delivered to Lessor, without any compromise or waiver of Lessor's interest in the Vehicle.

9. **LOCATION AND USE.** The Vehicle shall be located and stored at the place designated on the first page of the Lease Agreement. The Vehicle shall not be located or stored elsewhere without the prior consent of the Lessor. Removal without such consent shall be deemed theft of the Vehicle. The Lessee shall, upon request by the Lessor, provide the location of the Vehicle at any point in time. Failure to provide the location upon request, and removal without consent, trigger a default of this Lease. Lessee warrants and agrees that the Vehicle will be used for business or commercial purposes only and not personal, family or household purposes and accordingly will not be subject to or interpreted in accordance with any consumer protection laws.

10. **REPRESENTATIONS AND WARRANTIES.** Lessee acknowledges that the Vendor of the Vehicle and the Vehicle itself have been selected by Lessee for the purpose of the rental under this Agreement and that the Lessee alone has full knowledge of the Vehicle and its condition. Lessee acknowledges that Lessor has had no part in the sale or selection of the Vehicle nor has Lessor had the opportunity to inspect the Vehicle. Except as hereafter set forth, there are no representations, warranties or conditions (express, implied, statutory or otherwise) whatsoever given by the Lessor in respect to the Vehicle, including, but without limitation, the merchantability, condition, design, capabilities, use, operation or fitness for any particular purpose or its freedom from liens and encumbrances. The Vendor of the Vehicle and the broker are not agents of the Lessor and are merely conduits for the purposes of facilitating the paperwork and funds required to bring this Lease into effect and any representations or warranties made by the Vendor, broker or any third party do not bind the Lessor unless distinctly documented and approved in writing by the Lessor. If the Vehicle does not function, perform or operate as intended by Lessee or as represented by the Vendor, or is unacceptable for any other reason whatsoever, Lessee shall claim only against supplier or Vendor and shall nevertheless unconditionally pay Lessor all Rent and other amounts payable hereunder. The Lessor is not liable for any loss, loss of business, damage, or expense of any kind whatsoever and howsoever caused, directly or indirectly, by the Vehicle or its use, operation, ownership, installation, service or repairs. Lessee accepts Vehicle on an "as is, where is" basis against Lessor. Lessor hereby assigns to Lessee and Lessee hereby accepts for and during the applicable Term, any warranties of the Vendor with respect to the Vehicle.

11. **RETURN OF VEHICLE UPON TERMINATION.** At the end of the Term or upon termination of this Lease for any reason, Lessee shall at Lessee's expense deliver the Vehicle to Lessor. If Lessee fails to do so within ten (10) days, Lessor shall have the right to enter upon the premises where the Vehicle may be and take possession of it at Lessee's expense without legal process, without liability to Lessor. Lessee hereby waives any claims for damages which it might otherwise have by reason of any such entry, taking or removal, including claims for trespass. If the Vehicle, when returned to or recovered by Lessor, is not in good condition and repair, Lessor may, at Lessee's expense payable on demand as additional Rent, make all repairs and replacements necessary to place such Vehicle in as good condition as it was at the date of commencement of the original term thereof, reasonable wear and tear excepted. In the event that Lessee fails to return the Vehicle to Lessor upon the expiration of the Term, then Lessee shall be deemed to be "overholding" and Rents shall continue to accrue. In the event of default in the Lease as hereinafter set forth, the Lessee irrevocably grants the Lessor the right to sign a Voluntary Consent and Order for the Surrender and Sale of the Equipment on behalf of the Lessee.

12. **LAWS AND TAXES.** Lessee shall comply with all governmental laws, regulations and orders applicable to the Vehicle and its use and agree to pay when due all license fees, assessments and all taxes, including but not limited to sales taxes, goods and services taxes, property taxes, excise and other taxes ever imposed by any federal, provincial, municipal or other taxing authority relating to this Agreement and/or the Vehicle (excluding income and capital taxes of Lessor), and further includes all tolls and toll violations, fines or other government levies attributable to your usage during the term or continuation of the Lease. Any fees, taxes or other lawful charges paid by Lessor upon failure of Lessee to make such payments shall at Lessor's option be payable immediately from Lessee to Lessor.

13. **INSURANCE.** Lessee shall obtain prior to the delivery of the Vehicle and maintain for the entire term of this Lease, at its own expense, insurance for all risks of physical loss or damage to the Vehicle and to persons associated with the Vehicle, including without limitation, theft, collision, personal injury or death and liability and damage to property of others and such other risks of loss as are customarily covered by insurance on the type of Vehicle leased hereunder and by prudent operators of businesses similar to that in which Lessee is engaged. In such amounts. In such form and with such insurers as shall be satisfactory to Lessor with the following minimums (unless a higher amount is required by law): a) third party liability with a combined single occurrence limit of at least \$2,000,000 for a truck and \$1,000,000 for a trailer; b) comprehensive fire and theft for the full replacement cost of the vehicle with a maximum deductible of \$5,000; c) collision for at least the full replacement cost of the vehicle with a maximum deductible of \$5,000. Each insurance policy will name Lessor as an additional insured in respect of the Vehicle, will designate Lessor as sole and exclusive loss payee in respect of the Vehicle, and will specify that the proceeds of insurance generated in the event of any damage to or loss of the Vehicle ("Proceeds") shall be allocable exclusively to the Vehicle, segregated from proceeds generated by any damage to or loss of other property and/or persons insured under the policy, and payable to Lessor. Each such policy shall also contain a clause requiring the insurer to give at least 30 days prior written notice of any alteration in terms of such policy or the cancellation thereof. Lessee shall furnish to Lessor a certificate of insurance prior to the commencement of the term of this Lease and 30 days prior to the expiry date of each such insurance policy. Lessee further agrees to give Lessor prompt notice of any damage or loss of the Vehicle or any part thereof. Lessee will at its own expense make all profits of loss and take all other steps necessary to recover insurance benefits. If the vehicle should be damaged but is capable of being repaired and the proceeds are insufficient to pay the repair cost, the Lessee accepts that the Vehicle will be repaired or replaced and the Lessee will be responsible and pay any and all shortfalls between the insurance proceeds and the repair or replacement costs. Where, in the opinion of the insurer, the Vehicle is damaged beyond repair, Lessee agrees to continue to pay the Lease Payments for the Term until a complete and full settlement, as determined by the Lessor in our sole and absolute discretion, is received by us from the insurer or the Lessee. Lessee agrees that the Lessor shall not be required to provide the Lessee with a replacement vehicle while the Vehicle is being repaired or replaced or if the vehicle is damaged beyond repair. Performance by Lessor under this paragraph will not affect or release Lessee's obligations and liabilities. All expenses incurred under this paragraph shall be borne by Lessee. Lessor may, without limiting its rights under this paragraph, make any registration and any such charges shall be immediately payable to the Lessor by the Lessee.

14. **ASSIGNMENT BY LESSEE/LESSOR.** Lessee shall not assign or further encumber the Vehicle. Lessor shall be free to assign this Lease or any of its rights hereunder with or without notice to the Lessee. The rights of the assignee will not be subject to any claims, defenses or setoffs that the Lessee may have against the Lessor or any other person.

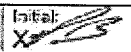


15. **COMPLETION OF LEASE.** Lessor is authorized by Lessee to complete or correct this Lease, even though previously signed by Lessee, by the insertion or correction of serial numbers, make/model numbers and/or other identifying references to the Vehicle and by adjustments and/or corrections deemed by Lessor to be clerical in nature. Lessee acknowledges and agrees that clerical errors shall not affect the validity of this Agreement, and that Lessor shall be entitled to unilaterally correct same.

16. **TITLE AND REGISTRATION.** The Vehicle shall be registered in the name of the Lessor under the Provincial Laws pertaining to motor vehicles in the Province of regular use. The License plates will be registered in the name of the Lessee. Lessee shall have no right, title, interest in the Vehicle other than the right to maintain its possession and its use for the full Term and any Renewal Period, conditional upon Lessee's fulfillment of all the terms and conditions of this Agreement. Lessor and Lessee hereby confirm their intent that the Vehicle shall always remain and be deemed personal or movable property. All expenses incurred under this paragraph shall be borne by Lessee. Lessor may, without limiting its rights under this paragraph, make any registration and any such charges shall be immediately payable to the Lessor by the Lessee.

17. **TRACKING DEVICE.** Lessor reserves the right to install any tracking or engine control device and to use same for its benefit to locate, secure or seize the Vehicle if any of the lease terms are not honored. Lessor's right to do so is cumulative with all other remedies set out herein and available at law. Lessor will not be responsible for any damage or loss of business suffered by Lessee as a result of such use by Lessor of any device of the nature described herein.

18. **MAINTENANCE, REPAIR AND REPLACEMENT.** Lessee at its own expense will maintain the Vehicle in good working order and condition, furnish parts, repair and other services necessary for such purpose, as set out in the owners manual in accordance with the manufacturer's suggested maintenance schedule. Lessee agrees that only certified mechanics will repair the vehicle. Lessor shall at all reasonable times have access to the Vehicle for the purpose of inspecting it. All replacement, parts and accessories shall immediately upon acquisition by Lessee become the property of Lessor. Lessee may from time to time add parts or accessories not leased hereunder to the Vehicle only if such addition does not impair the present or future value or utility of the Vehicle or effect any warranty. Lessor may, at its sole discretion, make or pay for all repairs and replacements necessary to maintain the Equipment in good repair, including payment of liens that are placed against the Equipment for repair and or storage of the equipment. Any costs incurred by the Lessor relating to the Equipment shall be immediately due and payable to the Lessor by the Lessee and shall form part of the outstanding balance of the Lease. Lessor may, at its sole discretion, set out terms for repayment of such amounts, in addition to or as part of the regular lease payments.

19. **INDEMNIFICATION OF LESSOR BY LESSEE.** Lessee hereby assumes liability for, and does hereby agree to indemnify and save harmless Lessor, its agents and servants, officers and directors from and against any and all actions, claims, liens, costs, disbursements, expenses (including legal expenses), liabilities or taxes whatsoever in any way relating to the Vehicle, (including, without limitation, any claim relating to any types of defects whatsoever whether or not discoverable by Lessee, any claim in tort for strict liability or negligence or any traffic tickets, parking tickets, moving violations or toll charges). Lessee agrees to give Lessor prompt notice of any claim or liability hereby indemnified against. This clause shall be effective and in full force and effect from the date of the execution of this Lease even though the rental term of any Vehicle under this Lease has not yet commenced. The indemnities contained in this clause shall continue in full force and effect notwithstanding the expiration or other termination of this Agreement and shall be payable on demand. All expenses incurred under this paragraph shall be borne by Lessee.

Machine Works Industrial Inc.	Initial: X 	Paul Francis Jr. Burns	Initial: X 
Jody F Coombs	Initial: X 		

Business Number : 821391604

Version: 20170221 - 118154

Printed: March 21, 2016 8:55 AM 70207, Rev.1

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**ADDITIONAL TERMS AND CONDITIONS**

**20. SECURITY DEPOSIT.** Lessor may apply the Security Deposit as it wishes, at any time, to any amounts due under this Lease if not paid by Lessee. Lessee will not earn any interest on the Security Deposit. At the termination date of this Lease, the Security Deposit, net of any arrears or payments due, will be refunded to Lessee.

**21. EVENTS OF DEFAULT.** The occurrence or happening of any one or more of the following shall constitute an Event of Default: (i) Lessee fails to pay any amounts payable hereunder; (ii) Lessee fails to perform or observe any covenant, term or condition hereunder; (iii) Lessee has made any material misrepresentation in seeking or performing this Agreement; (iv) Lessee becomes insolvent or commits an act of insolvency; (v) bankruptcy, reorganization or insolvency proceedings are instituted by or against Lessee; (vi) a writ, judgment, execution, lien, attachment or process is issued or levied against the Vehicle; (vii) Lessee loses control or possession of its business premises and/or the Vehicle to any creditor; (viii) Vehicle is at risk; (ix) Lessee fails to provide adequate insurance as detailed in our "insurance" clause; (x) Upon the happening of any Event of Default, Lessor in its absolute discretion may: (a) enter upon the premises where such Vehicle is located and take immediate possession thereof and remove the same without liability to Lessor by reason of such entry or taking of possession; (b) in the name of and as the irrevocably appointed agent and power of attorney for Lessee and without terminating or being deemed to have terminated this Agreement, proceed to rent the Vehicle to any other, firm or corporation on such terms and conditions, for such rent and for such period of time as Lessor may deem fit and apply such rent to any amounts payable hereunder; (c) Lessee accepts that Lessor's remedies will include the right to make any Software used by the Vehicle inoperative through any means; (d) terminate this Agreement and by written notice to Lessee specifying a payment date not earlier than seven (7) days from the date of such notice, require Lessee to pay to Lessor as its financial obligation ("Financial Obligation") on the date specified in such notice the sum of: (i) any Rent and other amounts due and unpaid, and (ii) as a genuine pre-estimate of actual damages for loss of a bargain and not as a penalty, an amount equal to the present value of the aggregate of all Rent payable to the expiration of the Term discounted using a six percent (6%) discount rate, and (iii) the amount of any residual interest which Lessor may have in the Vehicle which was used in the calculation of the Rent; (iv) as a late charge, require the payment of interest at the rate of twenty-six and eighty-two one-hundredths percent (26.82%), on such amount, calculated and compounded at the rate of two percent (2%) per month compounded monthly on any due payment until paid and (v) all legal costs on a full substantial indemnity basis and collection costs incurred by Lessor as a result of the event of default. No remedy of Lessor available in this Lease, in law, or in equity, shall be exclusive or dependent on any other such remedy, but any one or more of such remedies may from time to time be exercised independently or in combination. Lessee hereby authorizes its landlord to provide Lessor access to the Location to remove the Vehicle in case of default. One Lessee can bind all lessees in the event of a voluntary surrender.



**22. CROSS-COLLATERAL DEFAULT.** A material default under this agreement shall be deemed and trigger a material default under any and all agreements between Lessor (whether Lessor is original Lessor or assignee) and any and all Lessees signed on this Agreement. This section applies to each Lessee or Guarantor jointly and severally, and to any agreements between Lessor and Lessee where Lessee is also joint and several. Lessor may elect, in its sole discretion, to forgo enforcement on any other Lease, but in so doing, Lessor shall not be deemed to waive its rights under this section.

**23. CROSS COLLATERAL SECURITY.** If the Lessee is a Lessee under two or more leases with the Lessor, the Lessor may, from time to time, modify the Vehicle and payment terms of each lease by transferring some or all of the Vehicle and corresponding payments from among any of the leases in which the Lessee is a party, to any other lease in which the Lessee is a party, provided that the cumulative payments of the Lessee after the transfer does not exceed the total pre-transfer payments owing on all leases. Lessor is at liberty to make such modifications at its own discretion and will provide the Lessee with notification of such modifications.

**24. NOTICES AND WAIVER.** Any notices required to be given herein shall be given to the parties in writing at the addresses herein, or to such other address as the parties may hereafter designate by written notice. Each party hereto agrees that such notices shall be deemed to have been received by the other party on the day when such notices were sent. The parties hereto agree that this Agreement and all documents related thereto be written in the English language. (Les parties en presences conviennent à ce que ce document soit rédigé en anglais). In provinces where applicable, the Lessee waives written notice under the relevant Personal Property Security Act of a copy of the Financing Statement from the Lessor.

**25. COLLECTION CHARGES.** Should Lessee fail to pay when due any part of the Rent, or renewal Rent herein reserved or any sum required to be paid to Lessor hereunder, Lessee shall pay to Lessor, in addition to any other payments, interest on any and all delinquent payments from the date thereof until paid in full at the rate of twenty-six and eighty-two one-hundredths percent (26.82%) on such amount, calculated and compounded at the rate of two percent (2%) per month compounded monthly. Lessee further agrees to pay to Lessor for a returned cheque or a Pre-Authorized Payment debit a charge in an amount the greater of \$50.00 or the actual bank charge.

**26. MISCELLANEOUS.** (a) This Agreement shall be governed by the laws of the Province of Ontario or, at the option of the Lessor, the Province(s) in which the use of this Vehicle was originally intended and Lessee hereby attorns to the jurisdiction of the courts of such Province as the Lessor selects; (b) No waiver by Lessor of any term of this Agreement shall constitute a waiver of any other term or any of Lessor's rights; (c) This Agreement contains the whole of the agreement between the parties and there are no collateral agreements or conditions not specifically set forth herein, and no modifications, amendments, additions or variations shall be binding unless agreed to in writing and properly executed by the parties; (d) This Agreement shall be binding upon the parties hereto and their permitted successors and assigns; (e) For purposes of the Civil Code of Quebec, Lessee acknowledges that this Agreement shall be considered a Contract of Leasing; (f) For purposes of Leases contracted in the Province of Saskatchewan, if the Lessee is a corporation, the Lessee agrees that The Limitation of Civil Rights Act has no application to this Agreement or any renewal or extension hereof, and hereby waives any and all benefits and remedies provided by that Act. (g) Lessee hereby acknowledges receipt of a copy of this Agreement. (h) all indemnities of Lessor by Lessee as set in this Agreement shall survive the termination of this Agreement. (i) If any Term or condition of the Lease is found to be unenforceable, the remainder of the Lease Terms & Conditions shall remain in effect.

Authorized Signature(s): 	Accepted by Lessor: Equirex Vehicle Leasing 2007 Inc. 101-1465 North Service Rd E Oakville, ON L6H 1A7
Lessee(s) <input checked="" type="checkbox"/> Machine Works Industrial Inc. Email: jody.coombs@machineworks.ca	 Authorized Signature  APR 05 2018 Date:
Co-Lessee(s) <input checked="" type="checkbox"/> Paul Francis Jr. Burns	
Co-Lessee(s) <input checked="" type="checkbox"/> Jody F. Coombs	
Co-Lessee(s) _____	



Equipex Vehicle Leasing 2007 Inc.  
 101-1465 North Service Rd E Oakville, ON, L6H 1A7  
 Phone: (877)-378-4799  
 Fax: (905)-504-4148

## EQUIPMENT LIST SCHEDULE A

It contains important Legal and Financial Terms and Conditions. Please read all pages carefully. Feel free to ask questions before signing.

Lease #	2000138
App. #	70207

**Lessee Name** | Machine Works Industrial Inc. AND Paul Francis Jr. Burns AND Jody F Coombs

**Equipment Location (if different from Lease)** |

Qty	Model, Description, Serial Number
1	Applied Fabrication 2022 Exchanger Tube Sheet Diameter 66" - Weight Capacity 60,000 lbs S/N-J291-22-0909
1	Tube and Shell Trainer
1	2014 Maxey GDS30ACKT Trailer with c/w 36' Containment S/N-5R8GN3026EM031202
1	Careylift - Model 60 - Serial # 6021
1	Careylift - Model 45 - Serial # 4517
1	Applied Fabrication 2026 Exchanger Tube Sheet Diameter 79" - Weight Capacity 60,000 lbs S/N-J291-24-0909

**FAX COPY:** The Parties agree that a fax copy or an electronically transmitted copy of this document and the signatures of the parties on this document shall be sufficient for contractual purposes and will be deemed to be an original and forms an integral part of the Lease Agreement. The parties agree that this document may be signed in counterparts, each of which shall be deemed to be an original and which together shall constitute one and the same agreement.

Signatures :	The Undersigned Affirms That He/She Is Duly Authorized To Execute This Agreement	Date :
Machine Works Industrial Inc.	X  Signature	X  Signature
Jody F Coombs	X  Signature	Signature

APR 05 2010





Equirex Vehicle Leasing 2007 Inc.  
 101-1465 North Service Rd E Oakville, ON, L5H  
 1A7  
 Phone: (877)-378-4739 Fax: (888)-404-1418

## General Security Agreement SCHEDULE GSA

It contains important Legal and Financial Terms and  
 Conditions Please read all pages carefully. Feel free  
 to ask questions before signing.

Lease#	Blanket
App. #	Blanket

### 1. Secured Interest in Collateral -

Machine Works Industrial Inc.	the "Debtor"
-------------------------------	--------------

For valuable consideration grants, assigns, transfers, sets over, mortgages and charges to Equirex Vehicle Leasing 2007 Inc. (the "Secured Party") as and by way of a fixed and specific mortgage and charge, and grants to the Secured Party a security interest in the present and future undertaking, property and assets of the Debtor, including, without limitation, the following property (the "Collateral"):

- (a) all goods now or hereafter comprising part of the inventory of the Debtor, including, but not limited to, goods now or hereafter held for sale or lease or furnished or to be furnished under a contract of service or that are raw materials, work in process or materials used or consumed in a business or profession, or finished goods;
- (b) all goods now or hereafter used or intended to be used in any business of the Debtor (and which are not inventory) including, but not limited to, fixtures, equipment, livestock, machinery, vehicles and other tangible personal property, whether described hereto or not;
- (c) all debts, demands and choses in action which are now due, owing or accruing due or which may hereafter become due, owing or accruing due to the Debtor, and all claims of any kind which the Debtor now has or may hereafter have, including, but not limited to, claims against the Crown and claims under insurance policies;
- (d) all chattel paper now or hereafter owned by the Debtor;
- (e) all warehouse receipts, bills of lading and other documents of title, whether negotiable or non-negotiable, now or hereafter owned by the Debtor;
- (f) with respect to the personal property described in sub-paragraphs (c), (d) and (e), all books, accounts, invoices, letters, papers, documents and other records in any form evidencing or relating thereto and all contracts, securities, instruments and other rights and benefits in respect thereof;
- (g) all shares, stock, warrants, bonds, debentures, debenture stock or other securities now or hereafter owned by the Debtor;
- (h) all proceeds from the sale or transfer of any form of quota, included but not limited to quota for milk, apparel, etc.
- (i) all goodwill, patents, trade marks, copyrights and other industrial property and all intangibles now or hereafter owned by the Debtor;
- (j) with respect to the personal property described in sub-paragraphs (a) to (h) inclusive, all substitutions and replacements thereof, increases, additions and accessions thereto and any interest of the Debtor therein; and
- (k) with respect to the personal property described in sub-paragraphs (a) to (i) inclusive, personal property in any form or fixtures derived directly or indirectly from any dealing with such property or that indemnifies or compensates for such property destroyed or damaged.

In this paragraph, the words "goods", "inventory", "equipment", "chattel paper", "document of title", "instrument", "securities", "intangible" and "accessions" shall have the same meanings as their defined meanings in the Personal Property Security Act, or the Civil Code, as appropriate, including all amendments thereto, (the "PPSA"). In this Agreement, any reference to "Collateral" shall, unless the context otherwise requires, refer to "Collateral or any part thereof". In this Agreement, "Collateral" shall include the proceeds thereof.

### 2. Obligations Secured

The fixed and specific mortgages, charges and security interest granted hereby: secures the performance by the Debtor of all of its present and future obligations (such obligations being herein called, and included in, the "Obligations") to the Secured Party under the following described agreement and any future additions or changes to the Lease Agreement to the following "Parties":

Lease Agreement # :	Blanket	Lease Date	APR 05 2013
Lessee :	Machine Works Industrial Inc.		
Co-Lessee(s) :	Paul Francis Jr. Burns AND Jody F Coombs		
Lessor :	Equirex Vehicle Leasing 2007 Inc.		

### 3. Representations and Warranties

The Debtor represents and warrants as follows:

- (a) the Debtor is, or is to become, the beneficial owner of the Collateral;
- (b) the Debtor has, or will have when the Collateral is acquired, the right to create mortgages and charges of, and grant a security interest in, the Collateral in favour of the Secured Party;
- (c) the Collateral is, or will be when acquired, free and clear of all security interests, mortgages, hypothecs, charges, liens, encumbrances, taxes and assessments;
- (d) this Agreement has been duly and properly authorised by all necessary action and constitutes a legal, valid and binding obligation of the Debtor; and

Initial here: **X**

- (e) The Debtor has, and at all times hereafter shall have, full power and lawful authority, corporate and other, to grant the Security Interests.

#### 4. Covenants

The Debtor hereby agrees that:

- (a) **Maintain, Use;** the Debtor shall diligently maintain, use and operate the Collateral and shall carry on and conduct its business in a proper and efficient manner so as to preserve and protect the Collateral and the earnings, incomes, rents, issues and profits thereof;
- (b) **Insurance ;** the Debtor shall cause all of the Collateral, to be properly insured and kept insured with reputable insurers against loss or damage by fire or other hazards of the nature of and to the extent that such Collateral is usually insured by businesses operating or using Collateral of a similar nature in the same or similar localities and shall maintain such insurance with loss, if any, payable to the Secured Party and shall deliver to the Secured Party evidence of such insurance satisfactory to the Secured Party;
- (c) **Rent, Taxes, etc.;** the Debtor shall pay all rents, taxes, rates, levies, assessments and government fees or dues lawfully levied, assessed or imposed in respect of the Collateral, or any part thereof, as and when the same shall become due and payable, and shall exhibit to the Secured Party, when required, the receipt and vouchers establishing such payments;
- (d) **Observe Law;** the Debtor shall duly observe and conform to all valid requirements of any governmental authority relative to any of the Collateral and all covenants, terms and conditions upon or under which the Collateral is held;
- (e) **Books, Records;** the Debtor shall keep proper books of accounts in accordance with sound accounting practice and the Debtor shall furnish to the Secured Party such financial information and statements relating to its business and the Collateral as the Secured Party may, from time to time, require, and the Debtor shall permit the Secured Party or its authorised agent at any time, at the expense of the Debtor, to examine the Collateral and to examine the books of accounts and other financial records and reports of the Debtor, including, but not limited to, books of accounts and other financial records and reports relating to the Collateral and to make copies thereof and take extracts therefrom;
- (f) **Information;** the Debtor shall furnish to the Secured Party information with respect to the Collateral and the insurance thereon as the Secured Party may, from time to time, require, and the Debtor shall give written notice to the Secured Party of all litigation before any court, administrative board or other tribunal affecting the Debtor or the Collateral;
- (g) **Other Encumbrances;** the Debtor shall not, without the prior consent in writing of the Secured Party, create any security interest, mortgage, hypothec, charge, lien or other encumbrance upon the Collateral, or any part thereof;
- (h) **Disposition;** the Debtor shall not dispose of the Collateral without the express written consent of the secured party.
- (i) **Defend Title;** the Debtor shall defend the title to the Collateral against all persons and shall, upon demand by the Secured Party, furnish further assurance of title and further security for the Obligations and execute any written instruments or do any other acts necessary to make effective the purposes and provisions of this Agreement; and
- (j) **Change of Name;** the Debtor shall not change its name or sell, exchange, assign or lease or otherwise dispose of the Collateral, or any interest therein, without the prior written consent of the Secured Party except that, until an event of default as described in paragraph 5, occurs, the Debtor may sell or lease inventory in the ordinary course of its business.

#### 5. Sale Proceeds from Trust

As Debtor has agreed not to sell any or all of the Collateral, in the event that Debtor does so, then Debtor receives any proceeds from such sale in trust for the benefit of the Secured Party, and shall immediately upon receipt of such funds deliver monies to the Secured Party.

#### 6. Immediate Possession

Upon failure by the Debtor to perform any of the agreements described in paragraph 4 hereof, the Secured Party is authorised and has the option to take possession of the Collateral and, whether it has taken possession or not, to perform any of the agreements in any manner deemed proper by the Secured Party, without waiving any rights to enforce this Agreement. The reasonable expenses (including the cost of any insurance and payment of taxes or other charges and reasonable solicitors' costs and legal expenses) incurred by the Secured Party in respect of the custody, preservation, use or operation of the Collateral shall be deemed advanced to the Debtor by the Secured Party, shall bear interest at the rate of 24% per annum and shall be secured by this Agreement.

#### 7. Events of Default

At the option of the Secured Party, the Obligations shall immediately become due and payable in full upon the happening of any of the following events:

- (a) if the Debtor shall fail to pay or perform, when due, any of the Obligations;
- (b) if the Debtor shall fail to perform any provisions of this Agreement or of any other agreement to which the Debtor and the Secured Party are parties;
- (c) if any of the representations and warranties herein is or becomes incorrect in any respect at any time;
- (d) if the Debtor, or any guarantor of any of the Obligations, ceases or threatens to cease to carry on its business, commits an act of bankruptcy, becomes insolvent, makes an assignment or bulk sale of its assets, or proposes a compromise or arrangement to its creditors;

Initial here: 

- (e) if any proceeding is taken with respect to a compromise or arrangement, or to have the Debtor or any guarantor of any of the Obligations declared bankrupt or wound up, or to have a receiver appointed in respect of the Debtor or of any guarantor of any of the Obligations or of any part of the Collateral or if any encumbrancer takes possession of any part thereof;
- (f) if any execution, sequestration or any other process of any court becomes enforceable against the Debtor or any guarantor of any of the Obligations, or if any distress or analogous process is levied upon the Collateral, or any part thereof;
- (g) if the Secured Party, in good faith, believes that the prospect of payment or performance of any of the Obligations is impaired.

**8. Remedies**

If, pursuant to paragraph 6 hereof, the Secured Party declares that the Obligations shall immediately become due and payable in full, the Debtor and the Secured Party shall have, in addition to any other rights and remedies provided by law, the rights and remedies of a debtor and a secured party respectively under the PPSA and those provided by this Agreement. The Secured Party may take immediate possession of the Collateral and enforce any rights of the Debtor in respect of the Collateral by any manner permitted by law and may require the Debtor to assemble and deliver the Collateral or make the Collateral available to the Secured Party at a reasonably convenient place designated by the Secured Party. The Secured Party may take proceedings in any court of competent jurisdiction for the appointment of a receiver (which term shall include a receiver and manager) of the Collateral, or any part thereof, or may, by instrument in writing, appoint any person to be a receiver of the Collateral, or any part thereof, and may remove any receiver so appointed by the Secured Party and appoint another in his stead; and any such receiver appointed by instrument in writing shall have power (a) to take possession of the Collateral, or any part thereof, (b) to carry on the business of the Debtor, (c) to borrow money required for the maintenance, preservation or protection of the Collateral, or any part thereof, or for the carrying on of the business of the Debtor on the security of the Collateral in priority to the mortgage and charge and security interest created under this Agreement, and (d) to sell, lease or otherwise dispose of the whole or any part of the Collateral at public auction, by public tender or by private sale, either for cash or upon credit, at such time and upon such terms and conditions as the receiver may determine; provided that any such receiver shall be deemed the agent of the Debtor and the Secured Party shall not be, in any way, responsible for any misconduct or negligence of any such receiver.

**9. Expenses**

Any proceeds of any disposition of any of the Collateral may be applied by the Secured Party to the payment of expenses incurred in connection with the retaking, holding, repairing, processing, preparing for disposition and disposing of the Collateral (including reasonable solicitors' fees and legal expenses and any other reasonable expenses), and any balance of such proceeds may be applied by the Secured Party towards the payment of the Obligations in such order of application as the Secured Party may, from time to time, effect. All such expenses and all amounts borrowed on the security of the Collateral under paragraph 7 hereof shall bear interest at 18% per annum and shall be Obligations under this Agreement. If the disposition of the Collateral fails to satisfy the Obligations and the expenses incurred by the Secured Party, the Debtor shall be liable to pay for any deficiency on demand.

**10. Appointment of Attorney**

The Debtor hereby constitutes and appoints the Secured Party, or any receiver appointed hereunder, the true and lawful attorney of the Debtor irrevocably with full power of substitution to do, make and execute all such assignments, documents, acts, matters or things with the right to use the name of the Debtor whenever and wherever it may be deemed necessary or expedient. The Debtor hereby declares that the irrevocable power of attorney granted hereby, being coupled with an interest, is given for valuable consideration.

**11. Place of Business of Debtor and Notices**

The following is the Debtor's principal place of business:

11405 85 Ave, Fort Saskatchewan, AB T8L 0A9

The Debtor shall not change its principal place of business, head office or the location of any of the Collateral or the records in respect thereof without giving to the Secured Parties not less than ten (10) days prior written notice. Every notice, consent, demand and other communication in connection with this Security Agreement and all legal process in regard hereto shall be validly given, made or served if in writing and delivered to, or mailed, postage prepaid, or telecopied or telexed, telegraphed or telephoned or other similar form of communication (collectively "Electronic Communication").

If to the Debtor, see above  
 Otherwise If to the Secured Party : 101-1465 North Service Rd E Oakville, ON, L6H 1A7

or to such other address, number or person as any party may, from time to time, designate by notice.

Any notice, requisition, demand or other instrument, if delivered, shall be deemed to have been given or made on the day on which it was delivered, and if sent by Electronic Communication, shall be deemed to have been given or made on the business day next following the day on which it was so sent and, if mailed, shall be deemed to have been given or made on the fifth business day following the day on which it was so mailed. Any party hereto may give written notice of a change of address in the same manner in which any notice shall thereafter be given to it as above provided at such changed address.

Initial here: 

**12. Waiver**

The parties hereto agree that this Agreement and all documents related thereto be written in the English language. (Les parties en présences conviennent à ce que ce document soit rédigé en anglais.)

**13. Miscellaneous**

The Debtor and the Secured Party further agree that:




- (a) the Debtor shall not be discharged by any extension of time, additional advances, renewals and extensions, the taking of further security, releasing security, extinguishment of the security interest as to all or any part of the Collateral, or any other act, except a release or discharge of the security interest upon the payment in full of the Obligations including charges, expenses, fees, costs and interest;
- (b) any failure by the Secured Party to exercise any right set out in this Agreement shall not constitute a waiver thereof; nothing in this Agreement or in the Obligations shall preclude any other remedy by action or otherwise for the enforcement of this agreement or the payment in full of the Obligations secured by this Agreement;
- (c) all rights of the Secured Party hereunder shall be assignable and in any action brought by an assignee to enforce such rights, the Debtor shall not assert against the assignee any claim or defence which the Debtor now has or may hereafter have against the Secured Party;
- (d) all rights of the Secured Party hereunder shall enure to the benefit of its successors and assigns and all obligations of the Debtor hereunder shall bind the Debtor, his heirs, executors, administrators, successors and assigns;
- (e) if more than one person executes this Agreement as Debtor, their obligations under this Agreement shall be joint and several;
- (f) this Security Agreement contains the entire agreement between the parties relating to the Security Interests granted herein. Any modification of this Security Agreement or waiver of any provision herein contained shall not be binding unless in writing and signed by the Secured Party and the Debtor. This Security Agreement shall continue in effect until the Obligations are satisfied in full;
- (g) any provision of this Security Agreement prohibited by law or otherwise ineffective shall be ineffective only to the extent of such prohibition or ineffectiveness and shall be severable without invalidating or otherwise affecting the remaining provisions hereof;
- (h) nothing herein shall obligate the Secured Party to make any advance, loan or advance or extend credit to the Debtor;
- (i) this Security Agreement and the Security Interests created hereby are in addition to and not in substitution for any other security or rights now or hereafter held by the Secured Party for the performance of any of the Obligations;
- (j) the Debtor shall sign such further and other documents and shall do and perform and cause to be done and performed such further and other acts and things as may be necessary or desirable in order to give full effect to this Security Agreement;
- (k) this Agreement shall be governed in all respects by the laws of the Province of Ontario, Halton district ;
- (l) all remedies of the Secured Party at law and hereunder are cumulative and concurrent;
- (m) Upon payment and performance by the Debtor of the Obligations secured hereby, the Secured Party shall, upon request in writing by the Debtor, deliver up this Security Agreement to the Debtor and shall, at the expense of the Debtor, cancel and discharge the Security Interests and execute and deliver to the Debtor such documents as shall be requisite to discharge the Security Interests hereby constituted;
- (n) All headings and titles in this Security Agreement are for reference only and are not to be used in the interpretation of the terms hereof;
- (o) the Debtor hereby acknowledges receipt of an executed copy of this Agreement; and
- (p) this Agreement shall become effective when it is signed by the Debtor.

**14. FAX COPY**

The Parties agree that a fax copy or an electronically transmitted copy of this document and the signatures of the parties on this document shall be sufficient for contractual purposes and will be deemed to be an original and forms an integral part of the Lease Agreement. The parties agree that this document may be signed in counterparts, each of which shall be deemed to be an original and which together shall constitute one and the same agreement.

Executed in duplicate on the 23 Day of March 2018

SIGNED, SEALED AND DELIVERED

Signature : The Undersigned Affirms That He / She Is Duly Authorized To Execute This Agreement		
DEBTOR :	Machine Works Industrial Inc.	
Signature :		Name : Paul Burns
Signature :		Name : Jody Coombs
Equirex Vehicle Leasing 2007 Inc.		Date : March 23/2018

APR 05 2018

## **CORRESPONDENCE**

**From:** [lindap@benningtonfinancial.ca](mailto:lindap@benningtonfinancial.ca)  
**To:** [mirowley@deloitte.ca](mailto:mirowley@deloitte.ca)  
**Subject:** FW: Equirex Lease no.: 20000138 - Machine Works Industrial Inc. - Court file no.: 1901-07789. Estate no.: 24-116038  
**Date:** October 29, 2019 3:47:43 PM  
**Attachments:** [Lease documents and GSA.pdf](#)  
**Importance:** High

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Hi Mike,

Further to our telephone conversation just, please find attached a copy the lease agreement you requested for.

Also, please find attached a copy of the GSA I forgot to send initially with the proof of claim.

I look forward to hearing from you or your colleague regarding your estimated value of our leased asset.

Best,

**Linda PhaoThai**  
Law Clerk



100-1465 North Service Rd E	Tel 905 901 6258
Oakville, ON	Toll Free 1 844 223 2372
L6H 1A7	ext. 6258 Fax 1 866 405 4869

---

**From:** Linda PhaoThai  
**Sent:** October 28, 2019 2:19 PM  
**To:** Rowley, Mike <[mirowley@deloitte.ca](mailto:mirowley@deloitte.ca)>  
**Subject:** RE: Equirex Lease no.: 20000138 - Machine Works Industrial Inc. - Court file no.: 1901-07789. Estate no.: 24-116038  
**Importance:** High

Good afternoon Mike,

Could you please provide us with a trustee release and the location of our equipment as soon as possible?

Best,

Linda

---

**From:** Rowley, Mike [<mailto:mirowley@deloitte.ca>]  
**Sent:** October 9, 2019 11:38 AM  
**To:** Linda PhaoThai <[lindap@benningtonfinancial.ca](mailto:lindap@benningtonfinancial.ca)>  
**Subject:** RE:Equirex Lease no.: 20000138 - Machine Works Industrial Inc. - Court file no.: 1901-07789. Estate no.: 24-116038

Thank you Linda.

Please be advised that company has no ability to charge a per diem rate in the case of an insolvency proceeding. Interest charges are only valid up to the date the Receivership is filed.

--  
**Michael Rowley CPA, CA**  
Senior Associate | Deloitte Restructuring Inc.  
1500 Manulife Place, 10180 – 101 Street, Edmonton, AB T5J 4K1 Canada  
Tel/Direct: +1 (780) 421-3817 | Fax: +1 (780) 421-3782  
[mirowley@deloitte.ca](mailto:mirowley@deloitte.ca) | [deloitte.ca](http://deloitte.ca)

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**From:** Linda PhaoThai <[lindap@benningtonfinancial.ca](mailto:lindap@benningtonfinancial.ca)>  
**Sent:** Wednesday, October 9, 2019 8:54 AM  
**To:** Rowley, Mike <[mirowley@deloitte.ca](mailto:mirowley@deloitte.ca)>  
**Subject:** [EXT] Equirex Lease no.: 20000138 - Machine Works Industrial Inc. - Court file no.: 1901-07789. Estate no.: 24-116038

Good morning,

Please see attached.

Best,

**Linda PhaoThai**  
Law Clerk



100-1465 North Service Rd E  
Oakville, ON  
L6H 1A7

Tel 905 901 6258  
Toll Free 1 844 223 2372 ext. 6258  
Fax 1 866 405 4869

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**From:** [Seana Chin](#)  
**To:** [mirowley@deloitte.ca](mailto:mirowley@deloitte.ca)  
**Subject:** Estate No. 24-116038; Court No.: 1901-07789; Receivership of Machine Works Industrial Inc.  
**Date:** February 24, 2020 5:35:00 PM  
**Attachments:** [Equirex Proof of Claim.pdf](#)

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Good Afternoon Mr. Rowley,

I am e-mailing in regards to the receivership noted above.

I am Legal Counsel for Equirex, A Division of Bennington Financial Corp. ("Equirex"), a secured creditor of Machine Works Industrial Inc. For your reference I have included a copy of our Proof of Claim which was previously sent to you on or about October 9, 2019.

I understand assets belonging to Equirex (which are described in detail on the last page of the attached Proof of Claim) were sold as part of a sale to Century Services Corp.

To date, we have not received the funds from the sale. As such, we ask that you provide us with a detailed accounting of the sale of Equirex's assets and advise as to the status of the resulting funds.

Best Regards,

**Seana Chin, J.D.**  
Legal Counsel



100-1465 North Service Rd E  
Oakville, ON  
L6H 1A7

Tel 905 618 0460  
Toll Free 1 844 223 2372 ext. 0460  
Fax 1 866 405 4869