

District of British Columbia
Division No. 03 – Vancouver
Court No. S-152303
Estate No. 11-1946231

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF THE RECEIVERSHIP OF
CONTECH ENTERPRISES INC.**

**THIRD REPORT OF DELOITTE RESTRUCTURING INC.
IN ITS CAPACITY AS RECEIVER AND MANAGER**

July 13, 2015

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1. INTRODUCTION

This is the Receiver's third report (the "**Third Report**") to the Supreme Court of British Columbia. The first report was made on April 24, 2015 (the "**First Report**") and the second report (the "**Second Report**") was made on May 15, 2015.

Contech Enterprises Inc. ("**Contech**" or the "**Company**") filed a proposal on December 23, 2014 to its creditors ("**Proposal**") under Part III, Division I of the *Bankruptcy and Insolvency Act* ("**BIA**") appointing Deloitte Restructuring Inc. ("**Deloitte**") as Proposal Trustee. The Proposal was approved at the first meeting of creditors on January 8, 2015 and subsequently approved by the Supreme Court of British Columbia on January 27, 2015. However, the approval of the Proposal was overturned by the Court of Appeal for British Columbia on March 6, 2015, resulting in the automatic deemed bankruptcy of the Company. Deloitte was deemed to be appointed as Trustee in Bankruptcy of Contech and its appointment was later affirmed at a meeting of creditors held on March 26, 2015.

On March 11, 2015, Deloitte was instrument appointed as receiver by HSBC Bank Canada ("**HSBC**") pursuant to a general security agreement dated September 29, 2011, granted by Contech in favour of HSBC.

Upon the application of HSBC, the Supreme Court of British Columbia appointed Deloitte as receiver and manager (the "**Receiver**") of Contech pursuant to an Order dated March 20, 2015. A copy of the Receivership Order is attached hereto as **Appendix "A"**.

Additional information and details of the Proposal, bankruptcy and receivership proceedings can be found on the Trustee and Receiver's website at: www.insolvencies.deloitte.ca/en-ca/Pages/Contech.aspx.

On April 29, 2015, the Receiver sought and obtained an Approval and Vesting Order approving a sale transaction to Scotts Canada Inc. ("**Scotts**") vesting in Scotts the Receiver's right, title and interest in the majority of the assets of the Company (the "**Scotts Transaction**"). The Scotts Transaction settled on May 6, 2015. A copy of the Approval and Vesting Order for the Scotts Transaction is attached hereto as **Appendix "B"**.

On May 19, 2015, the Receiver sought and obtained an Approval and Vesting Order approving the sale transactions to VegHerb, LLC (“**VegHerb**”) vesting in VegHerb the Receiver’s right, title and interest in the inventory and intellectual property of a product known as “Frame-It-All”, a raised garden bed and sand box border product made of eco-friendly, durable composite timbers (“**VegHerb Transactions**”). The VegHerb Transactions settled on May 26, 2015 (“**VegHerb Settlement Date**”). A copy of the Approval and Vesting Order for the VegHerb Transactions is attached hereto as **Appendix “C”**.

2. PURPOSE OF REPORT

The purpose of this Third Report is to:

- a) describe the activities of the Receiver since the Second Report;
- b) seek an Order of this Honourable Court approving a distribution to certain of the secured creditors; and
- c) seek an Order of this Honourable Court approving the fees and disbursements of the Receiver and its counsel.

3. TERMS OF REFERENCE

In preparing this Report we have relied upon the financial information of the Company and discussions with management.

The financial information of the Company has not been audited, reviewed or otherwise verified by us as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles. Additionally, none of our procedures were intended to disclose defalcations or other irregularities. Were we to perform additional procedures or to undertake an audit examination of the financial statements in accordance with generally accepted auditing standards, additional matters may have come to our attention. Accordingly, we do not express an opinion or provide any other form of assurance on the financial or other information presented herein. We may refine or alter our observations as further information is obtained or brought to our attention after the date of this Report.

We assume 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 Report. Any use which any party makes of this Report, or any reliance or decisions to be made based on this Report is the sole responsibility of such party.

All currency amounts referenced in this Report are expressed in Canadian dollars, unless otherwise specified.

Capitalized terms used in this Report and not otherwise defined have the defined meanings as set forth in the First Report and Second Report.

4. RECEIVER'S ACTIVITIES SINCE SECOND REPORT

Since the Second Report, the Receiver has, among other things:

- a) continued negotiations with interested parties in order to sell the remaining assets of the Company, as detailed further in Section 5 of this Third Report;
- b) completed a full distribution to HSBC Bank Canada ("**HSBC**"), Business Development Bank of Canada ("**BDC**") and First West Credit Union ("**First West**") pursuant to the Order of this Honourable Court dated May 19, 2015. A copy of this Order is attached as **Appendix "D"**; and
- c) continued the orderly wind down of the operations of the Company in order to complete the administration of the estate.

As noted above, this Honourable Court approved the purchase and sale agreements for the VegHerb Transactions attached as Appendix "C" and Appendix "D" to the Second Report (the "**VegHerb PSAs**") on May 19, 2015. The VegHerb Transactions settled on May 26, 2015.

After the Receiver delivered the application materials to this Honourable Court seeking approval of the VegHerb Transactions, certain debenture holders asserted that VegHerb may be owed a lesser amount. However, the Receiver investigated these assertions and determined, with the assistance of its legal counsel, that VegHerb was in fact owed approximately \$1.8 million, as stated in the Second Report.

Pursuant to the VegHerb PSAs, the Receiver sold its right, title and interest in the inventory and intellectual property of the Frame-It-All product. The intellectual property sale was for a total purchase price of \$700,000, payable by \$25,000 in cash paid as a deposit on April 15, 2015 and a \$675,000 reduction in the debt the Company owed to VegHerb. The inventory sale was for a total price of \$0.15 on the dollar for saleable inventory. VegHerb paid a deposit of USD\$25,000 (CAD\$29,968) for the inventory on May 14, 2015. On May 22, 2015, VegHerb made a further prepayment of CAD\$23,725 towards the inventory transaction. On the VegHerb Settlement Date, VegHerb paid the remaining CAD\$18,203, for a total purchase price for the Frame-it-All inventory of CAD\$71,905. On the VegHerb Settlement Date, the Receiver ceased trading the Frame-It-All business purchased by VegHerb.

As a result of the sales to Scotts and VegHerb, the Receiver ceased trading in the products and businesses that were sold. This significantly reduced the number of products and businesses involved in the day-to-day business of the Company.

Since the Second Report, the Receiver's significant activities have also included:

- a) assisting VegHerb with the transition of assets acquired in the VegHerb Transactions;
- b) downsizing the remaining operations of the Company in order to reduce costs while still retaining the value of the remaining assets;
- c) ongoing collection of the Company's pre-filing and post-filing accounts receivable;
- d) negotiating finished goods inventory sales on an "as is, where is" basis with interested parties;
- e) reviewing and approving receipts and disbursements on a periodic basis;
- f) preparing, reviewing and regularly updating the operational cash flow projections;
- g) regular attendance at the Company's head office to manage day-to-day operations along with attendance at the Delta, British Columbia site and Contech US premises in Grand Rapids, Michigan;
- h) establishing and maintaining the Trustee and Receiver's website to inform creditors and all other stakeholders of the insolvency proceeding, Court Orders, reports and other relevant information; and
- i) maintaining the books and records related to the receivership administration.

5. CONTINUED SALES PROCESS

The sales process conducted by the Receiver is described in detail in the First Report. Since acceptance of the VegHerb PSAs, and approval of the VegHerb Transactions by the Court on May 19, 2015, the Receiver has continued negotiations with interested parties in order to sell the remaining assets of the Company. These assets included a product known as “True-Dose”, a nutritional supplement for cats or dogs, and products known as “Pro-Collar” and “Pro-Cone”, soft protective collars allowing pets to heal from wounds. The Receiver continued to seek potential purchasers for the True-Dose and Pro-Collar and Pro-Cone business.

As a result of the sales process, one offer was received for the True-Dose inventory and intellectual property (“**True-Dose Offer**”). The True-Dose Offer was received from Lifes 2 Good Limited (“**L2G**”) for a purchase price of \$5,000. The Receivership Order authorises the Receiver to conclude transactions for total proceeds of up to \$50,000 for a single transaction (up to aggregate proceeds of \$200,000). The Receiver closed this sale to L2G on May 28, 2015. In addition, one offer was received for the Pro-Collar and Pro-Cone inventory and intellectual property (“**Pro-Collar offer**”). The Pro-Collar offer was received from CSTechUS, Inc. for a purchase price of USD\$11,402.32. The Receiver closed this sale to CSTechUS, Inc on June 23, 2015.

6. PROPOSED DISTRIBUTION

Based on the security interests granted by the Company in favour of HSBC, First West and BDC (collectively, the “**Banks**”), and based on the Banks’ registration of their security and the subordination agreements entered into between and among the Banks and other secured creditors, the Receiver determined that the Banks collectively had a priority claim to the Company’s assets. Based on discussions between the Receiver and the Banks, the proceeds of the Scotts Transaction were more than enough to fully cover the receivership costs attributable to the assets sold in the Scotts Transaction, repay the Banks in full, and leave further proceeds for distribution to the subordinate secured creditors. Pursuant to the Order of this Honourable Court dated May 19, 2015, the Receiver effected a final distribution to the Banks on May 21, 2015. This distribution benefited the subordinate secured creditors by fully repaying the Banks and reducing ongoing interest charges.

The Receiver estimates that the net proceeds of the receivership available for distribution to the subordinate secured creditors will amount to approximately \$2.71 million to \$3.13 million subject

to the collection of remaining outstanding accounts receivable, as detailed in the Statement of Estimated Realizations, a copy of which is attached as **Appendix “E”**.

Based on a review of the security documentation by the Receiver, with the assistance of its legal counsel, the Receiver has determined the priority ranking of the subordinate secured creditors with an interest in the proposed distribution. These secured creditors can be categorised into the following three groups:

- a) Group A secured debenture holders, having registered their security interests between July 27, 2011 and July 25, 2012. On August 1, 2012, the Group A secured debenture holders signed an inter-creditor agreement, pursuant to which the members agreed that their security would rank *pari passu* and that they would share *pro rata* in any proceeds. Attached as **Appendix “F”** is a copy of the Inter-Creditor Agreement among the Group A secured debenture holders. Group A consists of the following debenture holders:

Group A	
Creditor	\$
Laurel Rayani	150,000
Cary Gregory & Janet Gregory	353,241
Julien Sellgren	220,360
Janet Shannon	110,180
Mark Grambart	321,427
Burman & Burman Corp	111,500
Michael Brenner	116,734
Anders Treiberg	55,090
Elisabeth Treiberg	55,090
Minzar Holdings	456,703
0872951 B.C. Ltd	330,540
Group A Total	<u>2,280,865</u>

- b) VegHerb, in the amount of \$1,037,358.34 having registered its security interest on February 22, 2013. VegHerb’s original claim was for \$1,712,358.34, however as part of the VegHerb Transactions, VegHerb credit bid \$675,000 of its debt thereby reducing the amount of its claim. As determined by the British Columbia Court of Appeal on March 6, 2015 (the “**Appeal Decision**”), VegHerb has a Purchase Money Security Interest claim over the Frame-It-All intellectual property. Attached as **Appendix “G”** is a copy of the Appeal Decision. The amount of this claim, being determined by the sale value of the Frame-It-All intellectual property, is \$675,000. This claim was extinguished by the sale of the Frame-It-All intellectual property to VegHerb.

c) Group B secured debenture holders, having registered their security interests on February 19, 2014. Pursuant to the terms of a loan agreement dated March 7, 2014, the Group B secured debenture holders signed an inter-creditor agreement pursuant to which the members agreed that their security would rank *pari passu* and that they would share *pro rata* in any proceeds. Attached as **Appendix “H”** is a copy of the March 7, 2014 loan agreement. Group B consists of the following debenture holders:

Group B	
Creditor	\$
Sadler Farms Ltd.	100,000
Paul Hooper	50,436
Marianne Hooper	50,436
BC Advantage Funds (VCC) Ltd.	1,008,721
ECL Holdings Ltd	168,119
St Patrick Holdings Ltd	168,119
Minzar Holdings Ltd	168,119
BWF Holdings Ltd	728,221
Denman Chocolate Ltd	500,000
Group B Total	<u>2,942,171</u>

On March 7, 2014, all members of Group A, with the exception of Michael Brenner, agreed to subordinate their debt claims to the members of Group B for the full amount of the Group A members’ collective claims, being approximately \$2,164,131. Attached as **Appendix “I”** is the Approval of Subordination of Security Interests (the “**Subordination**”). The Receiver has a copy of the Subordination executed by all members of Group A, except for Michael Brenner.

As a result of the Subordination and the inter-creditor agreements, the Group B secured debenture holders will have priority up to the amount owed to the subordinated Group A secured debenture holders in the amount of \$2,164,131. The Group B secured debenture holders and Michael Brenner will share this priority position *pro rata*. The next priority position is VegHerb, which registered its interest after the Group A secured debenture holders but before the Group B secured debenture holders. VegHerb has not subordinated its security position to any of the subordinate secured creditors, and specifically has not subordinated its security interest to the Group B secured debenture holders or the Group A secured debenture holders. The third priority position is the Group B secured debenture holders for the balance of their debt claim. Fourth is the Group A secured debenture holders. This is illustrated in the tables below, which shows the ranking of creditors following Group A’s subordination to Group B.

Pre-Subordination ranking

Rank	Creditor	\$
Group A		
1	Laurel Rayani	150,000
	Cary Gregory & Janet Gregory	353,241
	Julien Sellgren	220,360
	Janet Shannon	110,180
	Mark Grambart	321,427
	Burman & Burman Corp	111,500
	Michael Brenner	116,734
	Anders Treiberg	55,090
	Elisabeth Treiberg	55,090
	Minzar Holdings	456,703
0872951 B.C. Ltd	330,540	
	Group A total	<u>2,280,865</u>
2	VegHerb	1,712,358

Post-Subordination ranking

Rank	Creditor	\$
1	Michael Brenner	116,734
Group B priority		
1	Sadler Farms Ltd.	73,556
	Paul Hooper	37,098
	Marianne Hooper	37,098
	BC Advantage Funds (VCC) Ltd.	741,971
	ECL Holdings Ltd	123,661
	St Patrick Holdings Ltd	123,661
	Minzar Holdings Ltd	123,661
	BWF Holdings Ltd	535,647
Denman Chocolate Ltd	367,778	
	Group B priority total	<u>2,164,131</u>
2	VegHerb*	1,037,358
Remaining Group B		
3	Sadler Farms Ltd.	26,444
	Paul Hooper	13,338
	Marianne Hooper	13,338
	BC Advantage Funds (VCC) Ltd.	266,750
	ECL Holdings Ltd	44,458
	St Patrick Holdings Ltd	44,458
	Minzar Holdings Ltd	44,458
	BWF Holdings Ltd	192,574
Denman Chocolate Ltd	132,222	
	Remaining Group B total	<u>778,040</u>
Group A		
4	Laurel Rayani	150,000
	Cary Gregory & Janet Gregory	353,241
	Julien Sellgren	220,360
	Janet Shannon	110,180
	Mark Grambart	321,427
	Burman & Burman Corp	111,500
	Minzar Holdings Ltd	456,703
	Anders Treiberg	55,090
	Elisabeth Treiberg	55,090
	0872951 B.C. Ltd	330,540
	Group A total	<u>2,164,131</u>

*VegHerb's credit bid for the Frame-It-All intellectual property has been deducted from its claim

Based on the low-case and high-case scenarios outlined in the Receiver's statement of estimated realization, Michael Brenner and Group B (in the amount of their priority ranking debt) may be paid out in full. However, there will be insufficient funds to repay VegHerb's debt in full.

The Receiver does not expect there to be funds available to distribute against Group B's remaining debt and Group A's debt. The estimated distribution is illustrated in the Receiver's statement of estimated realization.

The Receiver has realised approximately \$8.4 million in sales and accounts receivable collections during the receivership period. The asset realizations provided sufficient funds for the Receiver to make a full distribution to HSBC, BDC and First West pursuant to the Order of this Honourable Court dated May 19, 2015. In order to realize the assets of the Company and continue trading in its capacity as Receiver, it was necessary for the Receiver to incur certain costs and fees. It is the view of the Receiver that the fees and disbursements are reasonable due to the amount of realizations and the complexity of the receivership. Copies of the invoices for the fees of the Receiver and its counsel are attached as **Appendix "J"**. A copy of the Receiver's receipts and disbursements is attached as **Appendix "K"**.

In late May 2015, one of the Group A secured debenture holders contacted the Receiver's legal counsel and asserted that Cary Gregory had entered into a side agreement with the Company and the Group B secured debenture holders that may have the effect of invalidating the Subordination. The debenture holder asserted this on the basis of: (a) the fact that Cary Gregory signed the Subordination, but did not sign a Notice of Indebtedness and Subordination; (b) paragraph 1.5(b) of the March 7, 2014 loan agreement had the effect of "carving out" Cary Gregory's security; and (c) emails between Cary Gregory and others.

The Receiver considered the information provided, and determined that the Subordination was effective, and included subordinating the interest of Cary Gregory.

With respect to the unsigned Notice of Indebtedness and Subordination, the Receiver determined that the Subordination demonstrated the intention of the majority of Group A to subordinate their security interests in favour of Group B, and did not require any further documents to implement the subordination. Specifically, the Notice of Indebtedness and Subordination was not required to subordinate the Group A members' interests. The Receiver also notes that it does not have copies

of a Notice of Indebtedness and Subordination signed by each of the Group A secured debenture holders. Attached as “**Appendix L**” are the Notices of Indebtedness and Subordination in the possession of the Receiver.

The Receiver considered the creditor’s assertion regarding paragraph 1.5(b) of the Loan Agreement and determined that Cary Gregory was not “carved out” of the Group A subordination. Paragraph 1.5(b) of the Loan Agreement refers to security interests granted **after** the loan agreement date, not existing security interests.

Finally, the Receiver’s counsel considered the correspondence provided and determined that it did not appear to modify or alter the terms of the Subordination. Attached as **Appendix “M”** are the aforementioned correspondence between Cary Gregory and others.

The Receiver circulated this Third Report in draft to the remaining secured creditors. In response to the draft Third Report, the Receiver was contacted by various debenture holders with questions and comments on the Third Report. These questions were addressed directly with the debenture holders inquiring. None of the questions raised by the debenture holders changed the Receiver’s conclusions in this Third Report.

In particular, Cary Gregory advised the Receiver that Group B subordinated its interest to his interest. Mr. Gregory provided information, but no documents, with respect to this Group B subordination. The Receiver considered Mr. Gregory’s position, and determined that it did not change the above analysis and that there is no documentation establishing that Group B agreed to subordinate its interest in favour of Mr. Gregory.

In June 2015, the Receiver was contacted by an individual asserting that he was a secured creditor of the Company. The Receiver does not have a copy of any loan or security documents in favour of this individual, and this individual does not have a current registration in the BC Personal Property Registry. As a result, the Receiver determined that to the extent the individual has a security interest (which is not clear), it would be an unperfected security interest, subordinate to the registered security interests ranked above.

7. NOTICE

Since the Proposal process began in December 2014, the Receiver has communicated to the Company's creditors and other interested parties and stakeholders by posting information to the Receiver's website. Where information disclosed in this fashion is of interest to creditors or interested parties, they contact the Receiver. The Receiver is of the view that if the Notice of Application to approve the final distribution to the debenture holders and this Third Report were posted to that website, it would likely reach the attention of the majority of the Company's creditors and other interested parties.

The Receiver also communicates on a regular basis with certain creditors and interested parties by email. The Receiver is of the view that if the Notice of Application and this Third Report were delivered to those creditors at the email addresses used in past correspondence, it would be likely to reach the attention of those creditors and interested parties.

The Receiver is of the view that giving notice of the Application to approve the final distribution to the debenture holders in this fashion would be more effective, practicable and timely than sending materials by mail or personal service, and that it would save substantial expense. This method of service is also consistent with the approach taken in seeking the Court's approval of the Scotts Transaction and the VegHerb Transactions.

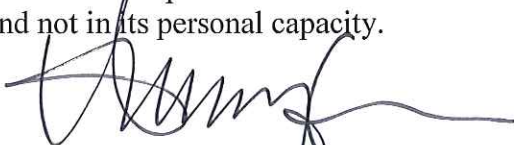
8. CONCLUSION

The Receiver has completed the sales process and sold all assets of the Company. As such, the Receiver respectfully requests that this Honourable Court grant the relief requested in paragraph 2(b) and 2(c).

DATED AT the City of Vancouver, in the Province of British Columbia, this 13th day of July, 2015.

DELOITTE RESTRUCTURING INC.

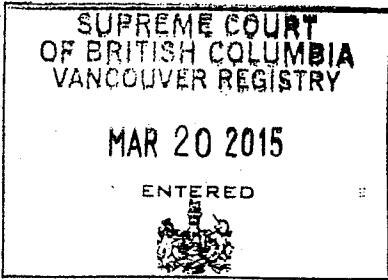
In its capacity as Court-appointed Receiver and Manager of
Contech Enterprises Inc.
and not in its personal capacity.



Per: Huey Lee, MBA, CPA, CMA, CIRP
Senior Vice President

APPENDIX A

RECEIVERSHIP ORDER DATED MARCH 20, 2015



No. S152303
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN

HSBC BANK CANADA

PLAINTIFF

AND:

CONTECH ENTERPRISES INC.
BUSINESS DEVELOPMENT BANK OF CANADA
LAUREL RAYANI
CARY GREGORY
JANET GREGORY
JULIEN SELLGREN
JANET SHANNON
MARK GRAMBART
BURMAN AND BURMAN CORP.
MICHAEL BRENNER
ANDERS TREIBERG
ELISABETH TREIBERG
MINZAR HOLDINGS LTD.
0872951 B.C. LTD.
FIRST WEST CREDIT UNION
VEGHERB, LLC
SADLER FARMS LTD.
PAUL HOOPER
MARIANNE HOOPER
BC ADVANTAGE FUNDS (VCC) LTD.
ECL HOLDINGS LTD.
ST. PATRICK HOLDINGS LTD.
BWF HOLDINGS LTD.
DENMAN ISLAND CHOCOLATE LTD.

DEFENDANT

ORDER MADE AFTER APPLICATION

BEFORE THE HONOURABLE)
MADAM) FRIDAY, THE 20TH DAY
JUSTICE ROSS)
) OF MARCH 2015.

ON THE APPLICATION of HSBC Bank Canada (the "Applicant") for an Order pursuant to Section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and Section 39 of the *Law and Equity Act*, R.S.B.C. 1996 c. 253, as amended (the "LEA") appointing Deloitte Restructuring Inc. as Receiver Manager (in such capacity, the

“Receiver”) without security, of all of the assets, undertakings and properties of Contech Enterprises Inc. (the “Debtor”) acquired for, or used in relation to a business carried on by the Debtor, coming on for hearing this day at the Courthouse, 800 Smithe Street, Vancouver British Columbia.

AND ON READING the Notice of Application dated March 17, 2015 the Affidavit #1 of Jeff Lovestead sworn March 16, 2015 and the Affidavit of Huey Lee, sworn March 16, 2015, and the consent of Deloitte Restructuring Inc. to act as the Receiver; AND ON HEARING Kimberley A. Robertson, Counsel for the Applicant; and no one else appearing.

THIS COURT ORDERS AND DECLARES that:

APPOINTMENT

1. Pursuant to Section 243(1) of the BIA and Section 39 of the LEA Deloitte Restructuring Inc. is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor (wherever located) acquired for, or used in relation to a business carried on by the Debtor, , including, without limitation, Debtor’s equity interests in its wholly-owned subsidiary Contech (U.S.) Inc. (“Contech US”), and all proceeds of all of the foregoing (the “Property”).

RECEIVER’S POWERS

2. The Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:
 - (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
 - (b) to receive, preserve and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
 - (c) to manage, operate and carry on the business of the Debtor, including the powers to enter into any agreements, make advances to Contech US to fund the payroll and operating costs of Contech US as the Receiver may consider necessary for the operation of the Debtor’s business or maximizing the value of the Property, incur any obligations in the ordinary course of business, cease to carry on all or any part of the other business, cease to perform any contracts of the Debtor or to direct Contech US to take any and all actions necessary or desirable to assist the Receiver in carrying out its duties or in furtherance of this Order;
 - (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever

basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including, without limitation, those conferred by this Order;

- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
 - (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor, to transfer ownership of bank accounts of Contech US, into which proceeds of Property are deposited, to the Receiver and/or the Debtor, and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
 - (g) to settle, extend or compromise any indebtedness owing to the Debtor;
 - (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
 - (i) to undertake environmental or workers' health and safety assessments of the Property and operations of the Debtor;
 - (j) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
 - (k) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
 - (l) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business:
 - (i) without the approval of this Court in respect of any transaction not exceeding \$50,000, provided that the aggregate consideration for all such transactions does not exceed \$200,000; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause,
- and in each such case notice under Section 59(10) of the *Personal Property Security Act*, R.S.B.C. 1996, c. 359 shall not be required;
- (m) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;

- (n) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (o) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (p) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if considered necessary or appropriate by the Receiver, in the name of the Debtor;
- (q) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limitation, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
- (r) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (s) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations,

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

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

3. Each of (i) the Debtor and Contech US, (ii) all of the Debtor's current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property (excluding Property subject to liens the validity of which is dependant on maintaining possession) to the Receiver upon the Receiver's request.
4. All Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 4 or in paragraph 5 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be

disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

5. If any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by an independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including, without limitation, providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

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

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

7. No Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court; provided, however, that nothing in this Order shall prevent any Person from commencing a Proceeding regarding a claim that might otherwise become barred by statute or an existing agreement if such Proceeding is not commenced before the expiration of the stay provided by this paragraph and provided that no further step shall be taken in respect of Proceeding except for service of the initiating documentation on the Debtor and the Receiver.

NO EXERCISE OF RIGHTS OR REMEDIES

8. All rights and remedies (including, without limitation, set-off rights) against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that nothing in this Order shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) affect the rights of any regulatory body as set forth in section 69.6(2) of the BIA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien. The stay and suspension shall not apply in respect of any "eligible financial contract" as defined in the BIA.

NO INTERFERENCE WITH THE RECEIVER

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

CONTINUATION OF SERVICES

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

RECEIVER TO HOLD FUNDS

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

EMPLOYEES

12. Subject to the right of employees to terminate their employment notwithstanding paragraph 10, all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities of the Debtor, including any successor employer liabilities as provided for in Section 14.06(1.2) of the BIA, other than amounts the Receiver may specifically agree in writing to pay and amounts in respect of obligations imposed specifically on receivers by applicable legislation. The Receiver shall be liable for any employee-related liabilities, including wages, severance pay, termination pay, vacation pay, and pension or benefit amounts relating to any employees that the Receiver may hire in accordance with the terms and conditions of such employment by the Receiver.

13. Pursuant to Section 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c. 5 or Section 18(1)(o) of the *Personal Information Protection Act*, S.B.C. 2003, c. 63, the Receiver may disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

14. Nothing in this Order shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release, or deposit of a substance contrary to any federal, provincial or other law relating to the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, 1999, S.C. 1999, c. 33, the *Fisheries Act*, R.S.C. 1985, c. F-14, the *Environmental Management Act*, R.S.B.C. 1996, c. 118 and the *Fish Protection Act*, S.B.C. 1997, c. 21 and regulations thereunder (collectively "**Environmental Legislation**"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless the Receiver is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

15. The Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except:
 - (a) any gross negligence or wilful misconduct on its part; or
 - (b) amounts in respect of obligations imposed specifically on receivers by applicable legislation.

Nothing in this Order shall derogate from the protections afforded the Receiver by Section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

16. The reasonable fees and disbursements of the Receiver and its legal counsel, in each case at their standard rates and charges, shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to Sections 14.06(7), 81.4(4), and 81.6(2) of the BIA , except in respect of the security interest of the Business Development Bank of Canada over Fixed assets, Furniture and Equipment to which it has priority pursuant to the Subordination Agreement granted by it in favour of the Plaintiff (the "**BDC Security**"), with the respective priorities between the Receiver's Charge and the BDC Security to be determined at a later date.
17. The Receiver and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Supreme Court of British Columbia and may be heard on a summary basis.
18. Prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

19. The Receiver be at liberty to apply at a later date for authority to borrow funds and obtain a charge over the Property (the "**Receiver's Borrowing Charge**") in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in Sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

ALLOCATION

20. That any interested party may apply to this Court on notice to any other party likely to be affected, for an order allocating the Receiver's Charge and Receiver's Borrowings Charge, if any, amongst the various assets comprising the Property.

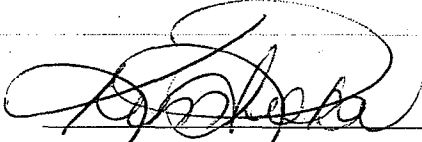
GENERAL

21. The Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.
22. Nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

23. This Court requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction, wherever located, to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All such courts, tribunals and regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.
24. The Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal or regulatory or administrative body, wherever located, for recognition of this Order and for assistance in carrying out the terms of this Order and the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.
25. The Applicant shall have its costs of this motion, up to and including entry and service of this Order, as provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.
26. Any interested party may apply to this Court to vary or amend this Order on not less than seven (7) clear business days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.
27. Endorsement of this Order by counsel appearing on this application other than the Applicant is hereby dispensed.

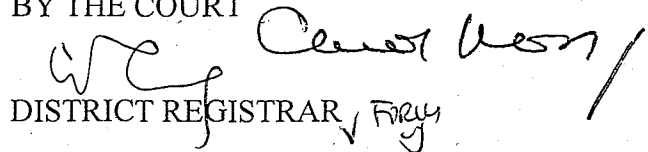
THE FOLLOWING PARTIES APPROVE OF THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

APPROVED BY:



Kimberley A. Robertson
Counsel for HSBC Bank Canada

BY THE COURT



DISTRICT REGISTRAR

NO. _____
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

HSBC BANK CANADA

PLAINTIFF

AND:

CONTECH ENTERPRISES INC.
AND OTHERS

DEFENDANTS

ORDER APPOINTING RECEIVER



Barristers & Solicitors
1600 Cathedral Place
925 West Georgia Street
Vancouver, British Columbia
V6C 3L2
Phone: (604) 685-3456
Attention: Bryan C. Gibbons

File No. 74014-122442

WCB

APPENDIX B

**APPROVAL AND VESTING ORDER FOR THE SCOTTS TRANSACTION DATED
APRIL 29, 2015**

SUPREME COURT
OF BRITISH COLUMBIA
VANCOUVER REGISTRY

APR 29 2015

ENTERED



IN THE SUPREME COURT OF BRITISH COLUMBIA

No. S-152303
Vancouver Registry

BETWEEN:

HSBC BANK CANADA

PLAINTIFF

AND:

CONTECH ENTERPRISES INC., BUSINESS DEVELOPMENT BANK OF CANADA,
LAUREL RAYANI, CARY GREGORY, JANET GREGORY, JULIEN SELLGREN,
JANET SHANNON, MARK GRAMBART, BURMAN AND BURMAN CORP.,
MICHAEL BRENNER, ANDERS TREIBERG, ELISABETH TREIBERG, MINZAR
HOLDINGS LTD., 0872951 B.C. LTD., FIRST WEST CREDIT UNION, VEGHERB,
LLC, SADLER FARMS LTD., PAUL HOOPER, MARIANNE HOOPER, BC
ADVANTAGE FUNDS (VCC) LTD., ECL HOLDINGS LTD., ST. PATRICK HOLDINGS
LTD., BWF HOLDINGS LTD. and DENMAN ISLAND CHOCOLATE LTD.

DEFENDANTS

ORDER MADE AFTER APPLICATION

APPROVAL AND VESTING ORDER

BEFORE THE HONOURABLE

JUSTICE WALKER

)
)
)

29/APRIL/2015

THE APPLICATION of Deloitte Restructuring Inc., in its capacity as Court-appointed Receiver and Manager (the "Receiver") of the assets, undertakings and properties of Contech Enterprises Inc. coming on for hearing at Vancouver, British Columbia, on the 29th day of April, 2015; AND ON HEARING Lisa Hiebert, counsel for the Receiver, and those other counsel listed on Schedule "A" hereto; AND UPON no one else appearing although duly served; AND UPON READING the material filed, including the First Report of the Receiver dated April 24, 2015 (the "First Report");

THIS COURT ORDERS AND DECLARES THAT:

1. The sale transaction (the "Transaction") contemplated by the Asset Purchase and Sale Agreement dated April 15, 2015 (the "Sale Agreement") between Scotts Canada Ltd. (the "Purchaser") and the Receiver, a copy of which is attached as Schedule "B" to this Order, is hereby approved and the Sale Agreement is commercially reasonable. The

execution of the Sale Agreement by the Receiver is hereby authorized and approved, and the Receiver is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance to the Purchaser of the assets described in the Sale Agreement (the "**Purchased Assets**").

2. Upon delivery by the Receiver to the Purchaser of a certificate substantially in the form attached as Schedule "C" hereto (the "**Receiver's Certificate**"), all of the Debtor's right, title and interest in and to the Purchased Assets described in the Sale Agreement shall vest absolutely in the Purchaser in fee simple, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of this Court dated March 20, 2015; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* of British Columbia or any other personal property registry system (all of which are collectively referred to as the "**Encumbrances**"), and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.
3. For the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and from and after the delivery of the Receiver's Certificate all Claims shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having had possession or control immediately prior to the sale.
4. The Receiver is to file with the Court a copy of the Receiver's Certificate forthwith after delivery thereof.
5. Pursuant to Section 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act* or Section 18(10)(o) of the *Personal Information Protection Act* of British Columbia, the Receiver is hereby authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the company's records pertaining to the Debtor's past and current employees, including personal information. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Debtor.
6. Subject to the terms of the Sale Agreement, vacant possession of the Purchased Assets, including any real property, shall be delivered by the Receiver to the Purchaser at 12:00 noon on the Closing Date (as defined in the Sale Agreement).

7. The Receiver, with the consent of the Purchaser, shall be at liberty to:

- (a) extend the Closing Date to such later date as the Purchaser and the Receiver may agree; *but in any event, on or later than May 6, 2015, without further order*
- (b) ~~make such amendments to the Sale Agreement as the Purchaser and the Receiver consider necessary or desirable;~~ *of this Court.*

without the necessity of a further Order of this Court.

8. Notwithstanding:

- (a) these proceedings;
- (b) any applications for a bankruptcy order in respect of the Debtor now or hereafter made pursuant to the *Bankruptcy and Insolvency Act* and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made by or in respect of the Debtor,

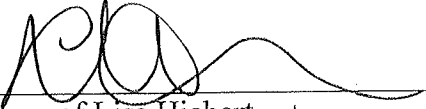
the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtor and shall not be void or voidable by creditors of the Debtor, nor shall it constitute or be deemed to be a transfer at undervalue, fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under the *Bankruptcy and Insolvency Act* or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

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

10. The Receiver or any other party have liberty to apply for such further or other directions or relief as may be necessary or desirable to give effect to this Order.

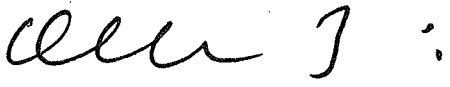
11. Endorsement of this Order by parties appearing on the application, other than counsel for the Receiver, is hereby dispensed with.


THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:



Signature of Lisa Hiebert
 Party Lawyer for the Receiver

BY THE COURT



REGISTRAR ✓ Form
W


Schedule A – Counsel List

Name	Party Represented
Lisa Hiebert	Deloitte Restructuring Inc., receiver and manager of Contech Enterprises Inc.
Matthew Nied	Scotts Canada Ltd., the proposed purchaser

Schedule B – Purchase and Sale Agreement

PURCHASE AND SALE AGREEMENT

This agreement (this "Agreement") dated as of the 15 day of April, 2015

BETWEEN:

Scotts Canada Ltd., a company incorporated under the federal laws of Canada and having its registered office at 199 Bay Street, Suite 5300, Commerce Court West, Toronto, Ontario, Canada, M5L 1B9

(the "Purchaser")

AND:

Deloitte Restructuring Inc., in its capacity as court-appointed receiver over the assets, undertakings and properties of Contech Enterprises Inc., and not in its personal capacity

(the "Receiver")

WHEREAS:

A. On March 20, 2015, on the application of HSBC Bank Canada, the Supreme Court of British Columbia (the "Court") in Action Number S152303, Vancouver Registry (the "Receivership Proceedings"), appointed the Receiver to act as receiver over the assets, undertakings and properties of Contech Enterprises Inc. ("Contech") pursuant to an order of the Court (as such order may be amended or restated from time to time, the "Receivership Order").

B. On the date hereof, Contech carries on the Purchased Business and the Excluded Business (each as defined below).

C. The Receiver desires to sell, or to cause to sell and the Purchaser desires to purchase, all of the assets of every kind and description and wheresoever situate of the Purchased Business, including, without limitation, all related inventory, accounts receivable and cash in the Receiver's bank accounts derived from the Purchased Business as at April 15, 2015, all Intellectual Property and the assets described in Schedule "A" hereto (the "Purchased Assets"), which will not include the Leases, the Nooski Contract, any contracts entered into in connection with the Industrial Business or the assets related to the Excluded Business, upon the terms and subject to the conditions set forth in this Agreement, upon Closing.

D. Contech is the owner of the property, rights and interests of the Purchased Business, including, without limitation, the property, rights and interests listed on Schedule "A" hereto.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the covenants and agreements herein contained the parties hereto agree as follows:

1. DEFINED TERMS

Capitalized terms used but not otherwise defined herein shall have the following meanings:

"Animal Repellant Business" means the business of the development, manufacture and sale of motion-activated sprinkler animal repellents and sonic animal repellent devices, including, without limitation, the ScareCrow Sprinkler and Catstop Repellent devices, carried on by Contech in Canada and the United States of America as of the date hereof, and other activities related thereto.

"Approval and Vesting Order" means an Order of the Court in the Receivership Proceedings, as required, substantially in form attached as Schedule "B" hereto and as may be amended with the consent of the Receiver and Purchaser acting reasonably.

"Applicable Law" means, in respect of any Person, property, transaction or event, any domestic or foreign statute, law (including the common law), ordinance, rule, regulation, treaty, restriction, regulatory policy, standard, code or guideline, by-law or order that applies in whole or in part to such Person, property, transaction or event.

"Assumed Liabilities" has the meaning ascribed thereto in Section 2.3.

"Business Day" means a day other than a Saturday, a Sunday or a statutory holiday in British Columbia.

"Canadian Dollars" means the lawful currency of Canada.

"Consent and Approval" means, as applicable in respect of an instrument, document, authorization, contract or agreement, a consent, approval, notification or waiver from or filing with, any third party Person (including any Governmental Authority) as may be required to assign or transfer such agreement pursuant to the transactions contemplated by this Agreement, in form and substance satisfactory to the Purchaser, acting reasonably.

"Court" has the meaning ascribed thereto in the Recitals.

"Claim" means any claim, action, demand, cause of action, suit, complaint, proceeding, arbitration, judgment, settlement, award, assessment, re-assessment, order, investigation, enquiry or hearing made or threatened.

"Closing" means the completion of the purchase and sale of the Purchased Assets in accordance with the provisions of this Agreement.

"Closing Date" means the 2nd Business Day following the day on which the Approval and Vesting Order is obtained, or such other time and date as may be agreed upon in writing by Receiver and Purchaser, acting reasonably.

"Christmas Tree Stands Business" means the business of the development, manufacture and sale Christmas tree stands and other Christmas products carried on by Contech in Canada and the United States of America as of the date hereof, and other activities related thereto.

"Dataroom" means the dataroom established by the Receiver in connection with the transactions contemplated by this Agreement.

"Encumbrances" means any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by Receivership Order or subsequent orders in the Receivership Proceedings; and (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (British Columbia) or any other personal property registry system.

"Excluded Assets" means all assets of Contech, other than the Purchased Assets, including, without limitation, all related inventory, accounts receivable and cash in the Receiver's bank accounts derived from the Excluded Business as at April 15, 2015.

"Excluded Business" means the Pet Care Business, the Christmas Tree Stands Business and the Garden Bed and Sandbox Business.

"Excluded Contracts" means all contracts, licences, leases, agreements, obligations, promises, undertakings, understandings, arrangements, documents, commitments, entitlements or engagements to which Contech is a party or by which Contech is bound or under which Contech has, or will have, any liability or contingent liability (in each case, whether written or oral, express or implied) other than the Purchased Contracts, as same may be amended and/or restated, and including any and all related quotations, orders, proposals or tenders which remain open for acceptance, warranties and guarantees and documents ancillary thereto including, without limitation, the Nooski Contract and any contracts related to the Industrial Business.

"Excluded Liabilities" means all Liabilities other than the SFU Liability and the Assumed Liabilities, including, without limitation, any Liability related to the Excluded Business, including, without limitation, any Encumbrances, any environmental liability and any Liabilities relating to any Excluded Contract or Lease or any claim for Taxes, interest, penalties or fines.

"Governmental Authority" means any government, regulatory authority, governmental department, agency, commission, bureau, court, judicial body, arbitral body or other law, rule or regulation making entity:

- (a) having jurisdiction over Contech, the Receiver, the Purchaser, the Purchased Business or the Purchased Assets on behalf of any country, province, state, locality or other geographical or political subdivision thereof; or
- (b) exercising or entitled to exercise any administrative, judicial, legislative, regulatory or taxing authority or power with respect to the Purchased Business or Purchased Assets.

"Industrial Business" means the business of the development, manufacture and sale of pheromone adhesive traps and lures for the control or eradication of rodents and insects used in

the agriculture, forestry, apiculture, arboriculture markets including, without limitation, bed bug traps, yellow jacket and wasp traps, fruit fly traps, Japanese beetle traps, mosquito repellents and rodent lures and traps carried on by Contech in Canada and the United States of America as of the date hereof, and other activities related thereto.

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

"Garden Bed and Sandbox Business" means the business of the development, manufacture and sale of raised bed gardens, sandboxes and other lawn and garden products, including, without limitation, Frame-It-All, Crayola sandbox and Birdies Garden Products carried on by Contech in Canada and the United States of America as of the date hereof, and other activities related thereto.

"Leases" means the all of the real property leases to which Contech is a party or which relate to the Purchased Assets including, without limitation, the leases entered into in connection with the properties located at the following addresses: (i) 115 - 119 Dallas Road, Victoria British Columbia; (ii) 314 Straight Street, SW, Grand Rapids, Michigan; (iii) 336 Straight Ave. SW, Grand Rapids, Michigan; (iv) 20 Columbus Street, Perth-Andover, New Brunswick, E7H 1T3; (v) Lot 137 District Lot 129 Group 2 New Westminster District Plan 61530, Delta, British Columbia.

"Leased Properties" means the lands and premises which are the subject of the Leases.

"Liabilities" means any and all debts, liabilities and obligations, whether accrued or fixed, absolute or contingent, matured or unmatured or determined or determinable, including those arising under any Applicable Law, Claim or Order, and those arising under any contract, agreement, arrangement, commitment or undertaking.

"Nooski Agreement" means the distributor agreement between Nooski Limited and Contech dated July 25, 2011.

"Order" means any order, decision, determination, judgment, injunction, decree, award or writ with respect to the Purchased Assets made by any court (including the Court), arbitrator or Governmental Authority, or other Person who has jurisdiction over the subject matter of the order, decision, determination, judgment, injunction, decree, award or writ.

"Person" means any individual, corporation, partnership, joint venture, limited liability company, association, trust, governmental body or any other entity or body.

"Pet Care Business" means the business of the development, manufacture and sale of products related to pet wellness and training carried on by Contech in Canada and the United States of America as of the date hereof, and other activities related thereto.

"Purchased Assets" has the meaning ascribed thereto in the Recitals.

"Purchased Business" means the Tanglefoot and Phero Tech Business, the Industrial Business and the Animal Repellant Business.

"Purchased Contracts" means all contracts, licences, leases, agreements, obligations, promises, undertakings, understandings, arrangements, documents, commitments, entitlements or engagements relating to the Purchased Assets, except for any contracts entered into in relation to the Industrial Business, as same may be amended and/or restated, and including any and all related quotations, orders, proposals or tenders which remain open for acceptance, warranties and guarantees and documents ancillary thereto.

"Purchaser's Solicitors" means Stikeman Elliott LLP.

"Receiver's Solicitors" means Borden Ladner Gervais LLP.

"SPU Liability" has the meaning has the meaning ascribed thereto in Section 2.3.

"Tanglefoot and Phero Tech Business" means the business of the development, manufacture and sale of rodent and insect attractants, lures, repellents and barriers (adhesive or otherwise), tree care products and bird repellents carried on by Contech in Canada and the United States of America as of the date hereof, and other activities related thereto.

"Tax Act" means the *Income Tax Act*, R.S.C. 1985 (5th Supp.) c.1, as amended.

"Tax" or "Taxes" means any and all taxes including, without limitation, (i) any net income, alternative or add-on minimum tax, gross income, gross receipts, margin, gross margin, sales, use, value added, ad valorem, escheat or unclaimed property taxes (or similar), transfer, registration, estimated, franchise, profits, value added, net worth, capital stock, license, withholding, payroll, social security (or similar), employment, unemployment, disability, excise, severance, stamp, occupation, premium, property, environmental or windfall profit tax, custom, duty or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or any penalty, addition to tax or additional amount imposed by any Governmental Authority responsible for the imposition of any such tax (domestic or foreign), whether disputed or not, (ii) any Liability for the payment of any amounts of the type described in (i) as a result of being a member of an affiliated, consolidated, combined or unitary group for any taxable period or as the result of being a transferee or successor thereof and (iii) any Liability for the payment of any amounts of the type described in (i) or (ii) as a result of any express or implied obligation to indemnify any other Person.

2. OFFER TO PURCHASE THE PURCHASED ASSETS

2.1 By signing this Agreement and delivering it to the Receiver or the Receiver's Solicitors, the Purchaser hereby offers to purchase Contech's and the Receiver's right, title and interest in the Purchased Assets for the aggregate price of \$4,850,000 (the "Purchase Price") and will assume the SFU Liability (as defined below) on the terms and conditions set out in this Agreement (the "Offer").

2.2 Notwithstanding anything to the contrary in Section 2.1 or elsewhere in this Agreement, the Purchased Assets shall not include the Excluded Assets, which shall remain the property of Contech and nothing herein shall be deemed to sell, transfer, assign or convey the Excluded Assets.

2.3 Upon the terms and subject to the conditions set forth in this Agreement, the Purchaser shall: (i) assume the \$150,000 debt payable from Contech to Simon Fraser University (the "SFU Liability"); and (ii) assume and shall pay, discharge, honour and perform, from and after the Closing Date, the liabilities and obligations with respect to the Purchased Assets arising on or after the Closing Date and not related to any default existing prior to or as a consequence of the closing of the transaction contemplated by this Agreement (the "Assumed Liabilities"). The Purchaser shall not assume and shall have no obligation to discharge any liability or obligation under any contract or other agreement which is not assignable in whole or in part without the consent of the other party or parties to such contract or other agreement, unless such consent has been given or such assignment has been ordered by the Court.

2.4 For certainty, the Purchaser shall not, at Closing or otherwise, assume or be liable for the Excluded Liabilities or any other Liabilities of Contech whatsoever other than the SFU Liability and the Assumed Liabilities from and following the Closing Date.

2.5 This Offer may be accepted by delivery by the Receiver of a copy of this Agreement signed by the Receiver and the Purchaser to the Purchaser.

2.6 This Offer will remain open for acceptance until 11:59pm April 22, 2015 (Pacific Time), after which time it will be deemed to have been automatically withdrawn.

2.7 If this Offer is not accepted by the Receiver, the Offer will be extinguished and will no longer be binding on the Purchaser.

3. PURCHASE AND SALE OF THE PURCHASED ASSETS

3.1 **Purchase and Sale.** Upon delivery by the Receiver to the Purchaser of a signed copy of this Agreement executed by each of the Receiver and the Purchaser, this Agreement shall become a binding Agreement whereby the Receiver agrees to sell and transfer to the Purchaser or its designees, and the Purchaser agrees to purchase and to acquire directly or indirectly, the Receiver's right, title and interest in and to the Purchased Assets on the terms set out in this Agreement. The Purchaser is purchasing the Purchased Assets pursuant to the Approval and Vesting Order in fee simple, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or

monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise.

4. DEPOSIT AND PAYMENT

4.1 Purchase Price. The Purchase Price for the sale, assignment, transfer and conveyance of the Purchased Assets to the Purchaser shall be payable as set forth (all in Canadian Dollars):

- (a) \$500,000 (being 10% of the Purchase Price and the SFU Liability) by way of deposit (the "Deposit") payable to the Receiver upon delivery of this Agreement, executed by the Purchaser, to the Receiver; and
- (b) as to the balance of the Purchase Price (the "Unpaid Balance"), on the Closing Date.

4.2 Deposit. The Deposit which has been paid to the Receiver in accordance with Section 4.1(a), shall be dealt with as follows:

- (a) the Deposit shall be placed in an interest bearing trust account.
- (b) the Deposit and any interest earned thereon shall be paid to the Receiver:
 - (i) and credited to the Purchase Price at the Closing Date; or
 - (ii) as liquidated damages, if the Closing does not occur because the Purchaser breached any of its representations, warranties or covenants under this Agreement; the Parties hereby agreeing that the Deposit constitutes a genuine pre-estimate of the damages that will be suffered by the Receiver in such circumstances.
- (c) The Receiver acknowledges and agrees that it has no interest in the Deposit except the right to receive the Deposit in those certain circumstances described in paragraph (b) above. If the Closing does not occur for any reason other than a breach by the Purchaser of its representations, warranties or covenants under this Agreement, the full amount of the Deposit together with all accrued interest received by the Receiver, if any, shall be immediately returned to the Purchaser.
- (d) If the Receiver has not accepted the Purchaser's offer to purchase the Purchased Assets prior to 11:59pm (Pacific time) on April 22, 2015, then, consistent with Section 2.6 full amount of the Deposit together with all accrued interest received by the Receiver, if any, shall be immediately returned to the Purchaser.

5. TAX ELECTIONS

5.1 GST/HST. The Receiver and the Purchaser shall use their best efforts in good faith to minimize (or eliminate) any taxes payable under the *Excise Tax Act* (Canada) in respect of the Closing by, among other things, making such elections and taking such steps as may be provided for under that Act (including, for greater certainty, making a joint election in a timely manner

under Section 167 of that Act) as may reasonably be requested by the Purchaser in connection with the Closing.

5.2 Accounts Receivable. If applicable, the Receiver and the Purchaser shall execute an election as to the sale of any accounts receivable under section 22 of the *Tax Act* or any similar tax legislation in a manner consistent with the Purchase Price allocation to be agreed between the Purchaser or its designee and the Receiver pursuant to Section 12.2.

6. COVENANTS

6.1 Court Application. The Receiver shall, immediately upon the execution of this Agreement, make application to the Court for the Approval and Vesting Order. The Receiver shall use its best efforts to provide the Court with all necessary documents, forms, consents and other information the Court may require in order to obtain the Approval and Vesting Order as expeditiously as possible.

6.2 Access to Assets and Records. The Receiver shall forthwith make available to the Purchaser and its authorized representatives and provide copies thereof of all title documents, contracts, and all other documents, information and data relating to the Purchased Assets.

6.3 Assignment of Purchased Contracts. Subject to the conditions and terms hereof, at Closing, the Receiver shall assign to the Purchaser all of the Receiver's rights, benefits and interests in and to the Purchased Contracts and the Purchaser shall assume the obligations and liabilities of the Receiver under the Purchased Contracts at Closing. Notwithstanding the foregoing, this Agreement and any document delivered under this Agreement shall not constitute an assignment or an attempted assignment of any Purchased Contract contemplated to be assigned to the Purchaser under this Agreement that is not assignable without the Consent and Approval of a third party unless (i) such Consent and Approval has been obtained or (ii) the assignment has been ordered by the Court.

Prior to the application for the Approval and Vesting Order, the Purchaser shall use its commercially reasonable efforts to obtain any Consent and Approval necessary for the assignment of any Purchased Contract to the Purchaser. The Receiver shall provide its reasonable cooperation to assist the Purchaser in obtaining any such Consents and Approvals.

7. CONDITIONS PRECEDENT

7.1 The obligation of the Receiver to complete the sale of the Purchased Assets contemplated by this Agreement and of the Purchaser to complete the purchase of the Purchased Assets as contemplated by this Agreement are subject to the satisfaction of each of the following conditions (the "Conditions Precedent") by the dates set forth below, and if no dates are set forth then by or at the Closing Date:

- (a) Representations and Warranties. All representations and warranties of the Receiver and the Purchaser contained in this Agreement shall be true and correct as at the Closing Date with the same force and effect as if made at and as of such time;

- (b) Compliance with Covenants. The Receiver shall have complied with and performed in all material respects all of its covenants and obligations contained in this Agreement required to be performed by it prior to or by the Closing Date;
- (c) Approval and Vesting Order. The Receiver shall have obtained the Approval and Vesting Order by no later than April 30, 2015;
- (d) No Actions or Proceedings. As of the Closing Date, no appeal of, motion to vary, stay or vacate, or, motion for leave to appeal the Approval and Vesting Order shall be outstanding, pending by any Person (not including the Purchaser) or any Governmental Authority;
- (e) No Orders. As of the Closing Date, no order or direction shall have been made by any Governmental Authority which would have the effect of prohibiting or preventing the sale of the Purchased Assets to the Purchaser;
- (f) Intellectual Property Assignments. The Purchaser or its designee shall have entered into fully executed assignment and assumption agreements in relation to the assignment of: (i) the NSERC Industrial Research Chair and Intellectual Property Agreement by and among Contech Enterprises, Inc., Simon Fraser University, and Professor Gerhard J. Gries dated March 1, 2014; (ii) the NSERC Industrial Research Chair and Intellectual Property Agreement by and among Contech Enterprises, Inc., Simon Fraser University, and Professor Gerhard J. Gries dated October 13, 2009; and (iii) the NSERC Industrial Research Chair and Intellectual Property Agreement by and among Contech Enterprises, Inc., Simon Fraser University, and Professor Gerhard J. Gries dated February 17, 2004;
- (g) Technology Licence Agreement. The Purchaser or its designee shall have entered into a worldwide, exclusive technology license agreement with Simon Fraser University in a form and with a royalty rate that are acceptable to the Purchaser, acting reasonably;
- (h) Employment Agreement. The Purchaser or its designee shall have entered into an employment agreement with Jean LaFontaine in a form acceptable to the Purchaser, acting reasonably;
- (i) Closing Deliverables. The Receiver shall have delivered or caused to be delivered to the Purchaser all items referred to in Section 11.1 and the Purchaser shall have delivered or caused to be delivered to the Purchaser all items referred to in Section 11.2;

The foregoing conditions are inserted for the mutual benefit of the Receiver and the Purchaser and may be waived in whole or in part only if jointly waived in writing by the Receiver and the Purchaser at or prior to the applicable time set for the satisfaction of such conditions.

8. REPRESENTATIONS AND WARRANTIES OF THE RECEIVER

8.1 The Purchaser acknowledges that it is acquiring the Purchased Assets on an "as is, where is" basis, without representation and warranty and without reliance on any information provided to the Purchaser by or on behalf of the Receiver, except that the Receiver makes the following representations and warranties to the Purchaser:

- (a) Due Authorization, Approvals and Consents. Subject to obtaining the Approval and Vesting Order: (i) the Receiver has been appointed as receiver of the undertaking, property and assets of Contech, including the right, title and interest of Contech in and to the Purchased Assets; (ii) the Receiver has the authority to assign, transfer and convey the Purchased Assets to the Purchaser in the manner contemplated herein; and (iii) this Agreement and all other agreements, documents and instruments required to be delivered by the Receiver hereunder have been duly executed and delivered by the Receiver and constitute and will constitute legal, valid and binding obligations of the Receiver, enforceable in accordance with their terms;
- (b) No Actions or Proceedings. To the knowledge of the Receiver, there is no action, suit, proceeding or Claim against Contech or the Receiver that is pending or, to the Receiver's knowledge, threatened against Contech or the Receiver in any court or by or before any Governmental Authority that would adversely affect the Receiver's ability to perform its obligations under this Agreement on a timely basis;
- (c) No Other Agreements. Except for the Purchaser, no Person has or will have a written or oral agreement for the purchase or license from the Receiver of any of the Purchased Assets;
- (d) Taxes. The Receiver and, to the Receiver's knowledge, Contech have, in accordance with applicable law, invoiced, collected, withheld, reported and remitted to the appropriate taxing authority (within the time prescribed) all: (i) sales, transfer, use customs, goods and services and other taxes, including any interest or penalties thereon, which are due and payable by the Receiver or, to the Receiver's knowledge, Contech; (ii) withholding, payroll or employment taxes, employment insurance, Canada Pension Plan and provincial pension plan contributions and other deductions at source as required by applicable law; and (iii) all non-resident withholding taxes as required by applicable law. The Receiver is a registrant for the purposes of the tax imposed under Part IX of the *Excise Tax Act* (Canada), and its registration number is 12289 3605. The Receiver is not a non-resident of Canada within the meaning of the Tax Act; and

9. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

9.1 The Purchaser represents and warrants to the Receiver as follows, with the intent that the Receiver shall rely thereon in entering into this Agreement and in concluding the purchase and sale contemplated herein:

- (a) Formation and Good Standing. The Purchaser is a corporation duly incorporated, validly existing and organized and in good standing under the laws of its incorporating jurisdiction, and has the corporate power and capacity to enter into this Agreement and to carry out its terms;
- (b) Authority to Purchase. The execution and delivery of this Agreement and the completion of the transaction contemplated herein shall by the Closing Date be duly and validly authorized by all necessary corporate action on the part of the Purchaser, and this Agreement will constitute a legal, valid and binding obligation of the Purchaser enforceable against the Purchaser in accordance with its terms;
- (c) Absence of Legal Conflict. Neither the execution and delivery of this Agreement by the Purchaser, nor the performance of this Agreement by the Purchaser and the consummation by the Purchaser of the transactions contemplated by this Agreement will:
 - (i) conflict with or violate the constating documents of the Purchaser or any resolution of either of its directors or shareholders;
 - (ii) conflict with or violate any law, rule, regulation, permit, Order, judgment or decree applicable to the Purchaser or by which its properties are bound or affected, the conflict with which or violation of which would prohibit or materially delay the Purchaser's ability to perform its obligations under this Agreement; or
 - (iii) result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under any agreement to which the Purchaser is a party or by which the Purchaser or any of its properties is bound or affected and which would prohibit or materially delay the Purchaser's ability to perform its obligations under this Agreement.
- (d) the Purchaser is or will be registered under Part IX of the *Excise Tax Act* (Canada) on or before the Closing Date.

10. SURVIVAL OF REPRESENTATIONS AND WARRANTIES

10.1 The representations and warranties made by each of the Receiver and the Purchaser in this Agreement will merge on Closing and not survive.

10.2 PURCHASER'S ACKNOWLEDGEMENT

10.3 The Purchaser hereby expressly acknowledges and agrees that:

- (a) the Receiver is acting only in its representative capacity as Court-appointed receiver over the Purchased Assets and not in its personal capacity and shall have no liability under or as a result of entering into or carrying out the transaction which is the subject of this Agreement;

- (b) the Purchaser must make its own arrangements to support this Agreement in Court;
- (c) if the Court vacates, sets aside or varies any Order approving this Agreement, or does not approve the Agreement or the Approval and Vesting Order, for any reason whatsoever, then the Receiver shall not be liable to the Purchaser or any other person in any way whatsoever;
- (d) the Purchaser has relied entirely upon its own inspection and investigation of all matters in respect of the Purchased Assets;
- (e) the Receiver has not made and will not make any warranty or representation in relation to the Purchased Assets including any warranty or representation as to the fitness, design, condition or quality of the Purchased Assets;
- (f) no representation, warranty or condition is expressed by the Receiver or can be implied as to title or encumbrances to the Purchased Assets, or in respect of any other matter or thing whatsoever concerning the Purchased Assets or the right of the Receiver to sell or assign same save and except as expressly represented or warranted in Section 8.1; and
- (g) without limiting the generality of the foregoing, any and all conditions, warranties or representations expressed or implied pursuant to the *Sale of Goods Act* (British Columbia) or similar legislation in British Columbia or any other jurisdiction do not apply hereto and have in any event been waived by the Purchaser.

11. DELIVERY OF CLOSING DOCUMENTS

11.1 Receiver's Closing Documents. On the Closing Date, the Receiver will deliver the following to the Purchaser's Solicitor:

- (a) a copy of the Approval and Vesting Order;
- (b) the Receiver's Certificate (as defined in the Approval and Vesting Order) executed by the Receiver;
- (c) all files, documents, and other materials (including all materials located in the Data room) relating to the Purchased Assets that are in the possession of or accessible by the Receiver;
- (d) short-form Intellectual Property assignment document(s) to confirm the assignment and transfer of any registered IP and material non-registered IP being assigned from Contech to the Purchaser or its designee as part of the Purchased Assets;
- (e) all such other assurances, consents, agreements, documents and instruments as may be reasonably required to transfer the Purchased Assets to the Purchaser as contemplated in this Agreement.

11.2 Purchaser's Closing Documents. On the Closing Date, the Purchaser will deliver the following to the Receiver's Solicitors in a form acceptable to the Receiver, acting reasonably:

- (a) an irrevocable direction from the Purchaser authorizing the Receiver's Solicitors to release the Deposit to or as directed by the Receiver;
- (b) payment of the Unpaid Balance; and
- (c) all such other assurances, consents, agreements, documents and instruments as may be reasonably required to transfer the Purchased Assets to the Purchaser as contemplated in this Agreement.

12. TAXES AND FEES

12.1 The Purchaser shall be solely responsible for payment of all applicable federal, provincial and municipal sales and transfer taxes properly payable by the Purchaser in connection with the Purchaser's acquisition of the Purchased Assets including, without limitation, goods and services tax, retail sales tax and social services tax, but for greater certainty excluding any taxes based on Contech or the Receiver's income."

12.2 At or prior to Closing, the Receiver and the Purchaser or its designee will agree on an allocation of the Purchase Price between the Purchased Assets.

13. RISK

13.1 The Purchased Assets will be at the risk of Receiver up until the Closing Date. From and including the Closing Date the Purchased Assets will be at the risk of the Purchaser.

14. TERMINATION

This Agreement may, by notice in writing given at or prior to the completion of the transaction, be terminated:

- (a) by mutual consent of the Receiver and the Purchaser;
- (b) by the Purchaser if any of the conditions precedent in Section 7.1 have not been satisfied on or before the time specified for the satisfaction of such condition and the Purchaser has not waived such condition;
- (c) by the Receiver if any of the conditions in Section 7.1 have not been satisfied on or before the time specified for the satisfaction of such condition and the Receiver has not waived such condition;
- (d) by the Purchaser if the Closing has not occurred on or prior to May 1, 2015, or on or before such later date as the parties agree to in writing,

provided that a party may not terminate this Agreement pursuant to this Section if it has failed to perform any one or more of its obligations or covenants under this Agreement and the Closing has not occurred because of such failure.

15. MISCELLANEOUS

15.1 Severability. If any term, covenant or condition of this Agreement or the application thereof to any person or circumstance shall, to any extent, be held to be invalid or unenforceable, the remainder of this Agreement, or the application of that term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant and condition of this Agreement shall be valid and enforced to the fullest extent permitted by law.

15.2 Further Assurances. Each party, upon receipt of notice by another party, shall sign (or cause to be signed) all further documents, do (or cause to be done) all further acts, and provide all reasonable assurances as may reasonably be necessary or desirable to give effect to the terms of this Agreement. Without limiting the foregoing, upon reasonable request, the Receiver shall provide to the Purchaser information and documents which are within its possession or control and are necessary or desirable for the Purchaser to register, enforce, and defend its rights in the Purchased Assets. The Purchaser shall have a period of up to 60 days to take possession of any Purchased Assets situate on any Leased Properties and the Receiver shall take all actions required (including with respect to securing the cooperation of the Landlords of the Leased Properties) to allow the Purchaser to take possession of such Purchased Assets.

15.3 Notice. Any notices, requests or demands which may or are required to be given or made hereunder shall be in writing and served personally addressed:

if to the Receiver, to:

Deloitte Restructuring Inc.
2800 - 1055 Dunsmuir Street
4 Bentall Centre
P.O. Box 49279
Vancouver British Columbia
V7X 1P4
Fax: 604-602-1583

with a copy to:

Borden Ladner Gervais LLP
1200 Waterfront Centre
200 Burrard Street, P.O. Box 48600
Vancouver, British Columbia
V7X 1T2
Fax: 604-622-4198
Attention: Magnus C. Verbrugge

and if to the Purchaser, to:

The Scotts Company LLC

The Scotts Company LLC
14111 Scottslawn Road Marysville
Ohio 43041 USA
Fax: 937-644-7568
Attention: General Counsel

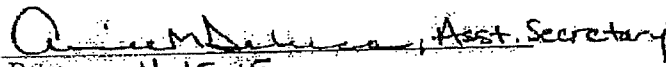
with a copy to:
Stikeman Elliott LLP
5300 Commerce Court West
199 Bay Street
Toronto, Ontario
M5L 1B9
Fax: 416-947-0866
Attention: Stewart Sutcliffe

- 15.4 Entire Agreement. This Agreement constitutes the entire agreement between the parties and there are no representations or warranties, express or implied, statutory or otherwise and no agreements collateral hereto other than as expressly set forth or referred to herein.
- 15.5 Time of Essence. Time, where mentioned in this Agreement, shall be of the essence.
- 15.6 Currency. Unless otherwise expressly provided herein, all sums of money referred to in this Agreement are expressed in Canadian Dollars.
- 15.7 Interpretation. Wherever the singular or masculine is used in this Agreement, references to plural, feminine and body corporate shall be construed as necessary.
- 15.8 Governing Law. This Agreement shall be governed by all and interpreted in accordance with the laws of the Province of British Columbia.
- 15.9 Execution in Counterpart. This Agreement may be executed in counterparts and the parties hereto may evidence their execution of this Agreement by facsimile or other electronic transmission.
- 15.10 Successors and Assigns. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

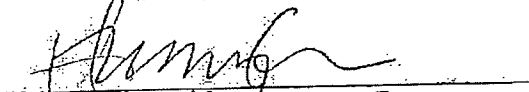
[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their proper and duly authorized officers as of the date first above written.

Scotts Canada Ltd. by its authorized signatory:


Date: 4-15-15

Deloitte Restructuring Inc.
in its capacity as Court-appointed receiver of the
assets and undertakings of Contech Enterprises
Ltd. and not in its personal capacity, by its
authorized signatory:


Date: 17 APRIL 2015

Huey LEE
SENIOR VICE PRESIDENT

SCHEDULE "A" TO PURCHASE AND SALE AGREEMENT
PURCHASED ASSETS

See attached

SCHEDULE "A" TO PURCHASE AND SALE AGREEMENT

PURCHASED ASSETS

1. Equipment. All laboratory and manufacturing equipment, whether leased or owned by Contech, situated or used at the Leased Properties other than the properties located at: (i) 314 Straight Street, SW, Grand Rapids, Michigan; or (ii) 336 Straight Ave. SW, Grand Rapids, Michigan or otherwise used or required for the conduct of the Purchased Business.
2. Blister Pack Production Machine. The blister pack production machine used to manufacture lures.
3. Universal Product Codes. All of the Universal Product Codes related to the Purchased Business.
4. Marketing Materials. All of Contech's catalogues, art work and other marketing materials related to the Purchased Business.
5. Environmental Protection Agency Registrations. All of Contech's Environmental Protection Agency registrations related to the Purchased Business.
6. Inventory. All of the inventory and works-in-progress related to the Purchased Business.
7. Intellectual Property. All Intellectual Property including relating to the following technologies:
 - a. mosquito repellents;
 - b. rodent attractants; and
 - c. pheromone technology, including but not limited to verbenone;

including, but not limited to the following trademarks and patents:

Trademarks

<u>Trademark</u>	<u>Country</u>	<u>Appl. No.</u>	<u>Reg. No.</u>	<u>Status</u>
Better Products for A Better World	Canada	1 404 081	TMA 749533	Registered
CATSTOP	Canada	1,220,621	TMA 693875	Registered
CATSTOP	USA	78502664	3045478	Registered
Phero Tech	Canada	642745	TMA 408961	Registered
Pheroboar (chemicals to detect estrus in pigs)	Canada	1324199	TMA 712551	Registered
Pheroboar (chemicals to detect estrus in pigs)	USA	77/053469	3786546	Registered

Trademark	Country	Appl. No.	Reg. No.	Status
Pheromate (chemicals used to encourage mating behaviour and the production of semen in male pigs)	Canada	1343708	TMA 711208	Registered
Pheromate (chemicals used to encourage mating behaviour and the production of semen in male pigs)	USA	77/159984	3578441	Registered
Pherotrap	Canada	1335821	TMA 735,822	Registered
"Rainforest" and Heart with Leaf Design	Canada	1476692	TMA 788331	Registered
"Rainforest" and green heart shape logo	USA	85016302	3983810	Registered
SCARECROW (electronic animal repellent in the nature of a motion-activated sprinkler)	USA	75002967	2072647	Registered
SLUGSAWAY	Canada	1292223	TMA 689156	Registered
SLUGSAWAY	USA	78/962912	3407323	Registered
SQUIRRELSTOP (electromechanical devices for preventing squirrels or other animals from accessing bird seed in feeders)	USA	78502707	3028461	Registered
SUPER BOOST	USA	77832619	3951711	Registered
Superboost	Canada	1452613	TMA 774183	Registered
TANGLEFOOT	Canada	130446	TMDA 40558	Registered
TANGLEFOOT	USA	72/272,990	0,851,266	Registered
TANGLE-TRAP	USA	74/306,592	1,762,272	Registered
THE ORIGINAL WASPINATOR	Canada	1254894	TMA 663826	Registered
TREE TANGLEFOOT PEST BARRIER	USA	74/439,050	1,970,746	Registered

Domain Names

Domain	Date Renewed	Expiry Date
barkbeetle.ca	2012-10-05	2016-06-02
contechelectronics.com	2012-11-11	2016-10-30
contech-	2013-12-09	2019-03-09

Domain	Date Renewed	Expiry Date
enterprises.com	2013-12-09	2019-03-06
contech-inc.com	2014-03-03	2015-04-15
epicorforpets.com	2012-11-11	2014-09-11
pherotech.com	2013-12-09	2019-03-28
pherotechinc.com	2012-11-11	2016-05-16
tanglefoot.com	2012-10-04	2014-10-21
waspinator.com		

Canadian Patents

Patent No. (Application No.)	Title	Owner(s)	Status
(2734997)	RE-USABLE BAG TRAP FOR INSECTS	CONTECH ENTERPRISES INC.	Abandoned - can be reinstated by 2015-09-10
2682179	ALLYL SULFIDE COMPOUNDS, AND COMPOSITIONS AND METHODS USING SAID COMPOUNDS FOR REPELLING BLOOD-FEEDING ARTHROPODS	CONTECH ENTERPRISES INC.	Issued 2013-05-14
2676382	METHOD AND COMPOSITION FOR ATTRACTING FRUIT FLIES TO TRAPS	CONTECH ENTERPRISES INC.	Issued 2014-11-18
2661069	STABILIZED BROOD PHEROMONE FOR MANIPULATING THE BEHAVIOR AND PHYSIOLOGY OF HONEY BEES	THE TEXAS A&M UNIVERSITY SYSTEM; CONTECH ENTERPRISES INC.	Issued 2012-04-24
2504396	WASP REPELLENT DEVICE	CONTECH ENTERPRISES INC.	Maintenanc e fee due April 13, 2015 - confirm whether

			paid
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United States of America Patents

Patent No. (Application No.)	Title	Owner(s)	Status
8,940,287	METHOD AND COMPOSITION FOR ATTRACTING FRUIT FLIES TO TRAPS	CONTECH ENTERPRISES INC.	Issued 2015-01-27
8,889,731	COMPOUNDS, COMPOSITIONS AND METHODS FOR REPELLING BLOOD-FEEDING ARTHROPODS AND DETERRING THEIR LANDING AND FEEDING	CONTECH ENTERPRISES INC.	Issued 2014-11-18
7,913,638	WASP REPELLENT DEVICE	CONTECH ENTERPRISES INC.	Issued 2011-03-29
7,744,280	WASP REPELLENT DEVICE	CONTECH ENTERPRISES INC.	Issued 2010-06-29
7,727,517	STABILIZED BROOD PHEROMONE FOR MANIPULATING THE BEHAVIOR AND PHYSIOLOGY OF HONEY BEES	THE TEXAS A&M UNIVERSITY SYSTEM; CONTECH ENTERPRISES INC.	Issued 2010-06-01
6,191,693	CATSTOP-ELECTRONIC ANIMAL DETERRENT FOR PROTECTING AN AREA	CONTECH ENTERPRISES INC.	Issued 2001-02-20
6,016,100	CATSTOP-ELECTRONIC ANIMAL DETERRENT FOR PROTECTING AN AREA	CONTECH ENTERPRISES INC.	Issued 2000-01-18
5,878,956	WATER CONSERVING SPRINKLER UNIT	CONTECH ELECTRONICS/BURMAN	Issued 1999-03-09
5,677,155	PROCESS FOR PREPARING THE SEX PHEROMONE OF LYMANTRIA DISPAR L	CONTECH ENTERPRISES, INC.	Issued 1997-10-14
(14/402,752)	METHODS AND APPARATUS FOR ATTRACTING RATS	CONTECH ENTERPRISES INC.	Pending
(13/548,319)	METHODS OF MONITORING AND CONTROLLING THE WALNUT TWIG BEETLE,	CONTECH ENTERPRISES, INC.	Pending

	PITYOPHTHORUS JUGLANDIS		
(13/120,543)	COMPOUNDS AND METHODS FOR REPELLING BLOOD-FEEDING ARTHROPODS AND DETERRING THEIR LANDING AND FEEDING		Non-Final Rejection mailed November 17, 2014
(13/063,644)	WINDOW FLY TRAP	CONTECH ENTERPRISES INC.	Final Rejection mailed 2014-12-18
(12/774,186)	Stabilized Synthetic Brood Pheromone and Race-Specific Ratios of Components for Manipulating the Behavior and Physiology of Honey Bees	CONTECH ENTERPRISES INC.; THE TEXAS A&M UNIVERSITY SYSTEM	Notice of Allowance mailed 2015-04-13
(62/018,465)	Provisional Application (serves as priority document for PCI/CA2014/051218)		Filed June 27, 2014

Other Countries Patents

Country	Patent No. (Application No.)	Title	Owner(s)	Status
Brazil	(PI 0621901-2)	STABILIZED SYNTHETIC BROOD PHEROMONE FOR MANIPULATING THE BEHAVIOUR AND PHYSIOLOGY OF HONEY BEES	CONTECH ENTERPRISES INC.; The Texas A&M University System	Cannot confirm status online
Europe	2061455	STABILIZED SYNTHETIC BROOD PHEROMONE FOR MANIPULATING THE BEHAVIOUR AND PHYSIOLOGY OF HONEY BEES	CONTECH ENTERPRISES INC.; The Texas A&M University System	Granted
France	2061455	STABILIZED SYNTHETIC BROOD PHEROMONE FOR MANIPULATING THE BEHAVIOUR AND PHYSIOLOGY OF HONEY BEES	CONTECH ENTERPRISES INC.; The Texas A&M University System	Granted

Germany	2061455	STABILIZED SYNTHETIC BROOD PHEROMONE FOR MANIPULATING THE BEHAVIOUR AND PHYSIOLOGY OF HONEY BEES	CONTECH ENTERPRISES INC.; The Texas A&M University System	Granted
Italy	72441/BE/2013	STABILIZED SYNTHETIC BROOD PHEROMONE FOR MANIPULATING THE BEHAVIOUR AND PHYSIOLOGY OF HONEY BEES	CONTECH ENTERPRISES INC.; The Texas A&M University System	Granted
Spain	2061455	STABILIZED SYNTHETIC BROOD PHEROMONE FOR MANIPULATING THE BEHAVIOUR AND PHYSIOLOGY OF HONEY BEES	CONTECH ENTERPRISES INC.; The Texas A&M University System	Granted
Mexico	(Mx/a/2009/002591)	STABILIZED SYNTHETIC BROOD PHEROMONE FOR MANIPULATING THE BEHAVIOUR AND PHYSIOLOGY OF HONEY BEES	CONTECH ENTERPRISES INC.; The Texas A&M University System	Cannot confirm status online
Turkey	TR 2009 01426 B	STABILIZED SYNTHETIC BROOD PHEROMONE FOR MANIPULATING THE BEHAVIOUR AND PHYSIOLOGY OF HONEY BEES	CONTECH ENTERPRISES INC.; The Texas A&M University System	Cannot confirm status online

Under the PCT Patents

Application No.	Title	Owner(s)
PCT/CA2014/051218	COMPOUNDS, COMPOSITIONS AND METHODS FOR ATTRACTING AND/OR ARRESTING BED BUGS	Unknown
Filed December 16, 2014 Application not yet published 30 months: June 17, 2016		
PCT/CA2014/050435	NEW COMPOSITIONS AND METHODS FOR ATTRACTING AND STIMULATING FEEDING BY MICE AND RATS	CONTECH ENTERPRISES INC.
30 months: November 22, 2015		

ISR published		
PCT/CA2013/050397	METHODS AND APPARATUS FOR ATTRACTING RATS	CONTECH ENTERPRISES INC.
Expired NPE in: US Patent Application No. 14/402,752 (described above)		
PCT/CA2012/000638	COMPOSITIONS AND METHODS FOR ATTRACTING AND STIMULATING FEEDING BY MICE AND RATS	CONTECH ENTERPRISES INC.
Expired No active NPE applications		
PCT/CA2011/000028	APPARATUS AND METHOD FOR DELIVERING HONEY BEE BROOD PHEROMONE INTO A HIVE	CONTECH ENTERPRISES INC.
Expired No active NPE applications		

SCHEDULE "B" TO PURCHASE AND SALE AGREEMENT

FORM OF APPROVAL AND VESTING ORDER

THE APPLICATION of Deloitte Restructuring Inc., in its capacity as Court-appointed Receiver (the "Receiver") of the assets, undertakings and properties of Contech Enterprises Inc. (the "Debtor") coming on for hearing at Vancouver, British Columbia, on the [•] day of April, 2015; AND ON HEARING Magnus Verbrugge, counsel for the Receiver, and those other counsel listed on Schedule "A" hereto; AND UPON READING the material filed;

THIS COURT ORDERS AND DECLARES THAT:

1. The sale transaction (the "Transaction") contemplated by the Asset Purchase Agreement dated April [•] (the "Sale Agreement") between the Receiver and [•] (the "Purchaser"), a copy of which is attached as Schedule "B" hereto is hereby approved, and the Sale Agreement is commercially reasonable. The execution of the Sale Agreement by the Receiver is hereby authorized and approved, and the Receiver is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance to the Purchaser of the assets described in the Sale Agreement as the "Purchased Assets".
2. Upon delivery by the Receiver to the Purchaser of a certificate substantially in the form attached as Schedule "C" hereto (the "Receiver's Certificate"), all of the Debtor's right, title and interest in and to the Purchased Assets described in the Sale Agreement shall vest absolutely in the Purchaser in fee simple, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "Claims") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of this Court dated [•]; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* of British Columbia or any other personal property registry system; and (iii) those Claims listed on Schedule "D" hereto (all of which are collectively referred to as the "Encumbrances"), and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.
3. For the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and from and after the delivery of the Receiver's Certificate all Claims shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having had possession or control immediately prior to the sale.

4. The Receiver is to file with the Court a copy of the Receiver's Certificate forthwith after delivery thereof.
5. Pursuant to Section 7(3)(e) of the Canada *Personal Information Protection and Electronic Documents Act* or Section 18(10)(o) of the *Personal Information Protection Act* of British Columbia, the Receiver is hereby authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the company's records pertaining to the Debtor's past and current employees, including personal information. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Debtor.
6. Subject to the terms of the Sale Agreement, vacant possession of the Purchased Assets, including any real property, shall be delivered by the Receiver to the Purchaser at 12:00 noon on the Closing Date (as defined in the Sale Agreement).
7. The Receiver, with the consent of the Purchaser, shall be at liberty to:
 - (a) extend the Closing Date to such later date as those parties may agree; and
 - (b) make such amendments to the Sale Agreement as those parties consider necessary or desirable;without the necessity of a further Order of this Court.
8. Notwithstanding:
 - (a) these proceedings;
 - (b) any applications for a bankruptcy order in respect of the Debtor now or hereafter made pursuant to the *Bankruptcy and Insolvency Act* and any bankruptcy order issued pursuant to any such applications; and
 - (c) any assignment in bankruptcy made by or in respect of the Debtor,

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtor and shall not be void or voidable by creditors of the Debtor, nor shall it constitute or be deemed to be a transfer at undervalue, fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under the *Bankruptcy and Insolvency Act* or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

9. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body, wherever located, to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make

such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

10. The Receiver or any other party have liberty to apply for such further or other directions or relief as may be necessary or desirable to give effect to this Order.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

SCHEDULE "A" TO APPROVAL AND VESTING ORDER

Counsel List

SCHEDULE "B" TO APPROVAL AND VESTING ORDER

Purchase and Sale Agreement

SCHEDULE "C" TO APPROVAL AND VESTING ORDER

Receiver's Certificate

SCHEDULE "D" TO APPROVAL AND VESTING ORDER

Expunged Encumbrances / Claims

Schedule C

Form of Receiver's Certificate

No. S-152303
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

HSBC BANK CANADA

PLAINTIFF



AND:

CONTECH ENTERPRISES INC., BUSINESS DEVELOPMENT BANK OF CANADA,
LAUREL RAYANI, CARY GREGORY, JANET GREGORY, JULIEN SELLGREN,
JANET SHANNON, MARK GRAMBART, BURMAN AND BURMAN CORP.,
MICHAEL BRENNER, ANDERS TREIBERG, ELISABETH TREIBERG, MINZAR
HOLDINGS LTD., 0872951 B.C. LTD., FIRST WEST CREDIT UNION, VEGHERB,
LLC, SADLER FARMS LTD., PAUL HOOPER, MARIANNE HOOPER, BC
ADVANTAGE FUNDS (VCC) LTD., ECL HOLDINGS LTD., ST. PATRICK HOLDINGS
LTD., BWF HOLDINGS LTD. and DENMAN ISLAND CHOCOLATE LTD.

DEFENDANTS

RECEIVER'S CERTIFICATE


RECITALS

- A. Pursuant to the Order of the Court dated March 20, 2015, Deloitte Restructuring Inc. was appointed as receiver and manager (the "Receiver") of the assets, collateral and undertaking of the Contech Enterprises Inc.
- B. Pursuant to an Order of the Court dated April , 2015 (the "Approval and Vesting Order"), the Court approved the Asset Purchase and Sale Agreement dated April 15, 2015 (the "Contract") between the Receiver and Scotts Canada Ltd. (the "Purchaser") providing for the vesting in the Purchaser all of the Petitioner's right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery to the Receiver to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in section  of the Contract have

been satisfied or waived by the Receiver and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Receiver.

- C. Unless otherwise indicated herein, capitalized terms have the meanings set out in the Approval and Vesting Order or the Contract, as applicable

THE RECEIVER CERTIFIES the following:

1. The Purchaser has paid and the Receiver has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Contract;
2. The conditions to Closing set out in section  of the Contract have been satisfied or waived by the Receiver and the Purchaser; and,
3. The Transaction has been completed to the satisfaction of the Receiver.

This Certificate was delivered by the Receiver at _____ [TIME] on _____ [DATE].

DELOITTE RESTRUCTURING INC., in its capacity as receiver and manager of Contech Enterprises Inc.

Per: _____

Name:

Title:

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

HSBC BANK CANADA

PLAINTIFF

AND:

CONTECH ENTERPRISES INC., BUSINESS DEVELOPMENT BANK OF CANADA,
LAUREL RAYANI, CARY GREGORY, JANET GREGORY, JULIEN SELLGREN,
JANET SHANNON, MARK GRAMBART, BURMAN AND BURMAN CORP.,
MICHAEL BRENNER, ANDERS TREIBERG, ELISABETH TREIBERG, MINZAR
HOLDINGS LTD., 0872951 B.C. LTD., FIRST WEST CREDIT UNION, VEGHERB,
LLC, SADLER FARMS LTD., PAUL HOOPER, MARIANNE HOOPER, BC
ADVANTAGE FUNDS (VCC) LTD., ECL HOLDINGS LTD., ST. PATRICK HOLDINGS
LTD., BWF HOLDINGS LTD. and DENMAN ISLAND CHOCOLATE LTD.

DEFENDANTS

ORDER MADE AFTER APPLICATION

APPROVAL AND VESTING ORDER

MCV/LCH

560836.000001

BORDEN LADNER GERVAIS LLP

1200 - 200 Burrard Street

P.O. Box 48600

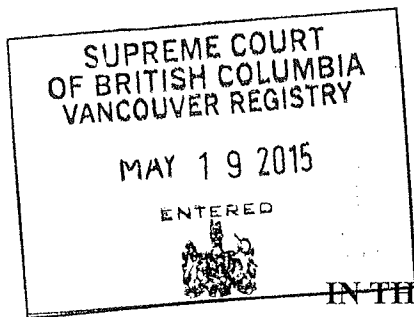
Vancouver, BC V7X 1T2

Telephone: (604) 687-5744

Attn: Magnus C. Verbrugge and Lisa Hiebert

APPENDIX C

**APPROVAL AND VESTING ORDER FOR THE VEGHERB TRANSACTIONS DATED
MAY 19, 2015**



No. S-152303
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

HSBC BANK CANADA

PLAINTIFF

AND:

CONTECH ENTERPRISES INC., BUSINESS DEVELOPMENT BANK OF CANADA, LAUREL RAYANI, CARY GREGORY, JANET GREGORY, JULIEN SELLGREN, JANET SHANNON, MARK GRAMBART, BURMAN AND BURMAN CORP., MICHAEL BRENNER, ANDERS TREIBERG, ELISABETH TREIBERG, MINZAR HOLDINGS LTD., 0872951 B.C. LTD., FIRST WEST CREDIT UNION, VEGHERB, LLC, SADLER FARMS LTD., PAUL HOOPER, MARIANNE HOOPER, BC ADVANTAGE FUNDS (VCC) LTD., ECL HOLDINGS LTD., ST. PATRICK HOLDINGS LTD., BWF HOLDINGS LTD. and DENMAN ISLAND CHOCOLATE LTD.

DEFENDANTS

ORDER MADE AFTER APPLICATION

APPROVAL AND VESTING ORDER

BEFORE THE HONOURABLE)
JUSTICE GREYELL.) 19/MAY/2015
)

THE APPLICATION of Deloitte Restructuring Inc., in its capacity as Court-appointed Receiver and Manager (the “Receiver”) of the assets, undertakings and properties of Contech Enterprises Inc. (the “Debtor”) coming on for hearing at Vancouver, British Columbia, on the 19th day of May, 2015; AND ON HEARING Lisa Hiebert, counsel for the Receiver, and those other counsel listed on Schedule “A” hereto; AND UPON no one else appearing although duly served; AND UPON READING the material filed, including the Second Report of the Receiver dated May 15, 2015 (the “Report”);

THIS COURT ORDERS AND DECLARES THAT:

1. The sale transactions (the “Transactions”) contemplated by the Purchase and Sale Agreement dated May 12, 2015 between VegHerb, LLC (the “Purchaser”) and the Receiver attached as Appendix C to the Report and contemplated by the Purchase and Sale Agreement dated May 12, 2015 between the Purchaser and the Receiver attached as Appendix D to the Report (the “Sale Agreements”), copies of which are attached as Schedule “B” to this Order, are hereby approved and the Sale Agreements are

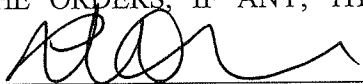
commercially reasonable. The execution of the Sale Agreements by the Receiver is hereby authorized and approved, and the Receiver is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transactions and for the conveyance to the Purchaser of the assets described in the Sale Agreements (the "**Purchased Assets**").

2. Upon delivery by the Receiver to the Purchaser of a certificate substantially in the form attached as **Schedule "C"** hereto (the "**Receiver's Certificate**"), all of the Debtor's right, title and interest in and to the Purchased Assets described in the Sale Agreements shall vest absolutely in the Purchaser in fee simple, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of this Court dated March 20, 2015; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* of British Columbia or any other personal property registry system (all of which are collectively referred to as the "**Encumbrances**"), and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.
3. For the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and from and after the delivery of the Receiver's Certificate all Claims shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having had possession or control immediately prior to the sale.
4. The Receiver is to file with the Court a copy of the Receiver's Certificate forthwith after delivery thereof.
5. Pursuant to Section 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act* or Section 18(10)(o) of the *Personal Information Protection Act* of British Columbia, the Receiver is hereby authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the company's records pertaining to the Debtor's past and current employees, including personal information. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Debtor.
6. Subject to the terms of the Sale Agreements, vacant possession of the Purchased Assets, including any real property, shall be delivered by the Receiver to the Purchaser at 12:00 noon on the Closing Date (as defined in the Sale Agreements).

7. The Receiver, with the consent of the Purchaser, shall be at liberty to extend the Closing Date without necessity of a further Order of this Court, provided that the closing shall take place on or before Wednesday, May 27, 2015.
8. Notwithstanding:
 - (a) these proceedings;
 - (b) any applications for a bankruptcy order in respect of the Debtor now or hereafter made pursuant to the *Bankruptcy and Insolvency Act* and any bankruptcy order issued pursuant to any such applications; and
 - (c) any assignment in bankruptcy made by or in respect of the Debtor,

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtor and shall not be void or voidable by creditors of the Debtor, nor shall it constitute or be deemed to be a transfer at undervalue, fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under the *Bankruptcy and Insolvency Act* or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.
9. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body, wherever located, to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.
10. The Receiver or any other party have liberty to apply for such further or other directions or relief as may be necessary or desirable to give effect to this Order.
11. Endorsement of this Order by parties appearing on the application, other than counsel for the Receiver, is hereby dispensed with.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:



Signature of Lisa Hiebert

Party Lawyer for the Receiver

BY THE COURT



REGISTRAR

AS TO FORM
a

Schedule A – Counsel List

Name	Party Represented
Lisa Hiebert	Deloitte Restructuring Inc., receiver and manager of Contech Enterprises Inc.

Schedule B – Purchase and Sale Agreements

PURCHASE AND SALE AGREEMENT

This agreement (this "Agreement") dated as of the 12th day of May, 2015.

BETWEEN:

VegHerb, LLC, a limited liability company organized and existing under the laws of the State of New York, having its principal place of business at 10 Gedney Circle White Plains, NY 10605 in trust for a company to be incorporated,

(the "Purchaser")

AND:

Deloitte Restructuring Inc., in its capacity as court-appointed receiver over the assets, undertakings and properties of Contech Enterprises Inc., and not in its personal capacity

(The "Receiver")

WHEREAS:

A. On March 20, 2015, on the application of HSBC Bank Canada, the Supreme Court of British Columbia (the "Court") in Action Number S152303, Vancouver Registry (the "Receivership Proceedings"), appointed the Receiver to act as receiver over the assets, undertakings and properties of Contech Enterprises Inc. ("Contech").

B. Contech is the owner of the property, rights and interests listed on Schedule "A" hereto (the "Assets").

C. The Receiver wishes to sell and the Purchaser wishes to purchase the Assets, subject to and in accordance with the terms and conditions hereof.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the covenants and agreements herein contained the parties hereto agree as follows:

I. DEFINED TERMS

Capitalized terms used but not otherwise defined herein shall have the following meanings:

"Approval and Vesting Order" means an Order of the Court in the Receivership Proceedings, as required, substantially in form attached as Schedule "B" hereto and as may be amended with the consent of the Receiver and Purchaser acting reasonably;

"Business Day" means a day other than a Saturday, a Sunday or a statutory holiday in British Columbia.

"Canadian Dollars" means the lawful currency of Canada.

“Closing” means the completion of the purchase and sale of the Assets in accordance with the provisions of this Agreement.

“Closing Date” means the 2nd Business Day following the day on which the Approval and Vesting Order is obtained, or such other time and date as may be agreed upon in writing by Receiver and Purchaser, acting reasonably.

“Governmental Authority” means any government, regulatory authority, governmental department, agency, commission, bureau, court, judicial body, arbitral body or other law, rule or regulation making entity.

- (a) having jurisdiction over Contech, the Receiver, the Purchaser or the Assets on behalf of any country, province, state, locality or other geographical or political subdivision thereof; or
- (b) Exercising or entitled to exercise any administrative, judicial, legislative, regulatory or taxing authority or power with respect to the Assets.

“Order” means any order, decision, determination, judgment, injunction, decree, award or writ with respect to the Assets made by of any court (including the Court), arbitrator or Governmental Authority, or other Person who has jurisdiction over the subject matter of the order, decision, determination, judgment, injunction, decree, award or writ.

“Person” means any individual, corporation, partnership, joint venture, limited liability company, association, trust, governmental body or any other entity or body.

“Purchaser’s Solicitors” means PENN & ASSOCIATES, LLP, 260 Madison Avenue, Floor 21, New York, New York 10016-2401 (USA) (212) 661-5700, cpenn@cpennlaw.com (attention: Craig E. Penn, Esq.

“Receiver’s Solicitors” means Borden Ladner Gervais LLP.

2. OFFER TO PURCHASE THE ASSETS

2.1 By signing this Agreement and delivering it to the Receiver or the Receiver’s Solicitors, the Purchaser hereby offers to purchase Contech’s and the Receiver’s right, title and interest in the Assets for the aggregate price of \$0.15 on the dollar for the book value in accordance with Contech’s electronic SAP accounting records (the “Purchase Price”) on the terms and conditions set out in this Agreement (the “Offer”), the Purchase Price to be allocated between specific Assets or classes / types of Assets as follows:

SPECIFIC ASSET or ASSET CLASS / TYPE	PURCHASE PRICE
<ul style="list-style-type: none"> • All Frame It All inventory as of Closing, but excluding any unsalable or close-out products listed in Schedule “C”. • All UPC , UPC prefixes and 	\$0.15 on the dollar for the book value in accordance with Contech’s electronic SAP accounting records.

GLN product codes for the inventory being purchased	
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2.2 This Offer may only be accepted by the Receiver if it also accepts the offer to purchase delivered by the Purchaser to the Receiver contemporaneously with this Offer for Contech's intellectual property assets as more particularly described in that offer (the "Purchaser's IP Offer").

2.3 This Offer may be accepted by delivery by the Receiver of a copy of this Agreement signed by the Receiver and the Purchaser to the Purchaser.

2.4 This Offer will remain open for acceptance until 11:59pm May 12, 2015 (Pacific Time), after which time it will be deemed to have been automatically withdrawn.

2.5 If this Offer is not accepted by the Receiver, the Offer will be extinguished and will no longer be binding on the Purchaser.

3. PURCHASE AND SALE OF THE PURCHASED ASSETS

3.1 Purchase and Sale. Upon delivery by the Receiver to the Purchaser of a signed copy of this Agreement executed by each of the Receiver and the Purchaser, this Agreement shall become a binding Agreement whereby the Receiver agrees to sell and transfer to the Purchaser, and the Purchaser agrees to purchase and acquire Contech's and the Receiver's right, title and interest in and to the Assets on the terms set out in this Agreement.

4. DEPOSIT AND PAYMENT

4.1 Purchase Price. The Purchase Price for the sale, assignment, transfer and conveyance of the Assets to the Purchaser shall be payable as set forth (all in Canadian Dollars):

- (a) by paying \$25,000.00 in certified funds, which has already been provided to the Vendor as a deposit in connection with the Purchaser's IP Offer;
- (b) by paying \$25,000 as a further deposit within one business day upon acceptance of this Offer to Purchase by the Receiver; and
- (c) by paying the balance due and payable in accordance with the method of setting the Purchase Price in Section 2.1 by certified funds payable to the Receiver or as it may direct; and
- (d) The Purchase Price will be allocated among the Assets as set out in Section 2.1.

4.2 Deposit. The Deposit which has been paid to the Receiver's Solicitors in accordance with Section 4.1(a) and will be paid in accordance with Section 4.1(b), shall be dealt with as follows:

- (a) The Deposit shall be placed in an interest bearing trust account.

- (b) the Deposit and any interest earned thereon shall be paid to the Receiver:
 - (i) and credited to the Purchase Price at the Closing Date; or
 - (ii) as liquidated damages, the Parties hereby agreeing that the Deposit constitutes a genuine pre-estimate of the damages that will be suffered by the Receiver if the Purchaser breaches any of the terms of this Agreement.
- (c) The Receiver acknowledges and agrees that it has no interest in the Deposit except the right to receive the Deposit in those certain circumstances described in paragraph (a) above.

5. CONDITIONS PRECEDENT

5.1 The obligation of the Receiver to complete the sale of the Assets contemplated by this Agreement and of the Purchaser to complete the purchase of the Assets as contemplated by this Agreement are subject to the satisfaction of each of the following conditions (the "Conditions Precedent") by the dates set forth below, and if no dates are set forth then by or at the Closing Date:

- (a) Approval and Vesting Order. The Receiver shall have obtained the Approval and Vesting Order by no later than May 22, 2015;
- (b) No Actions or Proceedings. As of the Closing Date, no appeal of, motion to vary, stay or vacate, or motion for leave to appeal the Approval and Vesting Order shall be outstanding, pending or threatened by any Person (not including the Purchaser) or any Governmental Authority; and
- (c) No Orders. As of the Closing Date, no order or direction shall have been made by any Governmental Authority which would have the effect of prohibiting or preventing the sale of the Assets to the Purchaser.

The foregoing conditions are inserted for the mutual benefit of the Receiver and the Purchaser and may be waived in whole or in part only if jointly waived in writing by the Receiver and the Purchaser at or prior to the applicable time set for the satisfaction of such conditions.

6. REPRESENTATIONS AND WARRANTIES OF THE RECEIVER

6.1 The Purchaser acknowledges that it is acquiring the Assets on an "as is, where is" basis, without representation and warranty and without reliance on any information provided to the Purchaser by or on behalf of the Receiver, except that the Receiver makes the following representations and warranties to the Purchaser:

- (a) Due Authorization, Approvals and Consents. Subject to obtaining the Approval and Vesting Order: (i) the Receiver has the authority to assign, transfer and convey the Assets to the Purchaser in the manner contemplated herein; and (ii) this Agreement and all other agreements, documents and instruments required to be delivered by the Receiver hereunder have been duly executed and delivered by

the Receiver and constitute and will constitute legal, valid and binding obligations of the Receiver, enforceable in accordance with their terms.

7. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

7.1 The Purchaser represents and warrants to the Receiver as follows, with the intent that the Receiver shall rely thereon in entering into this Agreement and in concluding the purchase and sale contemplated herein:

- (a) Formation and Good Standing. The Purchaser is a limited liability company duly organized, validly existing and organized and in good standing under the laws of the State of New York, and has the legal power and capacity to enter into this Agreement and to carry out its terms;
- (b) Authority to Purchase. The execution and delivery of this Agreement and the completion of the transaction contemplated herein shall by the Closing Date be duly and validly authorized by all necessary corporate action on the part of the Purchaser, and this Agreement will constitute a legal, valid and binding obligation of the Purchaser enforceable against the Purchaser in accordance with its terms;
- (c) Absence of Legal Conflict. Neither the execution and delivery of this Agreement by the Purchaser, nor the performance of this Agreement by the Purchaser and the consummation by the Purchaser of the transactions contemplated by this Agreement will:
 - (i) conflict with or violate the constituting documents of the Purchaser or any resolution of either of its directors or shareholders;
 - (ii) conflict with or violate any law, rule, regulation, permit, Order, judgment or decree applicable to the Purchaser or by which its properties are bound or affected, the conflict with which or violation of which would prohibit or materially delay the Purchaser's ability to perform its obligations under this Agreement; or
 - (iii) result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under any agreement to which the Purchaser is a party or by which the Purchaser or any of its properties is bound or affected and which would prohibit or materially delay the Purchaser's ability to perform its obligations under this Agreement.
- (d) the Purchaser is or will be registered under Part IX of the *Excise Tax Act* (Canada) on or before the Closing Date.

8. SURVIVAL OF REPRESENTATIONS AND WARRANTIES

8.1 The representations and warranties made by each of the Receiver and the Purchaser in this Agreement shall survive Closing for a period of one (1) year.

9. PURCHASER'S ACKNOWLEDGEMENT

9.1 The Purchaser hereby expressly acknowledges and agrees that:

- (a) the Receiver is acting only in its representative capacity as Court-appointed receiver over the Assets and not in its personal capacity and shall have no liability under or as a result of entering into or carrying out the transaction which is the subject of this Agreement;
- (b) the Purchaser must make its own arrangements to support this Agreement in Court;
- (c) if the Court vacates, sets aside or varies any Order approving this Agreement, or does not approve the Agreement or the Approval and Vesting Order, for any reason whatsoever, then the Receiver shall not be liable to the Purchaser or any other person in any way whatsoever;
- (d) the Purchaser has relied entirely upon its own inspection and investigation of all matters in respect of the Assets;
- (e) the Receiver has not made and will not make any warranty or representation in relation to the Assets including any warranty or representation as to the fitness, design, condition or quality of the Assets;
- (f) no representation, warranty or condition is expressed by the Receiver or can be implied as to title or encumbrances to the Assets, or in respect of any other matter or thing whatsoever concerning the Assets or the right of the Receiver to sell or assign same save and except as expressly represented or warranted in Section 6.1;
- (g) without limiting the generality of the foregoing, any and all conditions, warranties or representations expressed or implied pursuant to the *Sale of Goods Act* (British Columbia) or similar legislation in British Columbia or any other jurisdiction do not apply hereto and have in any event been waived by the Purchaser;
- (h) the description of the Assets contained in Schedule "A" hereto is for the purpose of identification only. The Purchaser has prepared such Schedule "A" in its entirety and is satisfied that Schedule "A" accurately and completely describes the Assets, and no representation, warranty or condition has or will be given by the Receiver concerning the completeness or the accuracy of such descriptions.

10. DELIVERY OF CLOSING DOCUMENTS

10.1 Receiver's Closing Documents. On the Closing Date, the Receiver will deliver the following to the Purchaser's Solicitor:

- (a) a copy of the Approval and Vesting Order;

- (b) all files, documents, and other materials relating to Contech or the Assets that are in the possession of or accessible by the Receiver;
- (c) all such other assurances, consents, agreements, documents and instruments as may be reasonably required to transfer the Assets to the Purchaser as contemplated in this Agreement.

10.2 Purchaser's Closing Documents On the Closing Date, the Purchaser will deliver the following to the Receiver's Solicitors in a form acceptable to the Receiver, acting reasonably:

- (a) an irrevocable direction from the Purchaser authorizing the Receiver's Solicitors to release the Deposit to or as directed by the Receiver;
- (b) payment of the Unpaid Balance; and
- (c) all such other assurances, consents, agreements, documents and instruments as may be reasonably required to transfer the Assets to the Purchaser as contemplated in this Agreement.

11. TAXES AND FEES

11.1 The Purchaser shall be solely responsible for payment of all applicable federal, provincial and municipal taxes in connection with the Assets including, without limitation, goods and services tax, retail sales tax and social services tax.

11.2 The Purchaser agrees to indemnify and save the Receiver harmless from and against all claims and demands made or assessed by any Governmental Authority after the Closing Date for payment of any taxes, penalties or fees of any kind whatsoever in any way relating to the Assets.

12. RISK

12.1 The Assets will be at the risk of Receiver up until the Closing Date. From and including the Closing Date the Assets will be at the risk of the Purchaser.

13. MISCELLANEOUS

13.1 Severability. If any term, covenant or condition of this Agreement or the application thereof to any person or circumstance shall, to any extent, be held to be invalid or unenforceable, the remainder of this Agreement, or the application of that term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant and condition of this Agreement shall be valid and enforced to the fullest extent permitted by law.

13.2 Further Assurances. Each party, upon receipt of notice by another party, shall sign (or cause to be signed) all further documents, do (or cause to be done) all further acts, and provide all reasonable assurances as may reasonably be necessary or desirable to give effect to the terms of this Agreement. Without limiting the foregoing, upon reasonable request, the Receiver shall provide to the Purchaser information and documents which are within its possession or control.

and are necessary or desirable for the Purchaser to register, enforce, and defend its rights in the Assets.

13.3 Notice. Any notices, requests or demands which may or are required to be given or made hereunder shall be in writing and served personally addressed:

if to the Receiver, to:

Deloitte Restructuring Inc.
2800 - 1055 Dunsmuir Street
4 Bentall Centre
P.O. Box 49279
Vancouver British Columbia
V7X 1P4
Fax: 604-602-1583

with a copy to:

Borden Ladner Gervais LLP
1200 Waterfront Centre
200 Burrard Street, P.O. Box 48600
Vancouver, British Columbia
V7X 1T2
Fax: 604-622-4198
Attention: Magnus C. Verbrugge

and if to the Purchaser, to:

VegHerb, LLC
10 Gedney Circle
White Plains, New York 10605
USA
(914) 552-6554
agtopping@gmail.com
Attention: Anthony Topping

with a copy to:

PENN & ASSOCIATES, LLP
260 Madison Avenue
Floor 21
New York, New York 10016-2401
USA

(212) 661-5700
(888) 506-3339 (facsimile)
cpenn@cpennlaw.com
Attention: Craig E. Penn, Esq.

13.4 Entire Agreement. This Agreement constitutes the entire agreement between the parties and there are no representations or warranties, express or implied, statutory or otherwise and no agreements collateral hereto other than as expressly set forth or referred to herein.

13.5 Time of Essence. Time, where mentioned in this Agreement, shall be of the essence.

13.6 Currency. Unless otherwise expressly provided herein, all sums of money referred to in this Agreement are expressed in Canadian Dollars.

13.7 Interpretation. Wherever the singular or masculine is used in this Agreement, references to plural, feminine and body corporate shall be construed as necessary.

13.8 Governing Law. This Agreement shall be governed by all and interpreted in accordance with the laws of the Province of British Columbia.

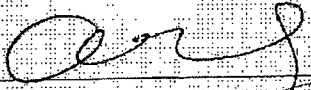
13.9 Execution in Counterpart. This Agreement may be executed in counterparts and the parties hereto may evidence their execution of this Agreement by facsimile or other electronic transmission.

13.10 Successors and Assigns. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. The Purchaser shall have the right, prior to the granting of the Approval and Vesting Order to assign, in whole or in part, its rights to acquire the Property hereunder to any affiliate of the Purchaser provided that such assignment shall not release the Purchaser from its obligations under this Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their proper and duly authorized officers as of the date first above written.

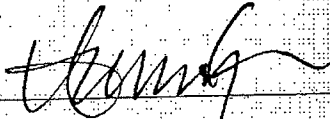
VegHerb, LLC, the Purchaser, by its authorized signatory:



By: Anthony Topping, Managing Member

Date: May 12, 2015

Deloitte Restructuring Inc.
in its capacity as Court-appointed receiver of the
assets and undertakings of Contech Enterprises
Ltd. and not in its personal capacity, by its
authorized signatory:



Date:

12 MAY 2015

SCHEDULE "A" TO PURCHASE AND SALE AGREEMENT

ASSETS

- All Frame-It-All inventory as of Closing, but excluding any unsalable or close-out products listed in Schedule "C".
- All UPC, UPC prefixes and GLN product codes for the inventory being purchased.

SCHEDULE "B" TO PURCHASE AND SALE AGREEMENT

FORM OF APPROVAL AND VESTING ORDER

THE APPLICATION of Deloitte Restructuring Inc., in its capacity as Court-appointed Receiver (the "Receiver") of the assets, undertakings and properties of Contech Enterprises Inc. (the "Debtor") coming on for hearing at Vancouver, British Columbia, on the [•] day of April, 2015; AND ON HEARING Magnus Verbrugge, counsel for the Receiver, and those other counsel listed on Schedule "A" hereto; AND UPON READING the material filed;

THIS COURT ORDERS AND DECLARES THAT:

1. The sale transaction (the "Transaction") contemplated by the Asset Purchase Agreement dated April [•] (the "Sale Agreement") between the Receiver and [•] (the "Purchaser"), a copy of which is attached as Schedule "B" hereto is hereby approved, and the Sale Agreement is commercially reasonable. The execution of the Sale Agreement by the Receiver is hereby authorized and approved, and the Receiver is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance to the Purchaser of the assets described in the Sale Agreement as the "Assets".
2. Upon delivery by the Receiver to the Purchaser of a certificate substantially in the form attached as Schedule "C" hereto (the "Receiver's Certificate"), all of the Debtor's right, title and interest in and to the Assets described in the Sale Agreement shall vest absolutely in the Purchaser in fee simple, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "Claims") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of this Court dated [•]; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* of British Columbia or any other personal property registry system; and (iii) those Claims listed on Schedule "D" hereto (all of which are collectively referred to as the "Encumbrances", which term shall not include the permitted encumbrances, easements and restrictive covenants listed on Schedule "E" hereto), and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Assets are hereby expunged and discharged as against the Assets.
3. For the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Assets shall stand in the place and stead of the Assets, and from and after the delivery of the Receiver's Certificate all Claims shall attach to the net proceeds from the sale of the Assets with the same priority as they had with respect to the Assets immediately prior to the sale, as if the Assets had not been sold and remained in the possession or control of the person having had possession or control immediately prior to the sale.

4. The Receiver is to file with the Court a copy of the Receiver's Certificate forthwith after delivery thereof.
5. Pursuant to Section 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act* or Section 18(10)(c) of the *Personal Information Protection Act* of British Columbia, the Receiver is hereby authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the company's records pertaining to the Debtor's past and current employees, including personal information. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Debtor.
6. Subject to the terms of the Sale Agreement, vacant possession of the Assets, including any real property, shall be delivered by the Receiver to the Purchaser at 12:00 noon on the Closing Date (as defined in the Sale Agreement), subject to any permitted encumbrances listed on Schedule "E".
7. The Receiver, with the consent of the Purchaser, shall be at liberty to extend the Closing Date to such later date as those parties may agree without the necessity of a further Order of this Court.
8. Notwithstanding:
 - (a) these proceedings;
 - (b) any applications for a bankruptcy order in respect of the Debtor now or hereafter made pursuant to the *Bankruptcy and Insolvency Act* and any bankruptcy order issued pursuant to any such applications; and
 - (c) any assignment in bankruptcy made by or in respect of the Debtor;

the vesting of the Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtor and shall not be void or voidable by creditors of the Debtor, nor shall it constitute or be deemed to be a transfer at undervalue, fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under the *Bankruptcy and Insolvency Act* or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

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

10. The Receiver or any other party have liberty to apply for such further or other directions or relief as may be necessary or desirable to give effect to this Order.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

SCHEDULE "A" TO APPROVAL AND VESTING ORDER

Counsel List

SCHEDULE "B" TO APPROVAL AND VESTING ORDER

Purchase and Sale Agreement

SCHEDULE "C" TO APPROVAL AND VESTING ORDER

Receiver's Certificate

SCHEDULE "D" TO APPROVAL AND VESTING ORDER

Expunged Encumbrances / Claims

Inventory Item No.

100001602, 100001601, 100001602, 100001603, 100001604, 100001605, 100001606, 100001607, 100001608, 200000525, 300001001, 300001014, 300001015, 300001017, 300001046, 300001158, 300001218, 300001219, 300001247, 300001251, 300001353, 300001354, 300001355. Any and all liabilities, product returns, all agreements & Crayola agreement

SCHEDULE "E" TO APPROVAL AND VESTING ORDER

Permitted Encumbrances

SCHEDULE "C" TO PURCHASE AND SALE AGREEMENT

EXCLUDED INVENTORY

Inventory item No. 100001602, 100001601, 100001602, 100001603, 100001604, 100001605,
100001606, 100001607, 100001608, 200000525, 300001001, 300001014, 300001015,
300001017, 300001046, 300001158, 300001218, 300001219, 300001247, 300001251,
300001353, 300001354, 300001355.

PURCHASE AND SALE AGREEMENT

This agreement (this "Agreement") dated as of the 12th day of May, 2015

BETWEEN:

VegHerb, LLC, a limited liability company organized and existing under the laws of the State of New York, having its principal place of business at 10 Gedney Circle White Plains, NY 10605 in trust for a company to be incorporated,

(the "Purchaser")

AND:

Deloitte Restructuring Inc., in its capacity as court-appointed receiver over the assets, undertakings and properties of Contech Enterprises Inc., and not in its personal capacity

(The "Receiver")

WHEREAS:

A. On March 20, 2015, on the application of HSBC Bank Canada, the Supreme Court of British Columbia (the "Court") in Action Number S152303, Vancouver Registry (the "Receivership Proceedings"), appointed the Receiver to act as receiver over the assets, undertakings and properties of Contech Enterprises Inc. ("Contech").

B. Contech is the owner of or has certain interests in the property, rights and interests listed on Schedule "A" hereto (the "Assets").

C. The Receiver wishes to sell and the Purchaser wishes to purchase the Assets, subject to and in accordance with the terms and conditions hereof.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the covenants and agreements herein contained the parties hereto agree as follows:

1. DEFINED TERMS

Capitalized terms used but not otherwise defined herein shall have the following meanings:

"Approval and Vesting Order" means an Order of the Court in the Receivership Proceedings, as required, substantially in form attached as Schedule "B" hereto and as may be amended with the consent of the Receiver and Purchaser acting reasonably.

"Business Day" means a day other than a Saturday, a Sunday or a statutory holiday in British Columbia.

"Canadian Dollars" means the lawful currency of Canada.

"Closing" means the completion of the purchase and sale of the Assets in accordance with the provisions of this Agreement.

"Closing Date" means the 2nd Business Day following the day on which the Approval and Vesting Order is obtained, or such other time and date as may be agreed upon in writing by Receiver and Purchaser, acting reasonably.

"Governmental Authority" means any government, regulatory authority, governmental department, agency, commission, bureau, court, judicial body, arbitral body or other law, rule or regulation making entity:

- (a) having jurisdiction over Contech, the Receiver, the Purchaser or the Assets on behalf of any country, province, state, locality or other geographical or political subdivision thereof; or
- (b) Exercising or entitled to exercise any administrative, judicial, legislative, regulatory or taxing authority or power with respect to the Assets.

"Order" means any order, decision, determination, judgment, injunction, decree, award or writ with respect to the Assets made by or any court (including the Court), arbitrator or Governmental Authority, or other Person who has jurisdiction over the subject matter of the order, decision, determination, judgment, injunction, decree, award or writ.

"Person" means any individual, corporation, partnership, joint venture, limited liability company, association, trust, governmental body or any other entity or body.

"Purchaser's Solicitors" means PENN & ASSOCIATES, LLP, 260 Madison Avenue, Floor 21, New York, New York 10016-2401 (USA) (212) 661-5700, cpenn@cpenalaw.com (attention Craig E. Penn, Esq.

"Receiver's Solicitors" means Border Ladner Gervais LLP.

2. OFFER TO PURCHASE THE ASSETS

2.1 By signing this Agreement and delivering it to the Receiver or the Receiver's Solicitors, the Purchaser hereby offers to purchase Contech's and the Receiver's right, title and interest in the Assets for the aggregate price of CAD \$700,000 (the "Purchase Price") on the terms and conditions set out in this Agreement (the "Offer"), the Purchase Price to be allocated between specific Assets or classes / types of Assets as follows:

SPECIFIC ASSET or ASSET CLASS / TYPE	PURCHASE PRICE
<ul style="list-style-type: none"> • All intellectual property, including patents, in connection with the Frame It All line of business of Contech, including without limiting the generality of the foregoing all of the items listed on Schedule "C". 	CAD \$700,000.00

- the websites Frameitall.com, Scenery-solutions.com, gardenwars.com, gardenwarz.com, all creative material images video etc., customer contacts and all data and account information.
- All logins social media platforms with logins, speedy transfer of all URL's to our register.com account and transferring the 1-800-914-9835 telephone number.
- All data and information related to the Frame it all product line.
- All Frame It All tooling in the states, Canada, China or any other country.
- The Non-Competition and Non-Solicitation Agreement among Contech, Vegferb LLC and Anthony Topping dated February 22, 2013
- The Non-Competition and Non-Solicitation Agreement between Contech and Derek Rawden Lewis dated February 22, 2013.

2.2 This Offer may be accepted by delivery by the Receiver of a copy of this Agreement signed by the Receiver and the Purchaser to the Purchaser.

2.3 This Offer will remain open for acceptance until 11:59pm May 12, 2015 (Pacific Time), after which time it will be deemed to have been automatically withdrawn.

2.4 If this Offer is not accepted by the Receiver, the Offer will be extinguished and will no longer be binding on the Purchaser.

3. PURCHASE AND SALE OF THE PURCHASED ASSETS

3.1 Purchase and Sale. Upon delivery by the Receiver to the Purchaser of a signed copy of this Agreement executed by each of the Receiver and the Purchaser, this Agreement shall become a binding Agreement whereby the Receiver agrees to sell and transfer to the Purchaser, and the Purchaser agrees to purchase and acquire Contech's and the Receiver's right, title and interest in and to the Assets on the terms set out in this Agreement.

4. DEPOSIT AND PAYMENT

4.1 Purchase Price. The Purchase Price for the sale, assignment, transfer and conveyance of the Assets to the Purchaser shall be payable as set forth (all in Canadian Dollars):

4.2

- (a) by paying \$25,000.00 in certified funds, which has already been provided to the Vendor as a deposit in connection with a previous offer to purchase that was not accepted by the Receiver, and shall be the Deposit referred to in section 4.2 below; and
- (b) on Closing an assumption of the liability for, or forgiveness of Contech's indebtedness for \$675,000.00 in favour of Vegherb LLC; and
- (c) The Purchase Price will be allocated among the Assets as set out in Section 2.1.

4.3 Deposit. The Deposit which has been paid to the Receiver's Solicitors in accordance with Section 4.1(a), shall be dealt with as follows:

- (a) The Deposit shall be placed in an interest bearing trust account.
- (b) the Deposit and any interest earned thereon shall be paid to the Receiver:
 - (i) and credited to the Purchase Price at the Closing Date; or
 - (ii) as liquidated damages, the Parties hereby agreeing that the Deposit constitutes a genuine pre-estimate of the damages that will be suffered by the Receiver if the Purchaser breaches any of the terms of this Agreement.
- (c) The Receiver acknowledges and agrees that it has no interest in the Deposit except the right to receive the Deposit in those certain circumstances described in paragraph (b) above.

5. CONDITIONS PRECEDENT

5.1 The obligation of the Receiver to complete the sale of the Assets contemplated by this Agreement and of the Purchaser to complete the purchase of the Assets as contemplated by this Agreement are subject to the satisfaction of each of the following conditions (the "Conditions Precedent") by the dates set forth below, and if no dates are set forth then by or at the Closing Date:

- (a) Approval and Vesting Order. The Receiver shall have obtained the Approval and Vesting Order by no later than May 22, 2015;
- (b) No Actions or Proceedings. As of the Closing Date, no appeal of, motion to vary, stay or vacate, or motion for leave to appeal the Approval and Vesting Order shall

be outstanding, pending or threatened by any Person (not including the Purchaser) or any Governmental Authority; and

- (c) No Orders. As of the Closing Date, no order or direction shall have been made by any Governmental Authority which would have the effect of prohibiting or preventing the sale of the Assets to the Purchaser.

The foregoing conditions are inserted for the mutual benefit of the Receiver and the Purchaser and may be waived in whole or in part only if jointly waived in writing by the Receiver and the Purchaser at or prior to the applicable time set for the satisfaction of such conditions.

6. REPRESENTATIONS AND WARRANTIES OF THE RECEIVER

6.1 The Purchaser acknowledges that it is acquiring the Assets on an "as is, where is" basis, without representation and warranty and without reliance on any information provided to the Purchaser by or on behalf of the Receiver, except that the Receiver makes the following representations and warranties to the Purchaser:

- (a) Due Authorization, Approvals and Consents. Subject to obtaining the Approval and Vesting Order: (i) the Receiver has the authority to assign, transfer and convey the Assets to the Purchaser in the manner contemplated herein; and (ii) this Agreement and all other agreements, documents and instruments required to be delivered by the Receiver hereunder have been duly executed and delivered by the Receiver and constitute and will constitute legal, valid and binding obligations of the Receiver, enforceable in accordance with their terms.

7. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

7.1 The Purchaser represents and warrants to the Receiver as follows, with the intent that the Receiver shall rely thereon in entering into this Agreement and in concluding the purchase and sale contemplated herein:

- (a) Formation and Good Standing. The Purchaser is a limited liability company duly organized, validly existing and organized and in good standing under the laws of the State of New York, and has the legal power and capacity to enter into this Agreement and to carry out its terms;
- (b) Authority to Purchase. The execution and delivery of this Agreement and the completion of the transaction contemplated herein shall by the Closing Date be duly and validly authorized by all necessary corporate action on the part of the Purchaser, and this Agreement will constitute a legal, valid and binding obligation of the Purchaser enforceable against the Purchaser in accordance with its terms;
- (c) Absence of Legal Conflict. Neither the execution and delivery of this Agreement by the Purchaser, nor the performance of this Agreement by the Purchaser and the consummation by the Purchaser of the transactions contemplated by this Agreement will:

- (i) conflict with or violate the constating documents of the Purchaser or any resolution of either of its directors or shareholders;
- (ii) conflict with or violate any law, rule, regulation, permit, Order, judgment or decree applicable to the Purchaser or by which its properties are bound or affected, the conflict with which or violation of which would prohibit or materially delay the Purchaser's ability to perform its obligations under this Agreement; or
- (iii) result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under any agreement to which the Purchaser is a party or by which the Purchaser or any of its properties is bound or affected and which would prohibit or materially delay the Purchaser's ability to perform its obligations under this Agreement;
- (d) the Purchaser is or will be registered under Part IX of the *Excise Tax Act* (Canada) on or before the Closing Date.

8. SURVIVAL OF REPRESENTATIONS AND WARRANTIES

8.1 The representations and warranties made by each of the Receiver and the Purchaser in this Agreement shall survive Closing for a period of one (1) year.

9. PURCHASER'S ACKNOWLEDGEMENT

9.1 The Purchaser hereby expressly acknowledges and agrees that:

- (a) the Receiver is acting only in its representative capacity as Court-appointed receiver over the Assets and not in its personal capacity and shall have no liability under or as a result of entering into or carrying out the transaction which is the subject of this Agreement;
- (b) the Purchaser must make its own arrangements to support this Agreement in Court;
- (c) if the Court vacates, sets aside or varies any Order approving this Agreement, or does not approve the Agreement or the Approval and Vesting Order, for any reason whatsoever, then the Receiver shall not be liable to the Purchaser or any other person in any way whatsoever;
- (d) the Purchaser has relied entirely upon its own inspection and investigation of all matters in respect of the Assets;
- (e) the Receiver has not made and will not make any warranty or representation in relation to the Assets including any warranty or representation as to the fitness, design, condition or quality of the Assets;
- (f) no representation, warranty or condition is expressed by the Receiver or can be implied as to title or encumbrances to the Assets, or in respect of any other matter

or thing whatsoever concerning the Assets or the right of the Receiver to sell or assign same save and except as expressly represented or warranted in Section 6.1.

- (g) without limiting the generality of the foregoing, any and all conditions, warranties or representations expressed or implied pursuant to the *Sale of Goods Act* (British Columbia) or similar legislation in British Columbia or any other jurisdiction do not apply hereto and have in any event been waived by the Purchaser;
- (h) the description of the Assets contained in Schedule "A" hereto is for the purpose of identification only. The Purchaser has prepared such Schedule "A" in its entirety and is satisfied that Schedule "A" accurately and completely describes the Assets, and no representation, warranty or condition has or will be given by the Receiver concerning the completeness or the accuracy of such descriptions.

10. DELIVERY OF CLOSING DOCUMENTS

10.1 Receiver's Closing Documents. On the Closing Date, the Receiver will deliver the following to the Purchaser's Solicitor:

- (a) a copy of the Approval and Vesting Order;
- (b) all files, documents, and other materials relating to Contech or the Assets that are in the possession of or accessible by the Receiver;
- (c) all such other assurances, consents, agreements, documents and instruments as may be reasonably required to transfer the Assets to the Purchaser as contemplated in this Agreement.

10.2 Purchaser's Closing Documents. On the Closing Date, the Purchaser will deliver the following to the Receiver's Solicitors in a form acceptable to the Receiver, acting reasonably:

- (a) an irrevocable direction from the Purchaser authorizing the Receiver's Solicitors to release the Deposit to or as directed by the Receiver;
- (b) payment of the Unpaid Balance; and
- (c) all such other assurances, consents, agreements, documents and instruments as may be reasonably required to transfer the Assets to the Purchaser as contemplated in this Agreement.

11. TAXES AND FEES

11.1 The Purchaser shall be solely responsible for payment of all applicable federal, provincial and municipal taxes in connection with the Assets including, without limitation, goods and services tax, retail sales tax and social services tax.

11.2 The Purchaser agrees to indemnify and save the Receiver harmless from and against all claims and demands made or assessed by any Governmental Authority after the Closing Date for payment of any taxes, penalties or fees of any kind whatsoever in any way relating to the Assets.

12. RISK

12.1 The Assets will be at the risk of Receiver up until the Closing Date. From and including the Closing Date the Assets will be at the risk of the Purchaser.

13. MISCELLANEOUS

13.1 Severability. If any term, covenant or condition of this Agreement or the application thereof to any person or circumstance shall, to any extent, be held to be invalid or unenforceable, the remainder of this Agreement, or the application of that term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant and condition of this Agreement shall be valid and enforced to the fullest extent permitted by law.

13.2 Further Assurances. Each party, upon receipt of notice by another party, shall sign (or cause to be signed) all further documents, do (or cause to be done) all further acts, and provide all reasonable assurances as may reasonably be necessary or desirable to give effect to the terms of this Agreement. Without limiting the foregoing, upon reasonable request, the Receiver shall provide to the Purchaser information and documents which are within its possession or control and are necessary or desirable for the Purchaser to register, enforce, and defend its rights in the Assets.

13.3 Notice. Any notices, requests or demands which may or are required to be given or made hereunder shall be in writing and served personally addressed:

if to the Receiver, to:

Deloitte Restructuring Inc.
2800 - 1055 Dunsmuir Street
4 Bentall Centre
P.O. Box 49279
Vancouver British Columbia
V7X 1P4
Fax: 604-602-1583

with a copy to:

Borden Ladner Gervais LLP
1200 Waterfront Centre
200 Burrard Street, P.O. Box 48600
Vancouver, British Columbia
V7X 1F2

Fax: 604-622-4198
Attention: Magnus C. Verbrugge

and if to the Purchaser, to:

VegHerb, LLC
10 Gedney Circle
White Plains, New York 10605
USA
(914) 552-6554
agtopping@gmail.com
Attention: Anthony Topping

with a copy to:

PENN & ASSOCIATES, LLP
260 Madison Avenue
Floor 21
New York, New York 10016-2401
USA
(212) 661-5700
(888) 506-3339 (facsimile)
cpenn@cpennlaw.com
Attention: Craig E. Penn, Esq.

13.4 Entire Agreement. This Agreement constitutes the entire agreement between the parties and there are no representations or warranties, express or implied, statutory or otherwise and no agreements collateral hereto other than as expressly set forth or referred to herein.

13.5 Time of Essence. Time, where mentioned in this Agreement, shall be of the essence.

13.6 Currency. Unless otherwise expressly provided herein, all sums of money referred to in this Agreement are expressed in Canadian Dollars.

13.7 Interpretation. Wherever the singular or masculine is used in this Agreement, references to plural, feminine and body corporate shall be construed as necessary.

13.8 Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the Province of British Columbia.

13.9 Execution in Counterpart. This Agreement may be executed in counterparts and the parties hereto may evidence their execution of this Agreement by facsimile or other electronic transmission.

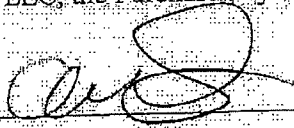
13.10 Successors and Assigns. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. The Purchaser shall have the right, prior to the granting of the Approval and Vesting Order to assign, in whole or in part, its rights to

acquire the Property hereunder to any affiliate of the Purchaser provided that such assignment shall not release the Purchaser from its obligations under this Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their proper and duly authorized officers as of the date first above written.

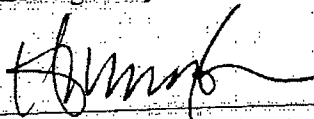
VegHerb, LLC, the Purchaser, by its authorized signatory:



By: Anthony Topping, Managing Member

Date: May 12, 2015

Deloitte Restructuring Inc.
in its capacity as Court-appointed receiver of the
assets and undertakings of Comtech Enterprises
Ltd. and not in its personal capacity, by its
authorized signatory:



Date

12 MAY 2015

SCHEDULE "A" TO PURCHASE AND SALE AGREEMENT

ASSETS

- All intellectual property, including patents, in connection with the Frame It All line of business of Contech, including without limiting the generality of the foregoing all of the items listed on Schedule "C".
- the websites Frameitall.com, Scenery-solutions.com, garden-wars.com, gardenwarz.com., all creative material images video etc., customer contacts and all data and account information.
- All logins social media platforms with logins, speedy transfer of all URL's to our register.com account and transferring the 1-800-914-9835 telephone number.
- All data and information related to the Frame it all product line.
- All Frame It All tooling in the states, Canada, China or any other country.
- The Non-Competition and Non-Solicitation Agreement among Contech, VegHerb LLC and Anthony Topping dated February 22, 2013.
- The Non-Competition and Non-Solicitation Agreement between Contech and Derek Rawden Lewis dated February 22, 2013.

SCHEDULE "B" TO PURCHASE AND SALE AGREEMENT

FORM OF APPROVAL AND VESTING ORDER

THE APPLICATION of Deloitte Restructuring Inc., in its capacity as Court-appointed Receiver (the "Receiver") of the assets, undertakings and properties of Contech Enterprises Inc. (the "Debtor") coming on for hearing at Vancouver, British Columbia, on the [•] day of April, 2015; AND ON HEARING Magnus Verbrugge, counsel for the Receiver, and those other counsel listed on Schedule "A" hereto; AND UPON READING the material filed;

THIS COURT ORDERS AND DECLARES THAT:

1. The sale transaction (the "Transaction") contemplated by the Asset Purchase Agreement dated April [•] (the "Sale Agreement") between the Receiver and [•] (the "Purchaser"), a copy of which is attached as Schedule "B" hereto is hereby approved, and the Sale Agreement is commercially reasonable. The execution of the Sale Agreement by the Receiver is hereby authorized and approved, and the Receiver is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance to the Purchaser of the assets described in the Sale Agreement as the "Assets".
2. Upon delivery by the Receiver to the Purchaser of a certificate substantially in the form attached as Schedule "C" hereto (the "Receiver's Certificate"), all of the Debtor's right, title and interest in and to the Assets described in the Sale Agreement shall vest absolutely in the Purchaser in fee simple, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "Claims") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of this Court dated [•]; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* of British Columbia or any other personal property registry system; and (iii) those Claims listed on Schedule "D" hereto (all of which are collectively referred to as the "Encumbrances", which term shall not include the permitted encumbrances, easements and restrictive covenants listed on Schedule "E" hereto), and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Assets are hereby expunged and discharged as against the Assets.
3. For the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Assets shall stand in the place and stead of the Assets, and from and after the delivery of the Receiver's Certificate all Claims shall attach to the net proceeds from the sale of the Assets with the same priority as they had with respect to the Assets immediately prior to the sale, as if the Assets had not been sold and remained in the possession or control of the person having had possession or control immediately prior to the sale.

4. The Receiver is to file with the Court a copy of the Receiver's Certificate forthwith after delivery thereof.
5. Pursuant to Section 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act* or Section 18(10)(c) of the *Personal Information Protection Act* of British Columbia, the Receiver is hereby authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the company's records pertaining to the Debtor's past and current employees, including personal information. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Debtor.
6. Subject to the terms of the Sale Agreement, vacant possession of the Assets, including any real property, shall be delivered by the Receiver to the Purchaser at 12:00 noon on the Closing Date (as defined in the Sale Agreement), subject to any permitted encumbrances listed on Schedule "E".
7. The Receiver, with the consent of the Purchaser, shall be at liberty to extend the Closing Date to such later date as those parties may agree without the necessity of a further Order of this Court.
8. Notwithstanding:
 - (a) these proceedings;
 - (b) any applications for a bankruptcy order in respect of the Debtor now or hereafter made pursuant to the *Bankruptcy and Insolvency Act* and any bankruptcy order issued pursuant to any such applications; and
 - (c) any assignment in bankruptcy made by or in respect of the Debtor,

the vesting of the Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtor and shall not be void or voidable by creditors of the Debtor, nor shall it constitute or be deemed to be a transfer at undervalue, fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under the *Bankruptcy and Insolvency Act* or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

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

10. The Receiver or any other party have liberty to apply for such further or other directions or relief as may be necessary or desirable to give effect to this Order.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

SCHEDULE "A" TO APPROVAL AND VESTING ORDER

Counsel List

SCHEDULE "B" TO APPROVAL AND VESTING ORDER

Purchase and Sale Agreement

SCHEDULE "C" TO APPROVAL AND VESTING ORDER

Receiver's Certificate

SCHEDULE "D" TO APPROVAL AND VESTING ORDER

SCHEDULE "E" TO APPROVAL AND VESTING ORDER

Permitted Encumbrances

**SCHEDULE "C" TO PURCHASE AND SALE AGREEMENT
INTELLECTUAL PROPERTY**

Trade-mark

Application/Registration No.

1. Veggie Wall

3903615

URLs

Domain Name	Description	Is Transfer Locked?	Status	Expiration Date
francetall.com	francetall.com	locked	ACTIVE	6/28/2015
	Private Domain		ACTIVE	3/2/2015
garden-wars.com	garden-wars.com	locked	ACTIVE	7/28/2013
	Private Domain		ACTIVE	7/28/2013
	Domain Expiration Protection		ACTIVE	7/28/2013
	Basic Web Site Forwarding		ACTIVE	7/28/2013
gardentimbers.com	gardentimbers.com	locked	ACTIVE	3/1/2014
	Basic Web Site Forwarding		ACTIVE	3/1/2014
	Private Domain		ACTIVE	1/31/2014
gardenwarz.com	gardenwarz.com	locked	ACTIVE	7/28/2013
	Basic Web Site Forwarding		ACTIVE	7/28/2013
	Private Domain		ACTIVE	7/28/2013
	Domain Expiration Protection		ACTIVE	7/28/2013
raisedbed.com	raisedbed.com	locked	ACTIVE	3/1/2014
	Basic Web Site Forwarding		ACTIVE	3/1/2014
	Private Domain		ACTIVE	3/1/2014
raisedbedgarden.com	raisedbedgarden.com	unlocked	ACTIVE	3/1/2014
	Basic Web Site Forwarding		ACTIVE	3/1/2014
	Private Domain		ACTIVE	3/1/2014
scenery-solutions.com	scenery-solutions.com	locked	ACTIVE	12/30/2015
	Private Domain		ACTIVE	3/2/2015

Patents

U.S. Pat. No.	Attorney	Title	Status	Serial No.	Filing Date	Inventor Name(s)	Patent No.	Issue Date
00049/001629- US0	David Leason	TRELLIS BRACKET	Granted	29/103,738	4/22/1999	JEFFREY R. MARINO	D423,798	8/12/2000
00049/001631- US0	David Leason	RAISED BED BRACKET	Granted	29/103,740	4/22/1999		D423,886	4/18/2000
00049/001633- US0	David Leason	TREE PEE LEG CONNECTOR	Granted	29/105,966	6/3/1999	JEFFREY R. MARINO	D423,630	4/25/2000
00049/001635- CA0	David Leason	RAISED BORDER SYSTEM	Granted	2285503	11/8/1999		2,285,583	1/29/2002
00049/001635- GB0	David Leason	RAISED BORDER SYSTEM	Granted	59308248.6	10/19/1999		1020109	7/19/2008
00049/001635- US0	David Leason	RAISED BORDER SYSTEM	Granted	09-231,099	1/14/1999	Hans Naegele, Dieter Kuhlin- Meyer, Casper Craf Staufen	6,202,367	3/28/2001
00049/001637- US0	David Leason	GARDEN TRELLIS WALL SYSTEM	Granted	09329,417	1/12/1999		6,311,428	11/6/2001
00049/002729- US0	Edward Feltz	LIGHTING SYSTEM FOR USE IN RAISED BED GARDENING OR LANDSCAP- ING	Pending	61,597,065	2/9/2012	Anthony Topping		
00049/003113- US0	David Leason	GROMMET	Pending	29,435,498	10/24/2012	Eric Lam, Anthony Topping		
00049/003114- US0	David Leason	RAISED BORDER BRACKET ARRANGEM- ENT	Pending	13,673,501	11/9/2012	Anthony Topping		

Schedule C

Form of Receiver's Certificate

No. S-152303
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

HSBC BANK CANADA

PLAINTIFF

AND:

CONTECH ENTERPRISES INC., BUSINESS DEVELOPMENT BANK OF CANADA, LAUREL RAYANI, CARY GREGORY, JANET GREGORY, JULIEN SELLGREN, JANET SHANNON, MARK GRAMBART, BURMAN AND BURMAN CORP., MICHAEL BRENNER, ANDERS TREIBERG, ELISABETH TREIBERG, MINZAR HOLDINGS LTD., 0872951 B.C. LTD., FIRST WEST CREDIT UNION, VEGHERB, LLC, SADLER FARMS LTD., PAUL HOOPER, MARIANNE HOOPER, BC ADVANTAGE FUNDS (VCC) LTD., ECL HOLDINGS LTD., ST. PATRICK HOLDINGS LTD., BWF HOLDINGS LTD. and DENMAN ISLAND CHOCOLATE LTD.

DEFENDANTS

RECEIVER'S CERTIFICATE

RECITALS

- A. Pursuant to the Order of the Court dated March 20, 2015, Deloitte Restructuring Inc. was appointed as receiver and manager (the "**Receiver**") of the assets, collateral and undertaking of the Contech Enterprises Inc.
- B. Pursuant to an Order of the Court dated May <@>, 2015 (the "**Approval and Vesting Order**"), the Court approved a Purchase and Sale Agreement dated May 12, 2015 (the "**IP Contract**") between the Receiver and VegHerb, LLC (the "**Purchaser**") and a Purchase and Sale Agreement dated May 12, 2015 (the "**Inventory Contract**") between the Receiver and the Purchaser, each providing for the vesting in the Purchaser all of the Petitioner's right, title and interest in and to the Purchased Assets (as defined in the IP Contract and the Inventory Contract), which vesting is to be effective with respect to the Purchased Assets upon the delivery to the Receiver to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased

Assets; (ii) that the conditions to Closing as set out in section ~~@~~ of the IP Contract and section ~~@~~ of the Inventory Contract have been satisfied or waived by the Receiver and the Purchaser; and (iii) the Transactions have been completed to the satisfaction of the Receiver.

C. Unless otherwise indicated herein, capitalized terms have the meanings set out in the Approval and Vesting Order, the IP Contract or the Inventory Contract, as applicable

THE RECEIVER CERTIFIES the following:

1. The Purchaser has paid and the Receiver has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the IP Contract;
2. The Purchaser has paid and the Receiver has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Inventory Contract;
3. The conditions to closing set out in section ~~@~~ of the IP Contract have been satisfied or waived by the Receiver and the Purchaser;
4. The conditions to Closing set out in section ~~@~~ of the Inventory Contract have been satisfied or waived by the Receiver and the Purchaser; and
5. The Transactions have been completed to the satisfaction of the Receiver.

This Certificate was delivered by the Receiver at _____ [TIME] on _____ [DATE].

**DELOITTE RESTRUCTURING INC., in its
capacity as receiver and manager of Contech
Enterprises Inc.**

Per: _____

Name:

Title:

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

HSBC BANK CANADA

PLAINTIFF

AND:

CONTECH ENTERPRISES INC., BUSINESS DEVELOPMENT BANK OF CANADA,
LAUREL RAYANI, CARY GREGORY, JANET GREGORY, JULIEN SELLGREN,
JANET SHANNON, MARK GRAMBART, BURMAN AND BURMAN CORP.,
MICHAEL BRENNER, ANDERS TREIBERG, ELISABETH TREIBERG, MINZAR
HOLDINGS LTD., 0872951 B.C. LTD., FIRST WEST CREDIT UNION, VEGHERB,
LLC, SADLER FARMS LTD., PAUL HOOPER, MARIANNE HOOPER, BC
ADVANTAGE FUNDS (VCC) LTD., ECL HOLDINGS LTD., ST. PATRICK HOLDINGS
LTD., BWF HOLDINGS LTD. and DENMAN ISLAND CHOCOLATE LTD.

DEFENDANTS

ORDER MADE AFTER APPLICATION

APPROVAL AND VESTING ORDER

MCV/LCH

560836.000001

BORDEN LADNER GERVAIS LLP

1200 - 200 Burrard Street

P.O. Box 48600

Vancouver, BC V7X 1T2

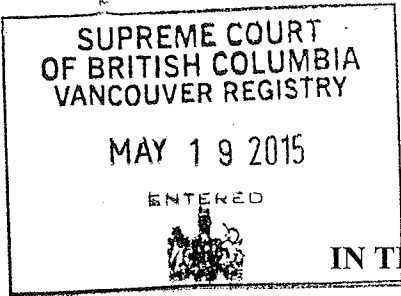
Telephone: (604) 687-5744

Attn: Magnus C. Verbrugge and Lisa Hiebert

WEST COAST

APPENDIX D

DISTRIBUTION ORDER DATED MAY 19, 2015



No. S-152303
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

HSBC BANK CANADA

PLAINTIFF

AND:

CONTECH ENTERPRISES INC., BUSINESS DEVELOPMENT BANK OF CANADA,
LAUREL RAYANI, CARY GREGORY, JANET GREGORY, JULIEN SELLGREN,
JANET SHANNON, MARK GRAMBART, BURMAN AND BURMAN CORP.,
MICHAEL BRENNER, ANDERS TREIBERG, ELISABETH TREIBERG, MINZAR
HOLDINGS LTD., 0872951 B.C. LTD., FIRST WEST CREDIT UNION, VEGHERB,
LLC, SADLER FARMS LTD., PAUL HOOPER, MARIANNE HOOPER, BC
ADVANTAGE FUNDS (VCC) LTD., ECL HOLDINGS LTD., ST. PATRICK HOLDINGS
LTD., BWF HOLDINGS LTD. and DENMAN ISLAND CHOCOLATE LTD.

DEFENDANTS

ORDER MADE AFTER APPLICATION

BEFORE THE HONOURABLE)
JUSTICE GREYELL) 19/MAY/2015
)

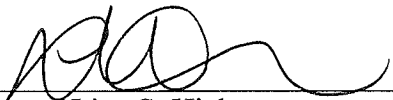
THE APPLICATION of Deloitte Restructuring Inc., in its capacity as Court-appointed Receiver and Manager (the “Receiver”) of the assets, undertakings and properties of Contech Enterprises Inc. (the “Debtor”) coming on for hearing at Vancouver, British Columbia, on the 19th day of May, 2015; AND ON HEARING Lisa Hiebert, counsel for the Receiver, and those other counsel listed on Schedule “A” hereto; AND UPON no one else appearing although duly served; AND UPON READING the material filed, including the Second Report of the Receiver dated May 15, 2015 (the “Report”);

THIS COURT ORDERS that:

1. The Receiver is hereby authorized to pay the following sums from the proceeds of the sale transaction (the “Transaction”) contemplated by the agreement of purchase and sale dated April 15, 2015 between the Receiver and Scotts Canada Ltd. a copy of which is attached as Schedule B to the Order of this Court dated April 29, 2015 (the “Approval and Vesting Order”) and which Transaction was approved by this Court by the Approval and Vesting Order:

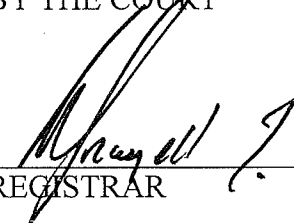
- (a) to all costs, charges and expenses in connection with realization and enforcement of the assets sold in the Transaction;
 - (b) first to HSBC Bank Canada (“**HSBC**”);
 - (c) to Business Development Bank of Canada (“**BDC**”);
 - (d) to First West Credit Union (“**FWCU**”); and,
 - (e) the surplus to be held by the Receiver pending further assessment and determination of the relative priorities of the secured claims.
2. Endorsement of this Order by counsel appearing on this application, other than counsel for the Receiver, is hereby dispensed with.


THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:



Signature of Lisa C. Hiebert
Lawyer for the Receiver

BY THE COURT



REGISTRAR

AS TO FORM
RE

SCHEDULE "A"

List of Counsel

Name of Counsel	Party
Lisa Hiebert	Deloitte Restructuring Inc., in its capacity as the court-appointed Receiver and Manager of Contech Enterprises Inc.

No. S-152303
Vancouver Registry

IN THE SUPREME COURT OF BRITISH
COLUMBIA

BETWEEN:

HSBC BANK CANADA

PLAINTIFF

AND:

CONTECH ENTERPRISES INC. AND OTHERS

DEFENDANTS

ORDER MADE AFTER APPLICATION

MCV/LCH 560836.000001

BORDEN LADNER GERVAIS LLP

1200 - 200 Burrard Street

P.O. Box 48600

Vancouver, BC V7X 1T2

Telephone: (604) 687-5744

Attn: Magnus C. Verbrugge and Lisa Hiebert

APPENDIX E

STATEMENT OF ESTIMATED REALIZATIONS DATED JULY 9, 2015

Contech Enterprises Inc.

Statement of Estimated Realizations

CDN\$'000	Balance sheet Mar-10, 2015	Receiver & Manager (OLV - July 9, 2015)	
		High	Low
Estimated proceeds			
Accounts receivable	2,410	2,120	2,120
Inventories	3,470	3,715	3,562
Plant and equipment	993	956	956
Intangibles	5,784	1,786	1,786
Fiscal 2014 SRED Claim		187	-
Estimated proceeds before priority costs	12,657	8,765	8,426
Occupation costs		(1,715)	(1,765)
Trustee fees, legal & professional fees		(826)	(851)
Priority Creditors (WEPPA)		(4)	(4)
Estimated proceeds available to secured creditors		6,219	5,804
Business Development Bank of Canada		(87)	(87)
HSBC Bank Canada		(1,257)	(1,257)
Estimated (shortfall)/surplus to First West Credit		4,875	4,460
First West Credit Union		(1,750)	(1,750)
Estimated (shortfall)/surplus to secured debenture holders		3,125	2,711
Michael Brenner		(117)	(117)
Sadler Farms Ltd.		(74)	(74)
Paul Hooper		(37)	(37)
Marianne Hooper		(37)	(37)
BC Advantage Funds (VCC) Ltd.		(742)	(742)
ECL Holdings Ltd		(124)	(124)
St Patrick Holdings Ltd		(124)	(124)
Minzar Holdings Ltd		(124)	(124)
BWF Holdings Ltd		(536)	(536)
Denman Chocolate Ltd		(368)	(368)
Estimated (shortfall)/surplus to VegHerb		844	430
VegHerb		(844)	(430)
Estimated (shortfall)/surplus to remaining Group B debt		-	-

Estimated percentage asset recovery		
Accounts receivable	88%	88%
Inventories (cost price)	107%	103%
Plant and equipment	96%	96%
Intangibles	31%	31%
Estimated percentage asset recovery		
HSBC Bank Canada	100%	100%
First West Credit Union	100%	100%

General notes:

- 1) Purchase price allocation of the Scotts Transaction is based on the book value of assets purchased as at March 10, 2015.
- 2) Accounts receivable assumes allowance for the potential difficulty in collecting balances from foreign customers, aged accounts, set-offs, contra, penalties, holdbacks, concentration, costs of collection and likely difficulty collecting accounts.
- 3) Inventory realizations assumes allowance for penalties and holdbacks by major customers due to the discontinuation of supply.

- 4) Business Development Bank of Canada holds a priority charge on plant and equipment only.
- 5) Amounts owing to Christmas Mountains Mfg. Inc. has been omitted from this analysis given the security (land and building) is held by a third-party not involved in these proceedings.
- 6) Equipment charges in favour of K'(Prime) Technologies Inc., Dell Financial Services Canada Limited and Roynat Inc. totaling approximately \$51k have been omitted from the estimated realization analysis given the aforementioned parties do not hold general security interests and/or their charge relates to operating leases.

- 7) Amounts are sourced from the Company's records.
- 8) All amounts shown are in CDN dollars. USD balances are assumed to be at an exchange rate of USD 1: CDN 1.257.

Estimates are indicative only. Realizations have been estimated based on discussions with Management, in addition to the various assumptions as set out in the notes above. Readers are cautioned that actual realizations will vary and variations could be material. Deloitte Restructuring Inc. has not audited, reviewed or otherwise verified information supplied by Management.

APPENDIX F

**INTER-CREDITOR AGREEMENT AMONG THE GROUP A SECURED DEBENTURE
HOLDERS DATED AUGUST 1, 2012**

AMENDED AND RESTATED INTER-LENDER AGREEMENT

THIS AGREEMENT (this “**Agreement**”) is dated as of the 1st day of August, 2012

AMONG:

CONTECH ENTERPRISES INC., a company existing under the laws of British Columbia and having an address at Unit 115, 19 Dallas Road, Victoria, BC, V8V 5A6;

(the “**Borrower**”)

AND:

EACH OF THE PARTIES LISTED IN SCHEDULE 1

(the “**Lenders**”, and each is a “**Lender**”)

WHEREAS:

- A. Each of the Lenders have advanced certain funds to the Borrower (the “**Indebtedness**”) and the Borrower has granted security interests (the “**Security**”) to each of the Lenders pursuant to one or more general security agreements executed and delivered by the Borrower in favour of each Lender (each a “**GSA**”, and collectively, the “**GSAs**”);
- B. The Borrower has issued promissory notes to each of the Lenders (the “**Notes**”) for the respective amount loaned by each Lender (and the indebtedness evidenced thereby); and
- C. The Lenders and the Borrower have agreed to enter into this Agreement to regulate the priority ranking and realization on the Security between each Lender,

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants made hereunder and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto hereby agree as follows:

- 1. **Definitions.** In this Agreement, unless the context otherwise requires:
 - (a) “**Loan Agreement**” means the Loan Agreement dated the 1st day of August, 2012 among the Borrower and each of the Lenders other than Christmas Mountains Mfg. Inc.;
 - (b) “**Lender Approval**” means the approval in writing of Lenders holding more than 80% of the amount of Indebtedness outstanding from time to time; and
 - (c) “**Original Inter-Lender Agreement**” means the Inter-Lender Agreement dated the 31st day of January, 2012 among the Borrower, certain of the Lenders and certain others;
 - (d) “**Pro Rata**”, as amongst the Lenders, means pro rata in accordance with their respective portion of the total outstanding Indebtedness at the applicable time.

2. **BCAF/Hooper Repayment.** Each of the Lenders hereby agrees and consents to the repayment on or about the date hereof by the Borrower of any and all amounts owing to each of B.C. Advantage Funds (VCC) Ltd. and Marianne Hooper.

3. **Termination of Original Inter-Lender Agreement.** Each of the parties hereto acknowledges and agrees that the Original Inter-Lender Agreement is hereby terminated and of no further force or effect.

4. **Pari Passu Security.** As amongst themselves, the Lenders each shall have a Pro Rata interest in the Security, and their respective Pro Rata interests shall rank pari passu with each other, which priority shall be in effect notwithstanding:

- (a) the respective dates on which the Security was registered in favour of a Lender;
- (b) the respective dates on which any notices are given by any Lender to any debtors of the Borrower;
- (c) the respective dates of crystallization or realization by any Lender under the GSAs;
- (d) the priority of such security interests, mortgages, charges, pledges or other encumbrances otherwise prescribed under any applicable laws; or
- (e) any other act or circumstance whatsoever which may otherwise alter or postpone their interests under the GSAs.

5. Each Lender shall hold its interest in the Security for the benefit of the other Lenders in accordance with the provisions of this Agreement.

6. **Realization of Security.** None of the Lenders shall be entitled to realize on the Security unless the Lenders by Lender Approval consent in writing to the commencement of realization proceedings and the method(s) of realization. Upon such consent being obtained, the Lenders shall take all actions necessary to so realize on the Security. Any other decisions or actions of the Lenders required in the course of realizing upon the Security shall similarly require Lender Approval, and upon such consent being obtained the Lenders shall take all actions necessary to implement such decision or action.

7. **Costs of Realization.** In the event that it becomes necessary or advisable for a Lender to lend money to a receiver or receiver-manager against the receiver's or receiver-manager's certificate(s) or to expend monies with respect to inspection, repairs or other matters contemplated by the GSAs, the Lenders shall share the cost of each such expenditure Pro Rata. The Lenders shall, promptly following each such expenditure, make all necessary adjustments or reimbursements as among themselves as are necessary to result in the Pro Rata sharing of such costs.

8. **Proceeds of Realization.** The Security shall, if realized, be realized for the common benefit of the Lenders, and all proceeds resulting from the enforcement or realization of such Security and all other proceeds received by the Lenders pursuant to the GSAs, including without limitation, insurance proceeds, shall be distributed amongst the Lenders on a Pro Rata basis.

9. **Dissolution of the Borrower.** In the event of the dissolution, liquidation, winding up or bankruptcy (voluntary or otherwise) of the Borrower or distribution of its assets among its creditors, all monies which may be received by the Lenders in respect of the Indebtedness shall be divided among them in the same manner as proceeds from the realization of the Security.

10. **Application of Payments.** All payments received by a Lender from the Borrower on account of the Indebtedness shall be applied by such Lender to such Lender's Indebtedness and shall not be applied on account of any other indebtedness or liability of the Borrower unless the written consent of the other Lenders by Lender Approval is first obtained.

11. **Negative Covenants.** Other than as otherwise provided herein, a Lender shall not, without Lender Approval:

- (a) make any further advances or re-advances to the Borrower under this Agreement or the Security;
- (b) take any action under the GSAs, unless so indicated in the GSAs that it may do so;
- (c) amend or modify the Security;
- (d) release or subordinate:
 - (i) the Security provided under the GSAs; or
 - (ii) any of the Indebtedness;
- (e) discharge the Security in whole or in part or release or forgive the Borrower in respect of any of the Indebtedness;
- (f) other than pursuant to a transfer permitted under Section 4.10 of the January Loan Agreement, sell or assign any of their right, title and interest in and to the Security or the Indebtedness; or
- (g) take or obtain any further security from the Borrower in respect of the Indebtedness.

12. **Exchange of Information.** Any Lender making demand in accordance with Section 1.6 of the January Loan Agreement shall promptly deliver a copy of such demand to the other Lenders. The Lenders shall also furnish to each other from time to time upon request, information and particulars as to the outstanding Indebtedness owed to the Lenders by the Borrower and whether the Borrower is or has been in default of payment or has otherwise been in default of any of its obligations under this Agreement, or the GSAs.

13. **Ceasing to be a Lender.** Notwithstanding any other provision hereof, once the portion of the Indebtedness owed to a party hereunder has been paid or satisfied in full, that party shall, thereafter, be deemed not to be a Lender.

14. **Indemnity.** Each Lender agrees to indemnify and save harmless the other Lenders from and against all losses, damages, costs, or expenses, including legal costs as between a solicitor and his own client, suffered or incurred by the other Lenders as a result of or in connection with the Lender materially breaching any of the covenants and agreements set forth in this Article.

15. **Conflict.** In the event of a conflict between the provisions of this Agreement and a GSA, the terms of this Agreement shall prevail.

16. **Amendment.** This Agreement governs the rights and obligations of the Lenders *inter se* and may be amended by instrument in writing signed by the Lenders alone. The Lenders agree that they will provide notice to the Borrower of any amendments made by them to this Agreement.

17. **Non-Impairment.** Nothing contained in this Article is intended to impair the obligations of the Borrower to pay to the Lenders the debts, liabilities and obligations of the Borrower under this Agreement or the Security as and when the same shall become due and payable in accordance with their respective terms.

18. **Further Assurances.** The parties shall execute and deliver such further deeds and assurances and do or cause to be done all such acts, matters and things as may from time to time be necessary or conducive to the carrying out of the terms and intent of this Agreement.

19. **Severability.** Each provision of this Agreement is intended to be severable, and if any provision is illegal, invalid or unenforceable, the validity or enforceability of the remainder of this Agreement shall not be adversely affected.

20. **Governing Law.** This Agreement will be governed by the laws of the Province of British Columbia, and the federal laws of Canada applicable therein and each of the parties hereto hereby attorns to the non-exclusive jurisdiction of the courts of the Province of British Columbia.

21. **Independent Legal Advice.** Each of the parties to this Agreement acknowledges and agrees that Fasken Martineau DuMoulin LLP has acted as counsel only to the Borrower and that Fasken Martineau DuMoulin LLP is not protecting the rights and interests of any other party to this Agreement. The parties to this Agreement acknowledge and agree that the Borrower and Fasken Martineau DuMoulin LLP have given them the opportunity to seek, and have recommended that such parties obtain, independent legal advice with respect to the subject matter of this Agreement and the other related documents, and each of the parties hereby represents and warrants to the Borrower and Fasken Martineau DuMoulin LLP that such party has sought independent legal advice or waives such advice.

22. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which counterparts when executed shall constitute an original and all of which counterparts when so executed shall constitute one and the same agreement.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first written above.

Contech Enterprises Inc.

By:

Authorized Signatory

Sally Helen Zaplatynsky

Cary Gregory

Laurel Rayani

Janet Gregory

Fiona Finlayson Manning

Julien Sellgren

David Radick

Janet Shannon

Mark Grambart

Michael Brenner

Anders Treiberg

Sylvia Freisen

Elisabeth Treiberg

Burman and Burman Corp.

Christmas Mountains mfg. Inc.

By:

By:

Authorized Signatory

Authorized Signatory

Minzar Holdings Ltd.

By:

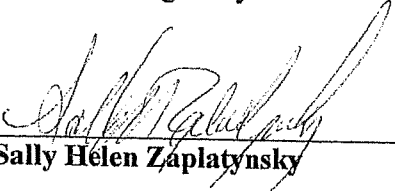
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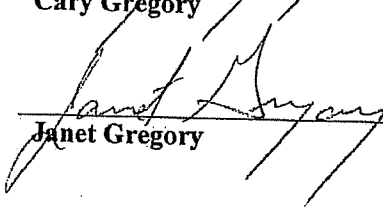
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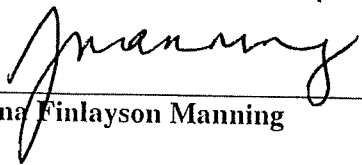
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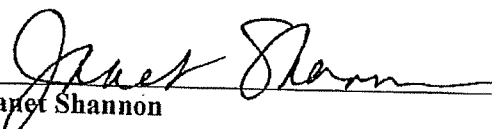
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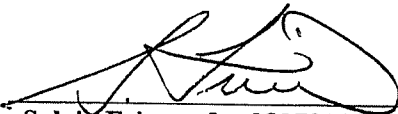
David Radick

Janet Shannon

Mark Grambart

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Anders Treiberg



Sylvia Friesen for 0827951 BC Ltd

Elisabeth Treiberg

Burman and Burman Corp.

Christmas Mountains mfg. Inc.

By:

By:

Authorized Signatory

Authorized Signatory

Minzar Holdings Ltd.

By:

Authorized Signatory

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Elisabeth Treiberg

Burman and Burman Corp.

Christmas Mountains mfg. Inc.

By:

By:

Authorized Signatory

Authorized Signatory

CAROL BURMAN

Minzar Holdings Ltd.

By:

Authorized Signatory

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Sally Helen Zaplatynsky

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Mark Grambart

Michael Brenner

Anders Treiberg

Sylvia Freisen

Elisabeth Treiberg

Burman and Burman Corp.

By:

Authorized Signatory

Christmas Mountains mfg. Inc.

(Bolster Canada, Inc.)

By:

[Signature]

Authorized Signatory

Minzar Holdings Ltd.

By:

Authorized Signatory

SCHEDULE 1

LENDERS

Cary Gregory and Janet Gregory 1160 Baltimore Pike Gettysburg, PA 17325	Mark Grambart 3008 Oakdowne Road Victoria, BC V8R 5N9
Laurel Rayani 128 Eberts Street Victoria, BC V8S 2H8	Minzar Holdings Ltd. 1494 Dallas Road Victoria, BC V8S 1A2
Sally Helen Zaplatynsky 4805 Headland Close West Vancouver, BC V7W 3C2	Burman and Burman Corp. 895 Strangcrest Place Victoria, BC V8Y 1J7
Fiona Finlayson Manning 2050 Lorne Terrace Victoria, BC V8S 2H8	Michael Brenner 2741 Dallaire Ave SW Calgary, AB T3E 7T1
Julien Sellgren 1996 West 13th Avenue Vancouver, BC V6J 2H6	Anders Treiberg 474 Smelt Bay Road, Box 248 Mansons Landing, BC V0P 1K0
Janet Shannon 2090 Stonehewer Place Victoria, BC V8S 2Z7	Elisabeth Treiberg 474 Smelt Bay Road, Box 248 Mansons Landing, BC V0P 1K0
Dave Radick 144 Wellington Avenue Victoria, BC V8V 4H7	0827951 B.C. Ltd. 30140 Nicholson Rd, Abbotsford, BC V4X 2G5
Christmas Mountains Mfg. Inc. 20 Columbus Street Perth-Andover, NB E7H 1T3	

APPENDIX G

REASONS FOR JUDGEMENT ON THE APPEAL

COURT OF APPEAL FOR BRITISH COLUMBIA

Citation: *Contech Enterprises Ltd. v. Vegherb, LLC*,
2015 BCCA 99

Date: 20150306
Docket: CA042532

In the Matter of the Proposal of Contech Enterprises Inc.

Between:

Contech Enterprises Inc. and Deloitte Restructuring Inc.

Respondents
(Applicants)

And

Vegherb, LLC

Appellant
(Respondent)

Before: The Honourable Madam Justice Newbury
The Honourable Madam Justice Saunders
The Honourable Mr. Justice Willcock

On appeal from: An order of the Supreme Court of British Columbia, dated
January 26, 2015 (*Contech Enterprises Inc. (Re)*, 2015 BCSC 129,
Vancouver Docket No. B150025).

Counsel for the Appellant: G.N. Harney

Counsel for the Respondents: K. Jackson
D. Toigo

Place and Date of Hearing: Vancouver, British Columbia
February 19, 2015

Written Submissions Received: March 2 and 5, 2015

Place and Date of Judgment: Vancouver, British Columbia
March 6, 2015

Written Reasons by:

The Honourable Madam Justice Newbury

Concurred in by:

The Honourable Madam Justice Saunders
The Honourable Mr. Justice Willcock

Summary:

Appellant sold assets to Respondent (“Contech”) and executed a license agreement allowing Contech to use its intellectual property (“IP”). Under the license agreement, Contech would acquire title in the IP once it had made all payments under the asset purchase agreement. Contech also granted a GSA to Appellant, which was later subordinated to the GSAs of two other creditors. All the GSAs were perfected by registration in the PPS Registry. Contech defaulted on payment to Appellant, which purported to terminate the license agreement. Contech applied for approval of a proposal in bankruptcy that would extinguish the claims (including ownership or title) of all “Affected Secured Creditors”, including the Appellant, in exchange for shares in Contech.

*Chambers judge approved the proposal over Appellant’s objections. She held that Appellant could not reclaim the IP simply by terminating the license agreement since it was a “security agreement”, and thus subject to the Personal Property Security Act; that Contech was entitled to a declaration that Appellant’s title to the IP was “extinguished” by operation of the Bankruptcy and Insolvency Act, as the IP formed part of Contech’s “basket of assets”; that Appellant should be put in the same class as other Affected Secured Creditors under the proposal; and that the proposal was otherwise fair and reasonable. *Re Giffen* [1998] 1 S.C.R. 91 was held to apply such that Appellant’s title to the IP was extinguished. Appellant alleges that chambers judge erred in each of these conclusions and that the proposal was “confiscatory” and should not have been approved as fair.*

Held: Appeal allowed. *Chambers judge did not err in concluding that the license agreement created a security interest under the PPSA and that Appellant could not reclaim the IP simply by terminating the license. However, she did err in relying on *Re Giffen* in support of her finding that Appellant’s ownership of the IP was extinguished. That case is distinguishable because this is merely a proposal in bankruptcy; because Appellant perfected its security interest in the IP; and because Appellant’s security interest was a purchase-money security instrument (“PMSI”) and thus entitled to a “super priority” under s. 22(1) and 34(1). Chambers judge also erred in concluding Appellant had a “commonality of interest” with other Affected Secured Creditors, all of whom (unlike Appellant) had already agreed to receive shares prior to the proposal. On this basis, and because it purported to extinguish Appellant’s title to the IP, the proposal was not reasonable.*

Reasons for Judgment of the Honourable Madam Justice Newbury:

[1] Since at least 1998, when the Supreme Court of Canada issued its reasons in *Re Giffen* [1998] 1 S.C.R. 91, it has been clear that the trustee in bankruptcy of a debtor may acquire a “higher interest in [collateral] than that enjoyed by the bankrupt through the operation of the [*Personal Property Security Act*]”. (At 101.) The central issue raised by this appeal is whether a similar result obtains in a somewhat different context.

[2] The chambers judge below found that *Re Giffen* did apply to ‘extinguish’ the proprietary interest of the secured creditor in this case and that the collateral – here, a license to use certain intellectual property (the “IP”) of significance to both the creditor and the debtor – passed, together with the creditor’s ‘ownership’ interest therein, to the debtor in accordance with the terms of its proposal under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the “*BIA*”). Based in part on this premise, she approved the proposal as reasonable, rejecting the creditor’s argument that it was intended to effect, and does effect, a “confiscation” of the IP. Following the filing of the creditor’s notice of appeal, a stay was automatically granted pursuant to s. 195 of the *BIA*, suspending the order of the chambers judge pending the disposition of the appeal.

[3] For the reasons that follow, it is my view that although the licence by its terms created a security interest for purposes of the *Personal Property Security Act*, R.S.B.C. 1996, c. 369 (“*PPSA*”), *Re Giffen* does not apply to make the security interest “ineffective” against the trustee of the proposal, and that indeed the interest is a purchase money security interest (“PMSI”) as defined in the *Act*, entitled to a ‘super priority’ in most circumstances. It is also my view that the classification of the secured creditor under the proposal is unfair, as is a term of the proposal that would extinguish the creditor’s retention of ownership of the IP, and that the chambers judge therefore erred in approving it as reasonable within the meaning of s. 59(2) of the *BIA*.

Factual Background

[4] At paras. 39-54 of her reasons, the chambers judge described the dealings between the respondent/debtor Contech Enterprises Inc. (“Contech”) and the appellant/creditor, Vegherb LLC (“Vegherb”), which gave rise to this proceeding. In summary form, the relevant facts are as follows:

- At some point prior to February 2013, Contech granted general security agreements (“GSAs”) in favour of various persons, including HSBC Bank Canada (“HSBC”) and First West Credit Union (“FWCU”). These lenders registered financing statements in the Personal Property Security Registry.
- On February 22, 2013 Contech entered into an Asset Purchase Agreement (“APA”) with Vegherb to buy all the latter’s assets for \$4,438,750. The APA defined the term “Purchased Assets” to mean all the assets of Vegherb except the IP, which was the subject of a separate License Agreement. Under the APA, \$857,100 of the purchase price was paid by Contech on closing; \$2,301,650 was to be paid over time commencing on June 15, 2013 and ending in late 2018, as evidenced by a promissory note (the “Note”) delivered to Vegherb at closing; and the balance was paid by the issuance of 4,000,000 shares of Contech to Vegherb at \$.32 per share.
- As part of and at the time of the closing of the APA, the parties executed the License Agreement. It recited that in exchange for “\$1.00 and other good and valuable consideration”, Vegherb granted to Contech a “right and license [the “License”] under any and all of the Intellectual Property during the term of this Agreement to use, disclose, reproduce, ... sell, offer for sale, advertise, market, distribute, supply, import, use, adapt, prepare derivative works of and otherwise exploit the Intellectual Property.” The Agreement contemplated that if either party became aware of any unauthorized use or infringement of the proprietary rights granted to Contech, that party would immediately notify the other. The parties would

confer “to determine the course of action to be taken with respect to such unauthorized use or infringement.” In the event Vegherb did not take reasonable steps within 60 days, Contech would be entitled to do so. Any damages recovered in such proceeding would be payable to Contech.

Article 3 of the License Agreement referred to the Note granted by Contech at closing to evidence the \$2,301,650 portion of the purchase price payable over time. Article 3 stated:

- 3.1 The term of this Agreement commences on the date hereof and will terminate on the earlier of:
 - 3.1.1 the Licensee fulfilling its obligations in favour of the Licensor with respect to the payments evidenced by the Promissory note dated of even date herewith and delivered at Closing pursuant to the APA (the “Payments”); or
 - 3.1.2 the Licensee defaulting on its obligations in favour of the Licensor to make the Payments.
- 3.2 Effect of Termination.
 - 3.2.1 Upon the termination of this Agreement in accordance with Section 3.1.1, the Licensor shall transfer to the Licensee the Intellectual Property pursuant to the terms of an Assignment Agreement of even date herewith.
 - 3.2.2 Upon the termination of this Agreement in accordance with Section 3.1.2, the Licensee may continue to exercise the rights granted to it under Section 2.1 in connection with any products made in conjunction with the Intellectual Property that have been manufactured, included in work in process or are called for pursuant to contracts or purchase orders from existing customers of the Licensee as of the date of such termination.
[Emphasis added.]

In accordance with Article 3.2.1, the parties also signed an assignment agreement to be used in respect of the IP “as and when such assignment is to occur.”

It seems to be common ground that although the IP was the subject of a separate agreement, it was an important part of the transaction and that the \$4,438,750 purchase price included the value of the IP. Vegherb made various representations and warranties in the APA concerning the IP and trademarks relating thereto.

- In accordance with the foregoing documents, Contech also executed and delivered the Note in the amount of \$2,301,650 (said to be in U.S. funds) in favour of Vegherb, setting forth the same schedule of payments contemplated by the APA. In addition, Contech signed a General Security Agreement in favour of Vegherb, granting a security interest in “all of the Debtor’s present and after-acquired personal property, including all inventory, equipment and fixtures ... and other intangibles” to secure payment of the balance of the purchase price as defined in the APA.
- On or about February 22, Vegherb registered a financing statement in respect of its GSA in the PPS Registry. The collateral was described as:

All of the debtor’s present and after-acquired personal property, including without limitation fixtures (and terms used herein that are defined in the *Personal Property Security Act* of British Columbia or the regulations made thereunder have those defined meanings appear).

At around the same time, Vegherb also entered into a Subordination and Standstill Agreement with FWCU in which it subordinated its security to that of the credit union to the extent of \$1,450,000; and under a second such agreement, subordinated its security to that of HSBC “in all respects”.

- On March 7, 2014 Contech and certain of its lenders entered into an “Amended and Restated Loan Agreement” contemplating further loans by them of up to \$3 million, to be evidenced by “Secured Convertible Debentures” the holders of which could elect to convert their loans into shares in Contech. The agreement provided as well that on September 7, 2015, the outstanding amount of the loans would be converted to shares “without any further action on the part of any one or more of the Lenders”. Contech’s obligations under this agreement were secured by yet another GSA, which would cease to have effect upon the payment of the loans or their conversion into shares.

- On October 30, 2014 Contech defaulted in paying an instalment due on the Note to Vegherb. The default continued for five business days, entitling Vegherb to accelerate the entire amount of the debt. Contech attempted to cure its default by paying Vegherb \$300,000 “on or around” November 6, but since this payment was regarded as a breach of terms of Vegherb’s subordination agreements with HSBC and FWCU, the \$300,000 was ultimately returned to Contech. It remains in default. At present, approximately \$1.5 million (U.S.) principal amount remains owing to Vegherb on account of the \$4.438 million purchase price under the APA.
- On December 23, 2014 Contech made a proposal (the “Proposal”) in bankruptcy under the *BIA*. The respondent Deloitte Restructuring Inc. was appointed as trustee.

[5] At the hearing below on January 20, 2015, the chambers judge had before her an application by Contech for the approval of the Proposal. I will return to it below, but it is noteworthy at this point that it provides for the release by all “Affected Secured Creditors” (a class defined to include Vegherb) of all claims, including any right of ownership or title, they had against Contech as of the date of filing of the Proposal.

The judge below also had before her two other applications, described in her reasons as follows:

1. Contech seeks an order declaring that on fulfillment of the Proposal, it will be owner of certain intellectual property (the “IP”) which was part of a past transaction whereby Contech purchased the assets of Vegherb. Vegherb opposes the application.
2. Vegherb seeks an order in the alternative that if the Proposal is approved, Vegherb be permitted to amend its proof of claim to change its position from that of a secured creditor to that of an unsecured creditor. Contech opposes the application.

[6] The chambers judge approved the Proposal as fair and reasonable “in respect of the whole body of Contech creditors.” She also granted Contech a declaratory order that upon the extinguishment of Vegherb’s Claim to “title” to the IP

“by operation of the *BIA*”, property in the IP would “reside entirely in Contech subject to any secured interests of other parties that have not been released.” (Para. 99.) Last, she dismissed Vegherb’s application to amend its proof of claim.

The Chambers Judge’s Reasons

Security Agreement?

[7] The first and most important issue before the chambers judge was taken to be whether the License Agreement constituted a “security agreement” for purposes of the *PPSA*. (Attached to these reasons is a schedule reproducing the relevant statutory provisions.) As required by s. 2(1), the chambers judge considered the “substance” of the Agreement and found that it was analogous to a conditional sale agreement for the sale of the IP, in that it contemplated that Vegherb would “temporarily retain title to the IP merely as a means to secure payment of the purchase price being paid for all of the assets.” (Para. 69.) The judge continued:

The License Agreement was not a means for Vegherb to keep ownership of the IP beyond the date of payment of the purchase price, nor was it a means for Vegherb to receive ongoing benefits in relation to that ownership.

Payment by Contech to Vegherb under the License Agreement was not based on royalties for revenues earned by use of the IP; it was not based on any performance milestones to be met by Contech in using the IP; and there were no restrictions on Contech’s use of the IP geographically or temporally.

It was clear that the intention of the parties was for Vegherb to sell the IP to Contech as part of the sale of Vegherb assets to Contech. The only specific consideration mentioned under the Assignment Agreement for transfer of the IP, after the conditions of making the Promissory Note payments were met, was payment of \$1 which had already been made. If that was the only value of the IP the parties would not be bringing these arguments to court. Clearly the value of the IP was part of the value attributed to “goodwill and other intangibles” which was part of the purchase price for the total assets of Vegherb.

The structure of the entire transaction was that the purchase price of all of the assets of Vegherb, including the IP, was secured by Vegherb seeking to retain title of the IP until the entire payments due under the Promissory Note were paid.

There were no other conditions under the License Agreement that had to be met by Contech in order to effect transfer of title to the IP from Vegherb to Contech other than payment of the installment payments secured by the Promissory Note in relation to the sale of the total asset package.

[Paras. 70-3; emphasis added.]

[8] The Court found that the terms of the License Agreement dealing with the rights and duties of the parties in the event of a third party's unauthorized use or infringement of the IP were consistent with a conditional sale agreement, as was the fact that Contech's right to sublicense or assign the License was restricted to an assignment in favour of a wholly-owned subsidiary unless Vegherb's consent was obtained. Finally, the Court found no business purpose for the License "other than to function as a form of security for Vegherb to secure the payment of the purchase price on the sale of the total package of Vegherb's assets ...". It followed that the License Agreement was a security agreement that created a security interest under the *PPSA*. (Para. 85.)

[9] Elaborating on the implications of this conclusion, the chambers judge reasoned that both Vegherb and Contech had "some proprietary interest in the IP" under the License Agreement until the purchase price for Vegherb's assets (i.e., the outstanding balance of the Note) was paid. Thus, she reasoned, Contech's rights in the IP formed part of its "basket of assets" to which the security interests of other existing secured creditors could attach. (Para. 88.) On this point, the judge cited *Haibeck v. No. 40 Taurus Ventures Ltd.* (1991) 59 B.C.L.R. (2d) 229 (S.C.), where it was held that although the purchaser of chattels under a conditional sales contract had not made any payments thereunder, it did have a security interest in the chattels in question. Since that contract and a debenture previously granted, were perfected by registration, priority was determined according to s. 35(1) of the *PPSA*, not according to where "title" lay. (Para. 89.). Similarly, in the case at bar, the chambers judge reasoned:

The License Agreement provided an extra form of security to Vegherb (which also had a general security agreement). However, because it fits within the definition of security agreement under the *PPSA*, once there is a contest amongst secured creditors, Vegherb's rights under the License Agreement as between it and other secured creditors are treated just like other security interests under the *PPSA*.

This means that in a bankruptcy of Contech, Vegherb's secured claim in relation to the IP will be subject to the priorities of other secured creditors; and any realization of Contech's assets for the benefit of creditors will include realization of Contech's rights to the IP. The Trustee has already concluded that Vegherb would recover nothing in the event of a bankruptcy, after liquidation of Contech's assets. [Paras. 91-2.]

[10] Likewise, she reasoned, in circumstances falling short of bankruptcy, such as in a proposal under the *BIA*, Contech’s “rights in relation to the IP” would form part of its “basket of assets.” But, since Article 2.4 of the Proposal contemplated that on the “Conversion Date” (as defined) all Affected Secured Creditors (a term defined to include Vegherb) would release Contech and its directors from all claims (defined to include any “right of ownership or title”) that arose prior to the filing date regardless of the date of crystallization, Vegherb’s claim to “title” in respect of the IP was now simply a “secured claim which [could] be extinguished by operation of the *BIA* just like what can happen to other secured claims against Contech’s property”.

Accordingly, the judge continued, “once Vegherb’s claim is extinguished then the property in the IP will reside entirely in Contech subject to any secured interests of other parties that have not been released.” (Para. 99.) It is this part of the chambers judge's reasoning that lies at the heart of Vegherb's appeal.

[11] At paras. 100-118, the chambers judge considered Vegherb’s argument that Contech’s default under the Note (and License Agreement) automatically terminated the License, as Vegherb’s counsel had asserted in a letter to counsel for Contech on October 31, 2014. In this letter, Vegherb demanded that Contech cease and desist from using the IP. The chambers judge rejected the notion of termination, finding “no evidence that Contech agreed to Vegherb’s position that the License Agreement was terminated due to default or that Contech no longer had any rights to the IP”. (Para. 102.) She continued:

I cannot accept Vegherb’s argument that because of either the default in payment or Vegherb’s unilateral notice of termination, all of Contech’s rights to the IP would then be taken out from under the umbrella of the *PPSA* and *BIA*. That argument suggests that Vegherb could unilaterally “opt-out” of the legislation governing security interests, the *PPSA*, and thereby take priority over an asset of the debtor for itself despite competing creditors. This would undermine one of the important purposes of the *PPSA*, which is to provide certainty amongst competing creditors as to how their interests in personal property will be ranked.

The potential default of the debtor was the very reason for the security agreement which took the form of the License Agreement, and the very reason it is to be governed by the *PPSA*, rather than by terms which seek to give preference to Vegherb to these assets as against other creditors. [Paras. 104-5; emphasis added.]

[12] An argument made by Vegherb based on *DaimlerChrysler Financial Services (debis) Canada Inc. v. Mega Pets Ltd.* 2002 BCCA 242 was found to be of no assistance to the creditor because the *PPSA* had been found not to apply in that instance. Instead, the chambers judge found the case at bar to be analogous to that in *Re Giffen*, where the Supreme Court had stated:

... the lessor's security interest remained vulnerable to the claims of third parties who obtain an interest in the car through the lessee including, trustees in bankruptcy. In order to protect its security interest from such claims, the lessor must therefore perfect its interest through registration of its interest (s. 25), or repossession of the collateral (s. 24). The lessor did not have possession of the car, and it did not register its security interest. Thus, prior to the bankruptcy, the lessor held an unperfected security interest in the car. This brings us to the *BIA*.

D. The Bankrupt's Interest in the Car Vests in the Trustee

Section 71(2) of the *BIA* provides that, upon an assignment into bankruptcy, the bankrupt's "property . . . shall, subject to this Act and to the rights of secured creditors, forthwith pass to and vest in the trustee". Section 2 of the *BIA* defines "property" very broadly to include "every description of estate, interest and profit, present or future, vested or contingent, in, arising out of or incident to property".

In my opinion, the bankrupt's right to use and possession of the car constitutes "property" for the purposes of the *BIA* and the trustee, by virtue of s. 71(2) of the *BIA*, succeeds to this proprietary right. [Para. 115; emphasis added.]

[13] The chambers judge found that the same analysis applied in this case: under the terms of the Proposal, Contech had acquired the proprietary right to use the IP under the License Agreement, as well as the right to receive "legal title" upon payment of the Note. This was said to be part of "Contech's personal property to which claims of secured creditors of Contech attached (that is, those creditors who registered security interests against all of Contech's personal property). Mere default by Contech does [sic; does not?] simply result in that property becoming the sole property of Vegherb." (Para. 118.)

[14] As already noted, the chambers judge then granted a declaration to the effect that upon implementation of the Proposal, including Vegherb's receipt of certain shares of Contech, Vegherb's right in respect of the IP would be "extinguished" and Contech would be permitted to take all necessary steps to register the IP in Contech's name. (Para. 123.) (No argument was advanced to the effect that a

security interest in intellectual property does not, because of the federal jurisdiction over trademarks and patents, fall under the *PPSA*. On this point, see R.C. Cuming and R.J. Wood, *British Columbia Personal Property Security Act Handbook* (1998) at s. 2[7].)

Classes of Creditors

[15] The second major conclusion of the chambers judge that is relevant to this appeal concerns Vegherb's being included in the class of "Affected Secured Creditors" under the Proposal. The Proposal defines this class to mean "creditors having a security interest in any assets of Contech ranking subordinate to the security interests of FWCU" and the Secured Debenture Holders and Vegherb specifically. Vegherb asserted that it should be in its own class as a secured creditor because the other members of the class were "all debentureholders who always expected to ultimately receive equity in Contech". (Para. 131.) In contrast, Vegherb had sold all its assets to Contech and was still waiting to be paid.

[16] The chambers judge reviewed the seminal Canadian case of *Re Canadian Airlines* (2000) 19 C.B.R. (4th) 12 (Alta. Q.B.) in which classification issues were considered. Paperny J. noted *Sovereign Life Assurance Co. v. Dodd* [1892] 2 Q.B. 575 (C.A.), where Bowen L.J. observed:

The word class is vague and to find out what is meant by it, we must look at the scope of the section which is a section enabling, the court to order a meeting of a class of creditors to be called. It seems plain that we must give such a meaning to the term 'class' as will prevent the section, being so worked as to result in confiscation and injustice, and that it must be confined to those persons, whose rights are not so dissimilar as to make it impossible for them to consult together with the view to their common interest. [Para. 17; emphasis added.]

The Court in *Canadian Airlines* went on to reason:

This test has been described as the "commonality of interest" test. All counsel agree that this is the test to apply to classification of claims under the C.C.A.A. However, there is a dispute on the types of interests that are to be considered in determining commonality.

Generally, the cases hold that classification is a fact-driven determination unique to the circumstances of every case, upon which the court should be loathe to impose rules for universal application, particularly in light of the

flexible, and remedial jurisdiction involved: see, for example, *Re Fairview Industries Ltd.* (1991) 11 C.B.R. (3d) 71 (N.S.T.D.)

The majority of the cases presented to me, held that commonality of the interest is to be determined by the rights the creditor has vis-vis the debtor. Courts have also found it helpful to consider the context of the proposed plan and treatment of creditors under a liquidation scenario. In the absence of bad faith, motivation for supporting or rejecting a plan is not a classification issue in the authorities. [Paras. 17-9; emphasis added.]

[17] In the case at bar, the chambers judge reasoned that the class of Affected Secured Creditors had a “commonality of interest because they are unlikely to recover anything if Contech goes bankrupt. They all have general security agreements. Thus the rights of the members of this class vis-à-vis Contech are similar.” (Para. 134.) She concluded that Vegherb’s inclusion in the class was appropriate.

[18] Beginning at para. 150 of her reasons, the judge then considered the reasonableness of the Proposal as a whole and in particular, Vegherb’s argument that the Proposal was “designed by its structure to ‘confiscate’ the IP of Vegherb.” She did not accept that this was a “motive” underlying the Proposal. In her words:

I find that the Proposal is designed as an attempt by Contech to restructure its debt and obtain new financing to enable it to continue its operations. If it is ultimately successful, under the Proposal the creditors affected by the Proposal will be better off than they would have been if Contech was simply to go bankrupt now.

The fact that the Affected Creditors approve the Proposal by a large majority is a sign that they must have considered it fair and reasonable, and is entitled to considerable weight.

Vegherb argues that the fact it is going to lose the IP without receiving ongoing payments for its use is unfair. Again, I do not agree that this is because of the structure of the Proposal. It is because of the terms of the License Agreement which is not a true license agreement.

Vegherb complains that the structure of the Proposal essentially requires secured creditors to accept shares in Contech, not payment, in satisfaction of amounts owed. Vegherb argues that it may be subsequently difficult to redeem the shares since Contech is not publicly traded.

I am not satisfied that the share component of the Proposal makes it unfair, and again I point to the fact that the majority of Affected Secured Creditors have voted in favour of it. [Paras. 154-8; emphasis added.]

[19] Finally for our purposes, the chambers judge dismissed Vegherb’s application to be permitted to amend its proof of claim to change its position from that of a

secured creditor to Unsecured Creditor under ss. 50.1 and 132.1 of the *BIA*. The Court found that the Proposal had not contained a “proposed assessed value” for its claim. The result was that s. 50.1(1) applied, but ss. 50.1(2) and (3) did not; nor did s. 132(1). On this point, the judge cited *Re WorkGroup Designs Inc.* (2008) 40 C.B.R. (5th) 1 (Ont. C.A.).

On Appeal

[20] In this court, Vegherb asserted the following errors in judgment:

- I. The Chambers Judge erred in fact and law in finding the License Agreement to be a security agreement.
- II. The Chambers Judge erred in fact and law in finding the License Agreement did not validly terminate.
- III. In the alternative, the Chambers Judge erred in fact and law in finding that on default of payment, the IP remained the property of Contech.
- IV. The Chambers Judge erred in fact and law in approving the Proposal.
- V. The Chambers Judge erred in fact and law in dismissing Vegherb’s application to amend its proof of claim.

License as Security Agreement

[21] Mr. Harney for Vegherb argued strenuously on appeal that the License Agreement was a “true license” and not a security agreement. In his submission, none of the parties intended to create a security agreement for *PPSA* purposes, and the parties’ intentions is one of the factors relevant to determining the substance of a transaction: see *Manning Jamison Ltd. v. Registrar of Travel Services* 1999 BCCA 185 at para. 26. Counsel challenged the notion that any particular terms – e.g., a geographical or temporal restriction, “performance milestones” or the payment of royalties in relation to revenues – are required for a “true” license agreement, and noted other characteristics – restrictions on the assignment of the license that are normally indicative of a license, for example – which the chambers judge found to be equivocal.

[22] I am not sure that a “true” license agreement cannot also be a security agreement, and in this case, it seems to me the Licence Agreement was a security agreement regardless of whether it was a “true” license. As the chambers judge

noted, Vegherb's reservation of ownership of the IP until such time as the Note was discharged, means that "in substance" the Agreement "provide[d] for a security interest" within the meaning of the definition of "security agreement" at s. 1 of the *PPSA*.

[23] It is worth emphasizing, however, that this security interest was perfected under the *PPSA* by the registration of a financing statement in respect of the GSA in February 2013. There was no necessity for the License Agreement to be the subject of a separate filing: s. 43(5) confirms that a registration "may relate to one or more security agreements." Thus Professors R.C. Cuming, R.J. Wood et al. observe in *Personal Property Security Law* (2nd ed., 2012):

The PPR registration process does not require a registrant to submit the security documentation; instead, the registrant submits a separate "financing statement" containing only minimal information about the transaction to which it relates. It follows that there is no reason to insist on a one-to-one relationship between each registration and each security agreement. Accordingly, the *PPSA* confirms that a single registration is effective to perfect a security interest arising under multiple agreements, regardless of whether the agreements are related to one another or represent separate and distinct transactions. [at 329; emphasis added.]

(See also *674921 B.C. Ltd. v. New Solutions Financial Corporation* 2006 BCCA 49 at para. 33.) It follows that Vegherb's GSA perfected its security interest in the assets which it had sold to Contech in February 2013, including the rights that were granted under the License Agreement.

[24] The chambers judge seemed to recognize the fact of perfection by registration at para. 91 of her reasons. There she stated:

The License Agreement provided an extra form of security to Vegherb (which also had a general security agreement). However, because it fits within the definition of security agreement under the *PPSA*, once there is a contest amongst secured creditors, Vegherb's rights under the License Agreement as between it and other secured creditors are treated just like other security interests under the *PPSA*.

As will be seen below, however, she assumed that *Re Giffen* applied to 'extinguish' all of Vegherb's rights to the IP – a consequence that does not necessarily follow. I will return to this point in due course.

[25] It is also apparent that to the extent the security interest reserved by Vegherb secured payment of all or part of the purchase price for Vegherb's assets, including the IP, the GSA is a purchase money security interest ("PMSI") for purposes of the Act. Contech acknowledged this in written submissions we requested on the point.

Termination of License?

[26] It will be recalled that the chambers judge rejected Vegherb's submission that the License had been validly terminated (and all interests in the IP presumably reverted to Vegherb), on the basis that there was "no evidence" Contech had agreed to Vegherb's position that it had terminated. Vegherb challenges this reasoning, arguing that no such agreement or acquiescence was required by the terms of the License Agreement or any other agreement to which Contech and Vegherb were parties. I agree that whether Contech agreed or not to the termination of the License is irrelevant to whether it was effectively terminated.

[27] Section 9 of the *PPSA* provides that subject to any enactment, a security agreement is "effective according to its terms". However, as Mr. Jackson contended, when the security interest in the IP was taken (or more properly, retained) by Vegherb, the existing secured creditors of Contech effectively acquired certain statutory rights as against Vegherb. (Mr. Jackson described these rights as amounting to a proprietary interest in the IP, but I need not decide if that is a correct characterization.) In any event, to allow a creditor to "opt out" of the *PPSA* by unilaterally terminating its security agreement would, as the chambers judge stated, undermine one of the important purposes of the *PPSA*, i.e., to "provide certainty among competing creditors as to how their interests in personal property will be ranked". (Para. 104.) The *PPSA* regulates the taking (or re-taking) of possession of collateral by secured creditors. Section 61 requires that notice of a proposal to do so be given to other secured parties and allows the court to hear their objections. Section 62 deals with "rights of redemption and reinstatement" and s. 61 deals with "voluntary foreclosure", i.e., situations in which a secured party proposes to take and retain the collateral in satisfaction of the obligation secured by it. There is no argument that any of these provisions was invoked or complied with by Vegherb in this case.

Re Giffen

[28] This brings us to the chambers judge's analysis of *Re Giffen*, which Contech relies on not only for the proposition that its existing secured creditors effectively acquired an interest in the Licence but also for the proposition that Vegherb's interest, including its reservation of title to the IP itself, was effectively eliminated. In *Re Giffen*, a lessor ("TLC") had leased a car to B.C. Telephone Co. It in turn subleased the car to one of its employees, "B". Since the lease had a term of more than one year, it was required to be registered under the *PPSA*. However, neither B.C. Telephone Co. nor TLC filed financing statements in respect of their security interests by the time B became bankrupt. B's trustee in bankruptcy obtained an order in the trial court (see (1994) 90 B.C.L.R. (2d) 326) that it was entitled to the proceeds of sale of the car by virtue of s. 20(b)(i) of the *PPSA*. As we noted in *Re Perimeter Transportation Ltd.* 2010 BCCA 509, this Court in *Giffen*, per Finch, J.A., as he then was, reversed that order on three bases – that under s. 71(2) of the *BIA*, it was only "property of the bankrupt" that vested in the trustee; that the lessee did not have a proprietary interest in the car; and that allowing the trustee a greater claim to the vehicle than the bankrupt had would "overlook fundamental concepts of bankruptcy law".

[29] The Supreme Court of Canada disagreed and allowed the appeal, restoring the order of the trial court. Again as this court noted in *Perimeter Transportation*:

The Supreme Court of Canada allowed the trustee's appeal and restored Hood J.'s order. Iacobucci J. for the Court stated that the primary issue on the appeal was whether s. 20(b)(i) of the *PPSA* could extinguish the lessor's (i.e., TLC's) right to the car in favour of the trustee's interest, or whether the operation of s. 20(b)(i) was "limited by certain provisions of the *BIA*". The issue could be resolved, he said, by a "normal reading of the relevant provisions of both the *PPSA* and *BIA*, buttressed by the policy considerations supporting these provisions." (Para. 24.) The Court of Appeal was found to have erred in focusing on the *locus* of title in the car and in holding that the lessor's common law ownership interests prevailed despite the clear meaning of s. 20(b)(i). It had not recognized that in enacting the *PPSA*, the Legislature had "set aside the traditional concepts of title and ownership to a certain extent." The Supreme Court quoted with approval a passage from *International Harvester Credit Corp. of Canada v. Bell's Dairy Ltd.* (1986) 30 D.L.R. (4th) 387, 34 B.L.R. 76 (Sask. C.A.), in which it was recognized that the *PPSA* regime "does not turn on title to the collateral":

There is nothing in the language of the section [s. 20 of the Saskatchewan and British Columbia *PPSAs*], or its relationship with other sections, or indeed in the overall scheme of the Act to suggest, for example, that an unperfected security interest, because it is rooted in and attached to the title of particular goods in the possession of a debtor, should be treated as superior to the more generally derived and broadly attached interest which an execution creditor comes to have in a debtor's goods. Indeed, the very opposite is suggested not only by the language of the section, but by the overall thrust of the Act. [At 396.]

Thus in Iacobucci J.'s analysis, the dispute could not properly be resolved by determining who had title to the car, because the dispute was "one of priority to the car and not ownership in it." [At para. 20; emphasis added.]

[30] With respect to s. 20(b)(i) of the *PPSA*, the Supreme Court in *Re Giffen* noted that a person with an interest "rooted in title to property" in the possession of another is vulnerable if the interest is not perfected under the *PPSA*. In the analysis of Iacobucci J.:

... Public disclosure of the security interest is required to prevent innocent third parties from granting credit to the debtor or otherwise acquiring an interest in the collateral. However, public disclosure of the security interest does not seem to be required to protect a trustee who is not in the position of an innocent third party; rather, the trustee succeeds to the interests of the bankrupt. In one authority's opinion, trustees are given the capacity to defeat unperfected security interests because of the "representative capacity of the trustee and the effect of bankruptcy on the enforcement rights of unsecured creditors" (R. C. C. Cuming, "Canadian Bankruptcy Law: A Secured Creditor's Heaven" (1994), 24 *Can. Bus. L.J.* 17, at pp. 27-28).

Prior to a bankruptcy, unsecured creditors can make claims against the debtor through provincial judgment enforcement measures. Successful claims will rank prior to unperfected security interests pursuant to s. 20. Once a bankruptcy occurs, however, all claims are frozen and the unsecured creditors must look to the trustee in bankruptcy to assert their claims. Cuming describes the purpose of s. 20(b)(i) (at p. 29):

In effect, the judgment enforcement rights of unsecured creditors are merged in the bankruptcy proceedings and the trustee is now the representative of creditors who can no longer bring their claims to a "perfected" status under provincial law. As the repository of enforcement rights, the trustee has status under s. 20(b)(i) of the BCPPSA to attack the unperfected security interest.

The purpose behind granting a trustee in bankruptcy the power to defeat unperfected security interests was recognized by the Saskatchewan Court of Appeal in *International Harvester* [*International Harvester Credit Corp. of Canada Ltd. v. Bell's Dairy Ltd. (Trustee of)* (1986) 61 C.B.R. (N.S.) 193] (at p. 206):

Indeed, the fact that a trustee in bankruptcy is a representative of creditors serves to shed light on more than one aspect of the issue. It

explains – or at least assists in the explanation of – why a trustee in bankruptcy is included in s. 20, as well as why a trustee is not necessarily confined to the interest of the bankrupt.

The Saskatchewan Court of Appeal again acknowledged the representative role of the trustee in bankruptcy in *Paccar Financial Services [Ltd. v. Sinco Trucking Ltd. (Trustee of)]* [1989] 3 W.W.R. 481], which also involved a priority contest between a trustee and the unperfected security interest of a lessor. The court stated that the trustee, after bankruptcy, acts as the representative of the unsecured creditors of the bankrupt and asserts “the claim of the unsecured creditors to the goods and possessions of the bankrupt pursuant to the priorities established for competing perfected and unperfected security interests. It is simply a contest as between an unsecured creditor and the holder of an unperfected security interest” (p. 490).

The Court of Appeal [of British Columbia] erred, in my view, in not recognizing that the purpose of s. 20(b)(i) is, at least in part, to permit the unsecured creditors to maintain, through the person of the trustee, the same status vis-à-vis secured creditors who have not perfected their security interests which they enjoyed prior to the bankruptcy of the debtor. [At paras. 38-42; emphasis added.]

[31] Thus the Supreme Court found that on an application of s. 20(b)(i) of the *PPSA*, the common law rule of *nemo dat quod non habet* was supplanted by a “policy choice of the Legislature”. The trustee in bankruptcy was found to be entitled to the proceeds of sale of the car and could pass title to the car to a purchaser as a result of the operation of both s. 20(b)(i) of the *PPSA* and s. 81(2) of the *BIA* on the bankruptcy. (At 116-7; see also paras. 23-4 of *Perimeter Transportation*.) In the words of Iacobucci J., “on a plain reading of s. 20(b)(i), the lessor’s interest in the car [was] ineffective against the trustee.” (At 117.)

[32] The chambers judge found at para. 118 of her reasons that the same analysis applied in the case at bar. With respect, however, a “plain reading” of s. 20(b)(i) shows that this is not so. Section 20(b)(i) provides:

20 A security interest

...

(b) in collateral is not effective against

(i) a trustee in bankruptcy if the security interest is unperfected at the date of the bankruptcy, ... [Emphasis added.]

[33] Section 20(b)(i) is not applicable in this instance for at least two reasons. First, it states that an unperfected interest is ineffective against a trustee in

bankruptcy, but does not refer to a trustee appointed under a proposal in bankruptcy. There is case law that suggests the two are not the same in form or in substance: see *Re PSINet Ltd.* (2002) 30 C.B.R. (4th) 226 (Ont. S.C.J.), *per* Farley J., *aff'd* (2002) 32 C.B.R. (4th) 102, regarding a monitor under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36; *Re TRG Services Inc.* (2006) 26 C.B.R. (5th) 203 (Ont. S.C.); *Re Mercantile Steel Products Ltd.* (1978) 20 O.R. (2d) 237 (Ont. S.C.), regarding a trustee under a (commercial) *BIA* proposal; Anthony Duggan, "The Status of Unperfected Security Interests in Insolvency Proceedings", (2008) 24 *B.F.L.R.* 103 at 106-111; and *Re Hupfer* (2003) 41 C.B.R. (4th) 187 (Alta Q.B.).

[34] More importantly, s. 20(b)(i) of the *PPSA* has no application because Vegherb's security interest was perfected, by registration, prior to the date of the Proposal. Indeed, since the License Agreement (and the APA generally) created a PMSI perfected by registration, s. 22(1)(b) of the *PPSA* operates to give Vegherb's GSA priority over the interests of the persons referred to in s. 20(b). It follows that the reasoning in *Re Giffen* and the policy underlying it are not applicable.

[35] In summary, this case must be distinguished from *Re Giffen* on several grounds – the fact that the security interest with which we are concerned was, unlike the conditional sale agreement in *Re Giffen*, perfected by registration; the fact that the collateral in this case is an intangible; the fact that the creditor's security interest is a PMSI; and the fact that this case does not involve a bankruptcy, but a proposal in bankruptcy (which of course is intended to avoid a bankruptcy), so that on its face s. 20(b)(i) is not applicable.

[36] The remaining question is what priorities apply as between Vegherb's registered PMSI (i.e., Vegherb's GSA) and the earlier GSAs in favour of HSBC and FWCU – which interests were also perfected under the *Act*. Section 34(1) of the *PPSA* states that a PMSI in an intangible that is perfected not later than 15 days after the day on which the security interest attached, has "priority over any other security interest in the same collateral given by the same debtor". (My emphasis.)

This is consistent with the policy of the *PPSA* to provide a so-called “super priority” for PMSIs. Cuming, Wood and Walsh, *supra*, explain this policy as follows:

The rationale for the purchase money security interest super priority is very much bound up with the approach to security interests in after-acquired property adopted by the *PPSA*. The *PPSA* greatly facilitated the ability of parties to take security interests in after-acquired property. The security interest attaches to the new property without the requirements of any new act of transfer. The parties may execute a single security agreement that will automatically attach to new inventory that is acquired or new accounts that are generated without the need to execute new security agreements ...

The effectiveness of an after-acquired property clause when combined with a first-in-time priority rule gives the first secured party a competitive advantage over later secured parties. The first secured party enjoys a situational monopoly over later entrants. The purchase money security interest priority is introduced into the *PPSA* in order to blunt this situational monopoly and permit the debtor to obtain future loans from secured parties on competitive terms. This is not seen as unfair to the first secured party, since a new asset would not have been obtained by the debtor but for the new credit provided by the purchase money security interest financier. ...

Recognition of the purchase money security interest priority means that a debtor who is given a broadly based security interest on present and after – acquired property to one creditor will be able to raise additional secured financing from a different creditor on the basis of new assets so long as the additional financing is used to acquire the new assets. [At 439-40; emphasis added.]

[37] In the case at bar, of course, Vegherb subordinated its position to that of HSBC and FWCU, the latter to a limited extent. As far as other secured creditors are concerned, however, Vegherb’s PMSI ranks in priority under the *PPSA* regime by virtue of s. 34(1)(b). Even given the priority agreements, it is not correct to say that Vegherb’s security interest is “extinguished”. As a PMSI, it is entitled to the “super priority” granted by s.34(1)(b) of the *PPSA*. Its proprietary interest in the IP and the other assets it agreed to sell to Contech in February 2013, is subordinate only to those of HSBC and FWCU, the latter to the extent of \$1,450,000. As against all other secured (and unsecured) creditors, Vegherb remains in a position of priority. Nothing in the *PPSA* makes its security interest “ineffective” as against the trustee of the Proposal or other creditors. Indeed, the *BIA* generally recognizes and preserves the priorities of secured creditors in the scheme of distribution established by s. 136 on a bankruptcy. (In particular, s. 136 begins with the phrase “subject to the rights of secured creditors”.)

[38] In the result, I would not accede to Vegherb’s first ground of appeal, but I would set aside the declaration granted by the chambers judge at para. 123 of her reasons. On the other hand, I agree with counsel for Contech that it was not open to Vegherb to remove itself from the *PPSA* priority system simply by purporting to terminate the License Agreement. Since Vegherb did not attempt to follow any of the procedures established by the *PPSA* for repossession, redemption, reinstatement or “voluntary foreclosure”, its purported termination is now of little consequence, even though the termination may be effective as against Contech as a matter of contract and s. 9 of the *PPSA*.

Approval of the Proposal

[39] I turn next to Vegherb’s assertion that the chambers judge erred in approving the Proposal and in particular, in ruling that Vegherb had a “commonality of interest” with other members of the “Affected Secured Creditors” class, such that there is no justification for placing Vegherb in a different class.

[40] The Proposal states that its purpose is to:

... permit [Contech] to settle payment of its liabilities as at the Filing Date and to compromise indebtedness owed to Affected Creditors of [Contech] on a fair and equitable equal basis so as to enable [Contech] to carry on business in the ordinary course.

It contemplates the following classes of creditors:

- Priority Creditors – holders of Crown claims and claims of employees under ss. 60(1.3) and 136(1d) of the *BIA*, which would have priority if Contech became bankrupt.
- Unaffected Creditors – post-filing creditors, equipment lenders, and those creditors having security interests in any assets of Contech ranking even with or in priority to FWCU’s interest. Unaffected Creditors are listed in Schedule A to the proposal and include HSBC and FWCU.
- Affected Secured Creditors – creditors having security interests which rank subordinate to FWCU’s security interest, plus the Secured Debenture

Holders (which term is defined to include parties to the amended and Restated Loan Agreement dated March 7, 2014 described earlier in these reasons, and Vegherb).

- Equity Election Creditors – unsecured creditors with claims equal to or greater than \$30,000 who elect to receive common shares of Contech at a conversion rate of one share for every \$.12 of proven claims.
- Convenience Creditors – creditors with proven claims of \$1,500 or less, who are to be paid in full.
- Unsecured Creditors – creditors who have proven claims but who did not have a security interest under relevant provincial legislation (including the *PPSA*) at the date of filing of the Proposal. They are to receive \$.30 for every \$1 of proven claims.

[41] As their name suggests, Unaffected Creditors are not intended to be affected by the Proposal “and will be paid in accordance with existing agreements between such creditors and [Contech] or in accordance with alternative arrangements to be negotiated concurrently with the filing and implementation” of the Proposal.

(Art. 2.3.)

[42] Affected Secured Creditors such as Vegherb are to receive common shares in Contech at the rate of one share for every \$0.08 of their proven claims. Upon the issuance of shares to them and to the Equity Election Creditors (who are subject to a different conversion rate), the Proposal would operate to:

- a. Release [Contech] from all Claims that arose before the Filing Date and that relate to the obligations of [Contech] prior to the Filing Date, regardless of the date of crystallization of such Claims; and
- b. Release the directors and officers of [Contech] from all Claims that arose before the Filing Date and that relate to the obligations of [Contech] prior to the Filing Date, regardless of the date of crystallization of such Claims, where the directors or officers are, by law, liable in their capacity as directors or officers. [Art. 2.4; emphasis added.]

Again, the Proposal defines “Claim” to include any right of ownership or title.

[43] As we have seen, the chambers judge correctly instructed herself that the Court could refuse to approve the Proposal pursuant to s. 59(2) of the *BIA* if it was of the opinion “that the terms of the [Proposal] are not reasonable or are not calculated to benefit the general body of creditors”. The judge also referred to relevant case law, including *Re Kitchener Frame Ltd.* 2012 ONSC 234 and *(Re) Magnus One Energy Corp. (Re)* 2009 ABQB 200. She accepted that a court is not bound to accept a proposal even if it is approved by creditors and recommended by a trustee, citing *Magnus* at para. 11. (See para. 128.)

[44] Vegherb objected both to the Proposal itself and to the classification of Vegherb as an Affected Security Creditor. In the words of the chambers judge:

One of Vegherb’s strong objections to the form of the Proposal is the fact that it groups it into a class of Affected Secured Creditors. Vegherb asserts it should be in its own class as a secured creditor because the other creditors in its class are all debenture holders who always expected to ultimately receive equity in Contech. In contrast, Vegherb says that it is the seller of assets to Contech waiting to get paid for those assets. [Para. 131; emphasis added.]

The Court noted ss. 50(1.4) and (1.5) of the *BIA*, which are worth reproducing here:

(1.4) Secured claims may be included in the same class if the interests or rights of the creditors holding those claims are sufficiently similar to give them a commonality of interest, taking into account

(a) the nature of the debts giving rise to the claims;

(b) the nature and rank of the security in respect of the claims;

(c) the remedies available to the creditors in the absence of the proposal, and the extent to which the creditors would recover their claims by exercising those remedies;

(d) the treatment of the claims under the proposal, and the extent to which the claims would be paid under the proposal; and

(e) such further criteria, consistent with those set out in paragraphs (a) to (d), as are prescribed.

(1.5) The court may, on application made at any time after a notice of intention or a proposal is filed, determine, in accordance with subsection (1.4), the classes of secured claims appropriate to a proposal, and the class into which any particular secured claim falls. [Emphasis added; para. 132.]

[45] As we have also seen, the judge quoted a passage from *Re Canadian Airlines*, in which the Court cited the well-known English case of *Sovereign Life*

Assurance Co. v. Dodd [1892] 2 Q.B. 573 (C.A.). Subsequent Canadian cases have refined the reasoning in *Canadian Airlines*. This “evolution” in the law is helpfully described in the judgment of Blair J.A. in *Re Stelco Inc.* [2005] O.J. No. 4883 (Ont. C.A.), where he observed that in addition to being concerned with commonality of interest, a court dealing with a classification of creditors issue should also be concerned “about the confiscation of legal rights and about avoiding what the parties have referred to as ‘a tyranny of the minority.’” (See, for example, *Elan Corp. v. Comiskey* (1990) 1 O.R. (3d) 289 (C.A.), *Re Wellington Building Corp.* (1934) 16 C.B.R. 48 (Ont. H.C.J.), *Sklar-Pepler Furniture Corp. v. Bank of Nova Scotia* (1991) 86 D.L.R. (4th) 621 (Ont. Gen. Div.) and *Re Campeau Corp.* (1990) 10 C.B.R. (3d) 100 (Ont. Gen. Div.)).

[46] Blair J.A. went on to agree with those authorities, including *Canadian Airlines*, which stipulate that the “classification of creditors is determined by their legal right in relation to the debtor company, as opposed to their rights as creditors in relation to each other.” (Para. 30.) This factor is of course the first listed at s. 50(1.4) of the *BIA*, which came into force in 1992 and was amended in 2004 to refer to creditors’ rights as well as interests. (See also the judgments of Trainor J. in *Re Northland Properties Ltd.* (1988) 31 B.C.L.R. (2d) 35 and 73 C.B.R. (N.S.) 175, both upheld by this court: see (1988) 32 B.C.L.R. (2d) 309 and (1989) 34 B.C.L.R. (2d) 122, cited by Blair J.A. at para. 24.)

[47] The chambers judge declined to give effect to Vegherb's objection to its inclusion in the class of Affected Secured Creditors on the basis that all the parties in this class were unlikely to recover anything if Contech became bankrupt and that there was “no evidence suggesting that the interest secured by [the License Agreement] ranks ahead of any of the interests secured by the general security agreements.” (Para. 135.) In so concluding, the judge in my respectful view erred in law and failed to consider that the GSA granted a favour of Vegherb created a PMSI which, under the *PPSA* priority regime, would be entitled to “priority over any other security interest in the same collateral given by the same debtor” (*PPSA*, s. 34(1)(b)). Of course, Vegherb subordinated its GSA to the GSAs of HSBC and FWCU.

[48] As for the conclusion of the court below that Vegherb should be equated with the holders of the Convertible Debentures, this seems to ignore the fact that the holders of such Debentures had agreed that their loan positions would by September 2015 be converted into shares – this was not just an option. While it is true that Vegherb had accepted some shares of Contech as part of its consideration for the sale of its assets under the APA, it was not obliged to accept additional shares under the terms of any agreement to which we have been referred. As well, as we have seen, Vegherb was, unlike holders of the Debentures, entitled to a ‘super-priority’ over other secured interests.

[49] Given the foregoing, it seems to me highly doubtful that Vegherb and the other Affected Secured Creditors had a commonality of interest. The Affected Secured Creditors other than Vegherb had only an expectation of receiving shares; Vegherb on the other hand had a PMSI and was entitled to “super priority” subject only to its voluntary subordination to HSBC and FWCU. Under the Proposal, however, Vegherb would be required to release Contech from all claims whatsoever – including claims aimed at enforcing Vegherb’s proprietary interest in the IP. As noted by Vegherb in its factum, other members of the Affected Secured Creditors can expect to receive “substantially the same remedy under the Proposal as they would have faced otherwise, including substantially the same remedy for which they originally contracted”– shares in Contech in proportion to the money they lent to Contech. Vegherb on the other hand stands to lose all its assets to Contech, including its right of “ownership” of the IP. Lord Bowen's stricture against a “confiscatory” classification method resonates in these circumstances.

Disposition

[50] At the end of the day, I agree with Vegherb that its classification as an Affected Secured Creditor along with the holders of the Convertible Debentures is unfair and that because of this classification in combination with Article 2.4 of the Proposal (see para. 42 above), the Proposal would operate unfairly to Vegherb. Court approval of the Proposal would in my view not preserve the integrity of the bankruptcy process or comply with the requirements of commercial morality: see *Re*

Gardner (1921) 1 C.B.R. 424 (Ont. S.C.). On this basis, I conclude that the chambers judge fell into error in ruling that the Proposal was reasonable.

[51] I would allow the appeal, set aside the Order of the chambers judge and dismiss the respondents' application.

“The Honourable Madam Justice Newbury”

I AGREE:

“The Honourable Madam Justice Saunders”

I AGREE:

“The Honourable Mr. Justice Willcock”

Schedule

Personal Property Security Act, R.S.B.C. 1996, c. 359

Definitions and interpretation

1 (1) In this Act:

[...]

"purchase money security interest" means

(a) a security interest taken in collateral, other than investment property, to the extent that it secures payment of all or part of its purchase price,

(b) a security interest taken in collateral, other than investment property, by a person who gives value for the purpose of enabling the debtor to acquire rights in the collateral, to the extent that the value is applied to acquire the rights,

(c) the interest of a lessor of goods under a lease for a term of more than one year, and

(d) the interest of a person who delivers goods to another person under a commercial consignment,

but does not include a transaction of sale by and lease back to the seller and, for the purposes of this definition, "purchase price" and "value" include credit charges or interest payable for the purchase or loan credit;

[...]

"security agreement" means an agreement that creates or provides for a security interest and, if the context permits, includes

(a) an agreement that provides for a prior security interest, and

(b) writing that evidences a security agreement;

[...]

"security interest" means

(a) an interest in goods, chattel paper, investment property, a document of title, an instrument, money or an intangible that secures payment or performance of an obligation, but does not include the interest of a seller who has shipped goods to a buyer under a negotiable bill of lading or its equivalent to the order of the seller or to the order of an agent of the seller, unless the parties have otherwise evidenced an intention to create or provide for a security interest in the goods, and

(b) the interest of

(i) a transferee arising from the transfer of an account or a transfer of chattel paper,

(ii) a person who delivers goods to another person under a commercial consignment, and

(iii) a lessor under a lease for a term of more than one year,

whether or not the interest secures payment or performance of an obligation;

Scope of Act: security interests

2 (1) Subject to section 4, this Act applies

(a) to every transaction that in substance creates a security interest, without regard to its form and without regard to the person who has title to the collateral, and

(b) without limiting paragraph (a), to a chattel mortgage, a conditional sale, a floating charge, a pledge, a trust indenture, a trust receipt, an assignment, a consignment, a lease, a trust, and a transfer of chattel paper if they secure payment or performance of an obligation.

Effectiveness of a security agreement

9 Subject to this and any other enactment, a security agreement is effective according to its terms.

Subordination of unperfected security interests

20 A security interest [...]

(b) in collateral is not effective against

(i) a trustee in bankruptcy if the security interest is unperfected at the date of the bankruptcy, or

(ii) a liquidator appointed under the *Winding-up and Restructuring Act* (Canada) if the security interest is unperfected at the date that the winding-up order is made...]

Perfection of purchase money security interests

22 (1) A purchase money security interest in [...]

(b) an intangible that is perfected not later than 15 days after the day the security interest attaches,

has priority over the interests of persons referred to in section 20 (a) and (b).

Purchase money security interests

34 (1) Subject to section 28, a purchase money security interest in

(a) collateral or its proceeds, other than intangibles or inventory, that is perfected not later than 15 days after the day the debtor, or another person at the request of the debtor, obtains possession of the collateral, whichever is earlier, or

(b) an intangible or its proceeds that is perfected not later than 15 days after the day the security interest in the intangible attaches,

has priority over any other security interest in the same collateral given by the same debtor.

Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3

Registration of financing statements

43 [...]

(5) A registration may relate to one or more than one security agreement.

Who may make a proposal

50 [...]

(1.5) The court may, on application made at any time after a notice of intention or a proposal is filed, determine, in accordance with subsection (1.4), the classes of secured claims appropriate to a proposal, and the class into which any particular secured claim falls.

(1.6) Subject to section 50.1 as regards included secured creditors, any creditor may respond to the proposal as made to the creditors generally, by filing with the trustee a proof of claim in the manner provided for in

(a) sections 124 to 126, in the case of unsecured creditors; or

(b) sections 124 to 134, in the case of secured creditors.

APPENDIX H

LOAN AGREEMENT DATED MARCH 7, 2014

AMENDED AND RESTATED LOAN AGREEMENT

This Amended and Restated Loan Agreement (this "Agreement") is dated for reference as of the 7th day of March, 2014.

AMONG:

CONTECH ENTERPRISES INC., a company existing under the laws of British Columbia and having an address at Unit 115, 19 Dallas Rd., Victoria, BC, V8V 5A6

(the "**Borrower**")

AND:

EACH OF THE PARTIES THAT IS A SIGNATORY HERETO

(the "**Original Lenders**")

AND:

EACH OTHER PARTY THAT AGREES TO BE BOUND BY THE TERMS OF THIS AGREEMENT

(the "**Additional Lenders**", and together with the Original Lenders, the "**Lenders**")

WHEREAS:

- A. the Company and certain of the Original Lenders, being Paul Hooper, Marianne Hooper, Sadler Farms Ltd. and Denman Island Chocolate Ltd. (the "**February Lenders**"), entered into a loan agreement (the "**February Loan Agreement**") on February 19, 2014 whereunder the February Lenders advanced \$700,000 (the "**February Advances**") on the terms and conditions set out therein and as secured by a general security agreement in favour of each of the February Lenders;
- B. the Company wishes to borrow, up to an aggregate amount of \$3,000,000, including the February Advances, or such larger amount as approved by Lender Approval (the "**Principal**"), on the terms and conditions set out in this Agreement;
- C. the Original Lenders are to advance, or have advanced pursuant to the February Loan Agreement, the aggregate amount of \$2,200,000 of the Principal, as outlined in Schedule 3 attached hereto, on the terms and conditions set out in this Agreement;
- D. the Borrower may, from time to time, accept additional advances up to the Principal; and

- E. the Original Lenders, as applicable, and the Borrower have agreed to amend and restate the February Loan Agreement and enter into this Agreement to set out the terms and conditions upon which the Lenders will loan the Principal to the Borrower.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants made hereunder and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto hereby agree as follows:

ARTICLE 1 - LOANS

1.1 *The Loan.* Subject to the provisions of this Agreement, each Original Lender agrees to advance to the Borrower that portion of the Principal as set opposite such Original Lender's name in the column labeled "**Loan Amount**" in Schedule 3. In the case of each of the February Lenders, such amount shall be the applicable portion of the February Advances previously advanced to the Borrower under the February Loan Agreement. The Lenders' loan obligations are individual, not joint and several. Without limiting the generality of the foregoing, each Original Lender shall only be obligated to loan to the Borrower that portion of the Principal set opposite such Original Lender's name in Schedule 3 and not previously advanced under the February Loan Agreement, as applicable, and if one Original Lender fails to disburse such Original Lender's portion, the other Lenders shall not be obligated to disburse any additional amounts.

1.2 *Secured Convertible Debentures.* Subject to Section 1.3 below, the Borrower will issue to each Lender, as evidence of the indebtedness of the Borrower to such Lender, under this Agreement (the "**Indebtedness**"), a secured convertible debenture (each a "**Debenture**", and collectively, the "**Debentures**") in the form attached hereto as Schedule 1.

1.3 *Form of Debenture and Interest.* Each Lender shall elect, in its sole discretion, to either:

- (a) receive a non-interest bearing Debenture whereunder that portion of the Principal advanced by such Lender is convertible into Common shares in the capital of the Borrower at CDN\$0.0314 per share; or
- (b) receive an interest-bearing Debenture where interest shall accrue on that portion of the Principal advanced by such Lender at a rate of 6% per year, and shall be payable monthly in arrears and all of such portion of the Principal is convertible into Common shares in the capital of the Borrower at CDN\$0.0325 per share.

1.4 *Use of Proceeds.* The Borrower shall use the proceeds of the loan made hereunder for repaying certain outstanding obligations, working capital and to fund its ongoing operations.

1.5 *Security and Priority.*

- (a) As security for the obligations of the Borrower to the Lenders, the Borrower has executed and delivered to the Original Lenders a general security agreement (the "**GSA**") The Obligations (as defined in the GSA) to all Lenders shall rank prior

to all other indebtedness of the Borrower, other than the prior security interests listed in Schedule 2 and also as provided for in Section 1.5(b) and Section 1.5(c).

- (b) Each of the Lenders hereby agrees that the security interests granted by the Borrower in favour of the Lenders pursuant to the GSA shall be subordinate and postpone to any and all security interests granted after the date hereof by the Borrower in favour of Cary Gregory or a recognized financial institution, being a chartered bank or credit union, or other financial institution approved by the Lenders by Lender Approval.
- (c) Any action to be taken by a Lender (defined as a "Secured Party" in the GSA) pursuant to the terms of the GSA must be taken in accordance with the terms of this Agreement and with Lender Approval.

1.6 *Conversion and Repayment.*

- (a) At any time prior to the Due Date, as defined below, if the Principal has not been fully paid, a Lender will have the option, upon receipt by the Borrower of such Lender's written election to convert, to convert all or a portion of such Lender's Principal outstanding into Common shares in the capital of the Borrower as provided for in the Debentures.
- (b) On the Due Date (as defined in Subsection 1.6(c)), the outstanding Principal shall be converted, without any further action on the part of any one or more of the Lenders, into such number of Common shares in the capital of the Borrower as is provided for in the Debentures.
- (c) Conversion contemplated in Subsection 1.6(b) shall occur on (the "Due Date");
 - (i) September 7, 2015; or
 - (ii) such later date agreed upon in writing by the Borrower and the Lenders by Lender Approval.
- (d) The Borrower shall be required to repay the outstanding portion of the Principal and all accrued and unpaid interest thereon on the date of receipt by the Borrower of a notice authorized by Lender Approval that an Event of Default under Section 1.7 has occurred.

1.7 *Events of Default.*

- (a) The Borrower shall be in default under this Agreement, unless waived by the Lenders by Lender Approval, in any of the following events (each an "Event of Default" and together "Events of Default"):
 - (i) the Borrower being in material breach of any term, condition, obligation, covenant, representation or warranty made by the Borrower to the Lenders in this Agreement, the GSA or the Debentures (collectively, the "Transaction Documents") or under any other agreement or instrument

of which any of the Lenders has the benefit, whether or not collateral or supplemental thereto;

- (ii) the Borrower becoming insolvent or ceasing to carry on business;
- (iii) if any order is made or a resolution passed, for the winding-up of the Borrower, or if a petition is filed for the winding-up of the Borrower;
- (iv) if any receiver, receiver-manager, trustee, custodian, liquidator or similar agent is appointed for the Borrower; or
- (v) if any proceedings concerning either the Borrower are commenced under the *Companies' Creditors Arrangement Act* or under Chapter 11 of Title 11 of the United States Code;

provided that an Event of Default shall not constitute an Event of Default if the Borrower cures the same within 15 days of such Event of Default.

- (b) Upon the occurrence of an Event of Default, the Lenders, by Lender Approval up until the Due Date and individually thereafter, may deliver a demand to the Borrower and, upon receipt by the Borrower of such demand, the Principal referred to in the demand and any accrued interest thereon shall immediately become due and payable.

1.8 **Form of Payment.** Payments to the Lenders hereunder shall be made by cheque, wire transfer, bank draft or solicitors' trust cheque against delivery of the Debenture evidencing the indebtedness being repaid. If only part of the indebtedness evidenced by a Debenture is being paid, then the Borrower shall concurrently issue and deliver a Debenture, using the same form originally issued, for the remaining balance.

ARTICLE 2 - REPRESENTATIONS, WARRANTIES AND COVENANTS

2.1 **Representations and Warranties of the Borrower.** To induce the Lenders to make the loans contemplated under this Agreement, the Borrower hereby makes the following representations and warranties which shall survive for the benefit of each Lender for the period while that portion of the Indebtedness owed to such Lender remains outstanding:

- (a) the Borrower is validly existing and in good standing under the laws of British Columbia with respect to filing its annual reports;
- (b) the Borrower:
 - (i) has the power and authority to carry on the business now being carried on by it and has the full power and authority to execute and deliver, or had full power and authority when it executed and delivered, as applicable, the Transaction Documents; and
 - (ii) has taken all necessary and requisite corporate proceedings and all resolutions and authorizations have been taken, passed, done and given by

it and by its directors to authorize, permit and enable it to execute and deliver the Transaction Documents:

- (c) each of the Transaction Documents, when executed and delivered, will constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally;
- (d) Schedule 5 sets out all of the outstanding debt of the Borrower as of the date of this Agreement;
- (e) neither the execution and delivery of the Transaction Documents nor compliance with the terms, conditions and provisions thereof:
 - (i) will conflict with or result in a material breach of any of the terms, conditions or provisions of:
 - (A) the constituting documents of the Borrower;
 - (B) any agreement, instrument or arrangement to which the Borrower is now a party or by which it is or may be bound, or constitute a default thereunder;
 - (C) any judgment or order, writ, injunction or decree of any court; or
 - (D) any applicable law or governmental regulation;
 - (ii) will contravene, conflict with or result in a violation or breach of, or trigger any adverse material change in the affairs of the Borrower;
 - (iii) will violate or constitute a default under any provision of law, any order of any court or other agency of government, the constituting documents of the Borrower or any instrument, agreement or commitment to which the Borrower is a party or by which the Borrower or any of its properties or assets are bound, or
 - (iv) will require the Borrower to obtain any consent, license, certification or approval from any third party which has not been duly obtained and no person has any rights of first refusal or any pre-emptive rights in connection with the issuance of the Transaction Documents other than those which have been otherwise waived;
- (f) upon receipt of that portion of the Principal by the Borrower at a Closing (as defined in Section 3.1), the Debentures issued at such Closing will be duly and validly created and authorized and will be issued and delivered as fully paid and non-assessable to the Lenders in their respective proportions in compliance with all applicable securities laws, and the Lenders will be the legal and registered owners of their respective Debentures;

- (g) there is no action, proceeding or investigation pending, or to its knowledge threatened, against or affecting the Borrower at law or in equity which, if determined adversely to the Borrower, could have a material adverse effect;
- (h) the Common shares in the capital of the Borrower to be issued upon conversion of the Principal have been duly and validly created, authorized and allotted, and upon issuance will be issued as fully paid and non-assessable shares; and
- (i) the Borrower owns, possesses and has good title to all currently held Collateral (as defined in the GSA), free from all security interests, mortgages, charges, encumbrances, liens and claims, except those, if any, disclosed in Schedule 2.

2.2 **Reliance and Indemnity of Lenders.** The Lenders are relying on the representations and warranties set forth in Section 2.1, notwithstanding any investigation or enquiries made by the Lenders or waiver of any conditions to advancing funds under this Agreement, and the Borrower agrees to indemnify and save harmless each of the Lenders from and against all losses, damages, costs, or expenses, including legal costs as between a solicitor and his own client, suffered or incurred by a Lender as a result of or in connection with any of those representations or warranties being incorrect or breached.

2.3 **Representations and Warranties of the Lenders.** Each of the Lenders, severally and not jointly, represents and warrants to the Borrower that:

- (a) such Lender is purchasing its Debenture as principal in the amount set out in Schedule 3 or such amount advanced by an Additional Lender, as applicable; and
- (b) at the applicable Closing Date, such Lender will be a person who is:
 - (i) a director, executive officer or control person of the Borrower;
 - (ii) a spouse, parent, grandparent, brother, sister, child or grandchild of a director, executive officer or control person of the Borrower;
 - (iii) a parent, grandparent, brother, sister, child or grandchild of the spouse of a director, executive officer or control person of the Borrower;
 - (iv) a close personal friend of a director, executive officer or control person of the Borrower;
 - (v) a close business associate of a director, executive officer or control person of the Borrower;
 - (vi) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in paragraphs (i) to (v); or
 - (vii) an accredited investor, as that term is defined in section 1.1 of National Instrument 45-106 - *Prospectus and Registration Exemptions*.

2.4 **Reliance and Indemnity of Borrower.** The Borrower is relying on the representations and warranties set forth in Section 2.3, notwithstanding any investigation or enquiries made by the Borrower or waiver of any conditions to advancing funds under this Agreement; and the Lenders agree, severally and not jointly, to indemnify and save harmless the Borrower from and against all losses, damages, costs, or expenses, including legal costs as between a solicitor and his own client, suffered or incurred by the Borrower as a result of or in connection with any breach of those representations or warranties or covenant.

ARTICLE 3 - DISBURSEMENT CONDITIONS AND CLOSING

3.1 **Time and Place of Closings.** The advance of such portions of the Principal to the Borrower (each a "Closing") under this Agreement from time to time will take place on or about the date hereof (the "First Closing") or such other date an Additional Lender advances their respective portion of the Principal (each, a "Subsequent Closing" and the date of each Closing, a "Closing Date"), as applicable, and will occur at 2 p.m. (Vancouver time) on such Closing Date at the offices of Fasken Martineau DuMoulin LLP at 2900 - 550 Burrard Street, Vancouver, British Columbia.

3.2 **Disbursement Conditions.** The obligation of the Lenders to advance the Principal under this Agreement is subject to the satisfaction of each of the following conditions precedent:

- (a) the Borrower shall have received all consents and waivers required under applicable law or agreements to permit the issuance of the Debentures;
- (b) the Lenders shall be satisfied with the completion of due diligence;
- (c) such percentage of existing debt as acceptable by BC Advantage Fund (VCC) Ltd. shall have been converted into Common shares in the capital of the Borrower at a conversion price of \$0.08 per share;
- (d) Mark Grambart and Allen Spigelman shall have each converted their fiscal 2012 bonus of \$85,000, respectively, into an aggregate of 2,380,000 Common shares in the capital of the Borrower, and executed and delivered unconditional releases from Mark Grambart and Allen Spigelman relating to the same;
- (e) execution, delivery and registration of all security documents and other documents relating to the advance of Principal under this Agreement and receipt of subordination, postponement and inter-creditor agreements to effect the Lenders' security and ranking, in each case to the satisfaction of BC Advantage Fund (VCC) Ltd., acting reasonably;
- (f) the Borrower shall have received a letter from HSBC confirming that the Borrower is, as of the date of the First Closing, in material compliance with the terms of its credit facility with HSBC;
- (g) the representations and warranties of the Borrower contained in Section 2.1 and in the other Transaction Documents shall be true, accurate and correct on and as of

the applicable Closing Date with the same effect as though such representations and warranties had been made on and as of such Closing Date; and

- (h) the Lenders shall be satisfied that the Borrower shall have performed, or be able to perform, all obligations and covenants to be performed by it before or at the applicable Closing under this Agreement.

3.3 *Minimum First Closing Amount.* Notwithstanding any other provision herein, the obligations of Borrower under Section 3.6 below and otherwise herein are subject to the Original Lenders having advanced an aggregate loan amount at the First Closing, which shall include the February Advances, of not less than \$2,200,000.

3.4 *Borrower's Failure to Satisfy Conditions Precedent.* The conditions precedent set forth in Section 3.2 of this Agreement are for the sole benefit of the Lenders and whether or not the Lenders, or any one of them, are satisfied or unsatisfied shall be determined by the Lenders in their sole, absolute and unfettered discretion. If one or more of such conditions precedent in Section 3.2 are not satisfied on or before the applicable Closing Date and the Lenders, as applicable, fail to waive in writing strict compliance therewith, then the Lenders shall not be obligated to advance such portion of the Principal contemplated hereunder and such Closing shall not proceed.

3.5 *Lender's Failure to Satisfy Condition Precedent.* The condition precedent set forth in Section 3.3 of this Agreement is for the sole benefit of the Borrower. If such condition precedent in Section 3.3 is not satisfied on or before the First Closing and the Borrower fails to waive in writing strict compliance therewith, then the Borrower shall not be obligated to satisfy its obligations hereunder and such First Closing shall not proceed.

3.6 *Closing Obligations of the Borrower.* At each Closing, the Borrower shall deliver or cause to be delivered to the Lenders, as applicable, the following documents in form satisfactory to such Lenders:

- (a) this Agreement duly executed by the Borrower;
- (b) the GSA duly executed by the Borrower in favour of the Original Lenders; and
- (c) a Debenture in the proper amount for each Lender, duly executed by the Borrower.

3.7 *First Closing Obligations of the Original Lenders.* Each of the Original Lenders covenants and agrees with the Borrower that at the First Closing, each Original Lender shall deliver or shall have caused to be delivered to the Borrower:

- (a) this Agreement duly executed by such Original Lender;
- (b) if applicable, the debenture representing such Original Lender's portion of the February Advances, surrendered for cancellation;
- (c) if applicable, a certificate of accredited investor in a form acceptable to the Borrower and duly executed by such Original Lender; and

proceedings and the method(s) of realization. Upon such consent being obtained, the Lenders shall take all actions necessary to so realize on the Security. Any other decisions or actions of the Lenders required in the course of realizing upon the Security shall similarly require Lender Approval, and upon such consent being obtained the Lenders shall take all actions necessary to implement such decision or action.

4.4 **Costs of Realization.** In the event that it becomes necessary or advisable for a Lender to lend money to a receiver or receiver-manager against the receiver's or receiver-manager's certificate(s) or to expend monies with respect to inspection, repairs or other matters contemplated by the GSA, the Lenders shall share the cost of each such expenditure Pro Rata. The Lenders shall, promptly following each such expenditure, make all necessary adjustments or reimbursements as among themselves as are necessary to result in the Pro Rata sharing of such costs.

4.5 **Proceeds of Realization.** The Security shall, if realized, be realized for the common benefit of the Lenders, and all proceeds resulting from the enforcement or realization of such Security and all other proceeds received by the Lenders pursuant to the GSA, including without limitation, insurance proceeds, shall be distributed amongst the Lenders on a Pro Rata basis.

4.6 **Dissolution of the Borrower.** In the event of the dissolution, liquidation, winding up or bankruptcy (voluntary or otherwise) of the Borrower or distribution of its assets among its creditors, all monies which may be received by the Lenders in respect of the Indebtedness shall be divided among them in the same manner as proceeds from the realization of the Security.

4.7 **Application of Payments.** All payments received by the Lenders from the Borrower on account of the Indebtedness shall be applied by each Lender to such Indebtedness and shall not be applied on account of any other indebtedness or liability of the Borrower unless the written consent of the other Lenders is first obtained.

4.8 **Negative Covenants.** Other than as otherwise provided herein, a Lender shall not, without Lender Approval:

- (a) take any action under the GSA, unless so indicated in the GSA that it may do so;
- (b) amend or modify the Security;
- (c) other than as contemplated herein, release or subordinate:
 - (i) the Security; or
 - (ii) any of the Indebtedness;
- (d) other than in the event of repayment or conversion as contemplated herein, discharge the Security in whole or in part or release or forgive the Borrower in respect of any of the Indebtedness;
- (e) sell or assign any of their right, title and interest in and to the Security or the Indebtedness; or

- (f) take or obtain any further security from the Borrower in respect of the Indebtedness.

4.9 **Covenant to Subordinate.** Upon receipt of Lender Approval as contemplated under Section 4.8(c), if Lenders representing not less than 50% of the outstanding Indebtedness (the "**Subordinating Lenders**") wish to release or subordinate the Security or any of the Indebtedness, all Lenders shall be required to release or subordinate, as the case may be, their respective Security and Indebtedness on the same terms and conditions as the Subordinating Lenders.

4.10 **Exchange of Information.** Any Lender making demand in accordance with such Lender's Debenture shall promptly deliver a copy of such demand to the other Lenders. The Lenders shall also furnish to each other from time to time upon request, information and particulars as to the outstanding Indebtedness owed to the Lenders by the Borrower and whether the Borrower is or has been in default of payment or has otherwise been in default of any of its obligations under this Agreement, or the GSA.

4.11 **Ceasing to be a Lender and Discharge of Security.** Notwithstanding any other provision hereof, once the portion of the Indebtedness owed to a party hereunder has been paid, converted or otherwise satisfied in full, that party shall, thereafter, be deemed not to be a Lender, and such party hereby agrees that at such time and thereafter, the GSA shall be of no further force or effect and the Borrower shall be entitled to discharge any registered security interest in favour of such Lender.

4.12 **Indemnity.** Each Lender agrees to indemnify and save harmless the other Lenders from and against all losses, damages, costs, or expenses, including legal costs as between a solicitor and his own client, suffered or incurred by the other Lenders as a result of or in connection with the Lender materially breaching any of the covenants and agreements set forth in this Article.

4.13 **Conflict.** In the event of a conflict between the provisions of this Agreement and the GSA, the terms of this Agreement shall prevail.

ARTICLE 5 - GENERAL PROVISIONS

5.1 **Definitions.** In this Agreement, unless the context otherwise requires

- (a) "**Lender Approval**" means the approval in writing of Lenders holding more than 50% of the amount of Indebtedness outstanding from time to time, and
- (b) "**Pro Rata**", as amongst the Lenders, means pro rata in accordance with their respective portion of the total outstanding Indebtedness at the applicable time.

5.2 **Expenses.** The Borrower shall pay the reasonable legal fees, professional fees, disbursements and out of pocket costs (including any applicable taxes thereon) incurred by or for the account of the Lenders in connection with the costs incurred in connection with the preparing, negotiating and registering the GSA, including further assurances, financing statements, financing change statements, discharges and amendments

5.3 **Governing Law.** This Agreement (and any transactions, documents, instruments or other agreements contemplated in this Agreement) shall be construed and governed exclusively by the laws in force in British Columbia and the laws of Canada applicable therein, and the courts of British Columbia (and Supreme Court of Canada, if necessary) shall have exclusive jurisdiction to hear and determine all disputes arising hereunder. The undersigned irrevocably attorn to the jurisdiction of said courts and consent to the commencement of proceedings in such courts. This provision shall not be construed to affect the rights of any party to enforce a judgment or award outside said province, including the right to record and enforce a judgment or award in any other jurisdiction.

5.4 **Severability.** If any provision of this Agreement is determined to be invalid or unenforceable by a court of competent jurisdiction from which no further appeal lies or is taken, that provision shall be deemed to be severed herefrom, and the remaining provisions of this Agreement shall not be affected thereby and shall remain valid and enforceable.

5.5 **Notices.** Any notice or other writing required or permitted to be given hereunder or for the purposes hereof to the Borrower or the Lenders shall be sufficiently given if delivered personally, or if sent by prepaid courier to the addresses indicated in this Agreement, or at such other address or addresses as the party to whom such notice or other writing is to be given shall have last notified the party giving the same in the manner provided in this Section 5.5; with a copy, in the case of any notice to any Lender, to the attention of such Lender and, in the case of any notice to the Borrower, to the attention of the Borrower, Unit 115, 19 Dallas Rd., Victoria, BC V8V 5A6. Any notice or other writing delivered personally or by prepaid courier to the party to whom it is addressed as hereinbefore provided shall be deemed to have been given and received on the day it is so delivered at such address; provided that if such day is not a business day, then such notice or other writing shall be deemed to have been given and received on the next business day.

5.6 **Interpretation.** In this Agreement, Sections, Subsections, Paragraphs and Subparagraphs may be referred to by use of the term "**Section**" followed by a numerical and alphabetical reference without further description. Words (including defined terms) using or importing the singular number include the plural and vice versa and words importing one gender only shall include all genders and words importing persons in this Agreement shall include individuals, partnerships, corporations and any other entities, legal or otherwise.

5.7 **Schedules.** The schedules attached to this Agreement shall form part of this Agreement and any reference to a "**Schedule**" herein shall be to a Schedule attached hereto, unless otherwise indicated.

5.8 **Counterparts.** This Agreement may be executed in several counterparts, including by electronic means, each of which when executed shall be deemed to be an original and such counterparts together shall be but one and the same instrument.

5.9 **Time of the Essence.** Time shall be of the essence of this Agreement.

5.10 **Enurement.** This Agreement shall enure to the benefit of and be binding upon the parties and their respective heirs, personal representatives, executors, successors and assigns.

5.11 *Transfer and Assignment.* The Debentures as well as each Lender's rights and obligations under this Agreement are not transferable or assignable by any Lender except to legal entities controlled, directly or indirectly by, or under common control with, that Lender ("Controlled Entity") and provided that such Controlled Entity enters into an agreement under which it becomes party to and bound by this Agreement as a Lender or as approved by the Borrower.

5.12 *Criminal Code Compliance.* In this Section 5.12 the terms "interest", "criminal rate" and "credit advanced" have the meanings ascribed to them in section 347 of the *Criminal Code* (Canada) as amended from time to time. The Borrower and the Lenders agree that, notwithstanding any agreement to the contrary, no interest on the credit advanced by the Lenders under this Agreement will be payable in excess of that permitted under the laws of Canada. If the effective rate of interest, calculated in accordance with generally accepted actuarial practices and principles, would exceed the criminal rate on the credit advanced, then:

- (a) the elements of return which fall within the term "interest" shall be reduced to the extent necessary to eliminate such excess;
- (b) any remaining excess that has been paid will be credited towards prepayment of Principal; and
- (c) any overpayment that may remain after such crediting will be returned forthwith to the Borrower upon demand;

and, in the event of dispute, a Fellow of the Canadian Institute of Actuaries appointed by the Lenders shall perform the relevant calculations and determine the reductions, modifications and credits necessary to effect the foregoing and the same will be conclusive and binding on the parties. The Transaction Documents shall automatically be modified to reflect such modifications without the necessity of any further act or deed of the Lenders and the Borrower to give effect to them.

5.13 *Independent Legal Advice.* Each of the parties to this Agreement acknowledges and agrees that Fasken Martineau DuMoulin LLP has acted as counsel only to the Borrower and that Fasken Martineau DuMoulin LLP is not protecting the rights and interests of any other party to this Agreement. The parties to this Agreement acknowledge and agree that the Borrower and Fasken Martineau DuMoulin LLP have given them the opportunity to seek, and have recommended that such parties obtain, independent legal advice with respect to the subject matter of this Agreement and the other Transaction Documents and, further, each of the parties hereby represents and warrants to the Borrower and Fasken Martineau DuMoulin LLP that such party has sought independent legal advice or hereby waives such advice.

5.14 *Further Acts.* Each of the parties to this Agreement shall at the request of any other party, and at the expense of the Borrower, execute and deliver any further documents and do all acts and things as that party may reasonably require in order to carry out the true intent and meaning of this Agreement.

5.15 *Entire Agreement.* The Transaction Documents constitute the entire agreement between the parties to this Agreement with respect to the subject matter thereof and supersede all prior

negotiations, proposals and agreements, whether oral or written, with respect to the subject matter thereof. In the event of any conflict between any of the other Transaction Documents and this Agreement, the terms of this Agreement shall prevail.

5.16 *Nature of this Agreement.* This Agreement is intended by the parties to supersede and replace the February Loan Agreement in its entirety effective from and after the date hereof and shall take precedence over the provisions of the February Loan Agreement effective from the date hereof. Notwithstanding the foregoing, the Borrower acknowledges that any advances made by the Lenders prior to the date hereof shall be deemed to constitute advances as part of the Principal for the purposes hereof and shall be secured by the GSA.

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IN WITNESS WHEREOF the parties have signed, sealed and delivered this agreement as of the date first written above.

CONTECH ENTERPRISES INC.

By: 

Authorized Signatory

PAUL HOOPER

MARIANNE HOOPER

SADLER FARMS LTD.

DENMAN ISLAND CHOCOLATE LTD.

Per: _____
Authorized Signatory

Per: _____
Authorized Signatory

BC ADVANTAGE FUND (VCC) LTD.

ST. PATRICK HOLDINGS LTD.

Per: _____
Authorized Signatory

Per: _____
Authorized Signatory

ECL HOLDINGS LTD.

MINZAR HOLDINGS LTD.

Per: _____
Authorized Signatory

Per: _____
Authorized Signatory

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Per:

Authorized Signatory
John Zaplatynsky

DENMAN ISLAND CHOCOLATE LTD.

Per:

Authorized Signatory

BC ADVANTAGE FUND (VCC) LTD.

Per:

Authorized Signatory

ST. PATRICK HOLDINGS LTD.

Per:

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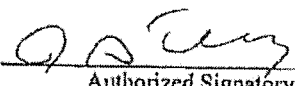
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Authorized Signatory

ECL HOLDINGS LTD.

MINZAR HOLDINGS LTD.

Per: _____
Authorized Signatory

Per: _____
Authorized Signatory

IN WITNESS WHEREOF the parties have signed, sealed and delivered this agreement as of the date first written above.

CONTECH ENTERPRISES INC.

By: _____

Authorized Signatory

PAUL HOOPER

MARIANNE HOOPER

SADLER FARMS LTD.

Per: _____

Authorized Signatory

DENMAN ISLAND CHOCOLATE LTD.

Per: _____

Authorized Signatory

BC ADVANTAGE FUND (VCC) LTD.

Per: _____

Authorized Signatory

ST. PATRICK HOLDINGS LTD.

Per: _____

Authorized Signatory

ECL HOLDINGS LTD.

Per: _____

Authorized Signatory

MINZAR HOLDINGS LTD.

Per: _____

Authorized Signatory

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By:

Authorized Signatory

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Per: _____
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Authorized Signatory

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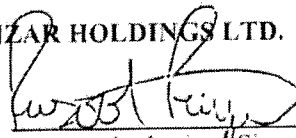
Per: _____
Authorized Signatory

Per: _____
Authorized Signatory

ECL HOLDINGS LTD.

MINZAR HOLDINGS LTD.

Per: _____
Authorized Signatory

Per:  _____
Authorized Signatory

SECURED CONVERTIBLE DEBENTURE

AMOUNT: CDNS\$~~500,000~~.00

DATE OF ISSUE: March ~~2014~~, 2014

FOR VALUE RECEIVED, CONTECH ENTERPRISES INC. (the "Company") promises to pay to or to the order of ~~the~~ (the "Holder") the principal sum of \$~~500,000~~ in lawful currency of Canada (the "Principal Sum"). [The Principal Sum shall not bear interest. The Principal Sum shall bear interest at a rate of six percent (6%) per annum].

1. Interest - Accrued and unpaid interest shall be payable by the Company to the Holder monthly in arrears.]
2. Automatic Conversion - The Principal Sum shall convert into Common shares in the capital of the Company (the "Shares") at at [CDNS0.0314 / CDNS0.0325] per share (the "Conversion Price") (i) at any time prior to the Conversion Date and with receipt by the Company of the Holder's written election to convert, or if applicable, (ii) shall automatically convert into Shares on September ~~2014~~, 2015 (the "Conversion Date") at the Conversion Price.
3. No Repayment by Company - The Company shall not be entitled to repay the Principal Sum or any portion thereof prior to or on the Conversion Date.
4. Repayment Upon Default - The Principal Sum [and all accrued and unpaid interest thereon] shall be immediately due and payable to the Holder only upon the occurrence of an Event of Default (as that term is defined in the GSA (as defined below)).
5. Issuance of Replacement Debenture - The Company hereby covenants and agrees with the Holder that if this Debenture becomes mutilated, lost, destroyed or stolen, the Company shall, upon receipt of a declaration of loss from the Holder in a form satisfactory to the Company, issue and deliver to the Holder a new secured convertible debenture of like due and tenor as the one mutilated, lost, destroyed or stolen, in exchange for and in place of and upon cancellation of such mutilated, lost, destroyed or stolen Debenture.
6. Company's Waiver - The Company hereby waives demand and presentment for payment, notice of non-payment, protest and notice of protest of this Debenture.
7. Security and Subordination - This Debenture is secured by a general security agreement granted by the Company (the "GSA") in favour of the Holder and certain other lenders and registered by way of a financing statement in the British Columbia Personal Property Registry under basic registration no. R0N752H.
8. Transferability - This Debenture is not transferable except with the express written approval of the Company.
9. Governing Law - This Debenture (and any transactions, documents, instruments or other agreements contemplated in this Debenture) shall be construed and governed exclusively by the laws in force in British Columbia and the laws of Canada applicable therein, and the courts of British Columbia (and Supreme Court of Canada, if necessary) shall have exclusive jurisdiction to hear and determine all disputes arising hereunder.

IN WITNESS WHEREOF the Company has caused its respective duly authorized signatory to execute and deliver this Debenture to the Holder, as of the day and year first above written.

CONTECH ENTERPRISES INC.

Per: _____
Authorized Signatory

SCHEDULE 2

Prior Security Interests

British Columbia Personal Property Registrations:

	Base Number	Creditor	Collateral
1.	6182140 ¹	Business Development Bank of Canada 1st Dept PO Box 6 505 Burrard Vancouver BC V7X 1M3	All present and after acquired personal property of the Debtor and without limitation crops, licences and fixtures. All of the Debtor's contractual rights, licences and all other choses in action of every kind which now are or which may at any time be due or owing to or owned by the Debtor and all other intangible property of the Debtor that is not accounts, chattel paper, instrument documents of title, intellectual property, securities or money.
2.	803192E ²	Business Development Bank of Canada 990 Fort Street Victoria BC V8V 3K2	All present and after acquired personal property of the Debtor and without limitation, all crops, fixtures and licences.
3.	259740G	HSBC Bank Canada #100 771 Vernon Avenue Victoria, BC V8X 5A7	All present and after acquired personal property and a floating charge on all present and after acquired real property.
4.	508533G	K'(Prime) Technologies Inc. 105, 90 Freeport Blvd NE Calgary, AB T4B 2S9 The Toronto-Dominion Bank 340 - 5th Avenue SW Calgary, AB T2P 0C3	General Collateral: Lease # BC-C1-10012011-QU.2011.0283 REV1 1 KP-G1088A 5973N GC-MSD TURBO PUMP SYSTEM S/N US1091548 1 CHEMSTATION S/N FX629-2227E-QF-96-N82N8 1 PC S/N CAC81500NB 1 MONITOR S/N 3CQ91801RG 1 KP-G1530A 6890 PLUS GC SYSTEM S/N US00033289 1 KP-G2913A 7683 ALS INJECTION TOWER S/N CN81648670 1 KP-G2614A 7683 SAMPLE TRAY S/N CN22721189

¹ Subordination Agreement in favour of HSBC Bank Canada Security Agreement registered July 20, 2011 is base registration number 259740G.

² Ibid

	Base Number	Creditor	Collateral
5.	08785511	Dell Financial Services Canada Limited 155 Gordon Baker Road, Ste 501 North York, ON M2H 3N5	ALL DELL AND NON DELL COMPUTER EQUIPMENT AND PERIPHERALS WHEREVER LOCATED HERETOFORE OR HEREAFTER LEASED TO DEBTOR BY SECURED PARTY PURSUANT TO AN EQUIPMENT LEASE TOGETHER WITH ALL SUBSTITUTIONS, ADDITIONS, ACCESSIONS AND REPLACEMENTS THERE TO AND THEREOF NOW AND HEREAFTER INSTALLED IN, AFFIXED TO, OR USED IN CONJUNCTION WITH SUCH EQUIPMENT AND PROCEEDS THEREOF TOGETHER WITH ALL RENTAL OR INSTALLMENT PAYMENTS, INSURANCE PROCEEDS, OTHER PROCEEDS AND PAYMENTS DUE OR TO BECOME DUE AND ARISING FROM OR RELATING TO SUCH EQUIPMENT, PROCEEDS; ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.
6.	16455511	Roynt Inc. Suite 1500, 4710 Kingsway St. Burnaby, BC V5H 4M2	SERVER(S), LICENSE(S) TOGETHER WITH ALL ATTACHMENTS ACCESSORIES ACCESSIONS REPLACEMENTS SUBSTITUTIONS ADDITIONS AND IMPROVEMENTS THERE TO AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY SALE AND OR DEALINGS WITH THE COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR OTHER PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO THE COLLATERAL OR PROCEEDS OF THE COLLATERAL.
7.	18435011	Dell Financial Services Canada Limited 155 Gordon Baker Road, Ste 501 North York, ON M2H 3N5	ALL DELL AND NON DELL COMPUTER EQUIPMENT AND PERIPHERALS WHEREVER LOCATED HERETOFORE OR HEREAFTER LEASED TO DEBTOR BY SECURED PARTY PURSUANT TO AN EQUIPMENT LEASE TOGETHER WITH ALL SUBSTITUTIONS, ADDITIONS, ACCESSIONS AND REPLACEMENTS THERE TO AND THEREOF NOW AND HEREAFTER INSTALLED IN, AFFIXED TO, OR USED IN CONJUNCTION WITH SUCH EQUIPMENT AND PROCEEDS THEREOF TOGETHER WITH ALL RENTAL OR INSTALLMENT PAYMENTS, INSURANCE PROCEEDS, OTHER PROCEEDS AND PAYMENTS DUE OR TO BECOME DUE AND ARISING FROM OR RELATING TO SUCH EQUIPMENT, PROCEEDS; ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.

	Base Number	Creditor	Collateral
8	195617H	First West Credit Union 6470 201 St Langley, BC V2Y 2X4	ALL OF THE PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTORS AND EACH OF THEM INCLUDING WITHOUT LIMITATION FIXTURES AND CROPS, AND AN UNCRYSTALIZED FLOATING CHARGE ON LAND AND THINGS USED HEREIN THAT ARE DEFINED IN THE PERSONAL PROPERTY SECURITY ACT OF BRITISH COLUMBIA OR THE REGULATIONS MADE THEREUNDER HAVE THOSE DEFINED MEANINGS).
9	524719H	Roynat Inc. Suite 1500, 4710 Kingsway St Burnaby, BC V5H 4M2	LICENSE (S) TOGETHER WITH ALL ATTACHMENTS ACCESSORIES ACCESSIONS REPLACEMENTS SUBSTITUTIONS ADDITIONS AND IMPROVEMENTS THERETO AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY SALE AND OR DEALINGS WITH THE COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR OTHER PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO THE COLLATERAL OR PROCEEDS OF THE COLLATERAL
10	790992H	Dell Financial Services Canada Limited 155 Gordon Baker Road, Ste 501 North York, ON M2H 3N5	ALL DELL AND NON DELL COMPUTER EQUIPMENT AND PERIPHERALS WHEREVER LOCATED HERETOFORE OR HEREAFTER LEASED TO DEBTOR BY SECURED PARTY PURSUANT TO AN EQUIPMENT LEASE TOGETHER WITH ALL SUBSTITUTIONS, ADDITIONS, ACCESSIONS AND REPLACEMENTS THERETO AND THEROF NOW AND HEREAFTER INSTALLED IN, AFFIXED TO, OR USED IN CONJUNCTION WITH SUCH EQUIPMENT AND PROCEEDS THEREOF TOGETHER WITH ALL RENTAL OR INSTALLMENT PAYMENTS, INSURANCE PROCEEDS, OTHER PROCEEDS AND PAYMENTS DUE OR TO BECOME DUE AND ARISING FROM OR RELATING TO SUCH EQUIPMENT PROCEEDS; ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.

SCHEDULE 3

List of Original Lenders and Advances

Paul Hooper	CDNS50,000
Marianne Hooper	CDNS50,000
Sadler Farms Ltd.	CDNS100,000
Denman Chocolate Ltd.	CDNS500,000
BC Advantage Fund (VCC) Ltd.	CDNS1,000,000
St. Patrick Holdings Ltd.	CDNS166,666.66
Minzar Holdings Ltd.	CDNS166,666.66
ECL Holdings Ltd.	CDNS166,666.66

SCHEDULE 4

ACKNOWLEDGEMENT AND AGREEMENT TO BE BOUND

THIS ACKNOWLEDGEMENT AND AGREEMENT is given on the _____ day
of _____, 20____, by _____ of _____.

Reference is made to Amended and Restated Loan Agreement made as of the 7th day of March, 2014 (the "Loan Agreement") among Contech Enterprises Inc. (the "Corporation"), the Original Lenders and the Additional Lenders. Defined terms used herein but not defined shall have the meanings ascribed thereto in the Loan Agreement.

The undersigned, being an Additional Lender, does hereby acknowledge and accept the terms of the Loan Agreement and agrees (a) to be bound by all of the terms and conditions of the Loan Agreement and (b) to honour, abide by and perform all of the obligations of the Loan Agreement as if the undersigned had executed the Loan Agreement itself.

WITNESSED BY: _____)
_____)
_____)
(Signature) _____)
_____)
(Name of Witness) _____)
_____)
(Address) _____)

_____)
(Signature of Shareholder or authorized
signatory of Shareholder)
_____)
(Name of Shareholder)

APPENDIX I

APPROVAL OF SUBORDINATION OF SECURITY INTERESTS

APPROVAL

TO: Contech Enterprises Inc. (the "Company")
RE: Subordination of security interests by the undersigned

Reference is made to the Amended and Restated Inter-Lender Agreement dated as of the 1st day of August, 2012, among the Company and certain lenders of the Company (the "Inter-Lender Agreement"). Capitalized terms used but not defined herein have the meanings given in the Inter-Lender Agreement.

Approval of Subordination of Security

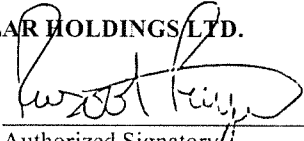
Pursuant to the Inter-Lender Agreement, other than as provided therein, a Lender shall not, without Lender Approval, release or subordinate the Security provided under the GSAs.

The undersigned hereby approve the subordination of the Security provided under the GSAs to the security held by those lenders party to the loan agreement with the Company dated February 19th, 2014, being Sadler Farms Ltd., Denman Island Chocolate Ltd., Paul Hooper, Marianne Hooper and, from time to time and if applicable, certain others.

This Approval shall be effective upon execution by those Lenders hereunder holding more than 80% of the amount of Indebtedness outstanding as of the date hereof.

This Approval may be signed in counterpart, including by facsimile or by other electronic means, and each counterpart when put together with such other counterparts shall be considered one and the same instrument.

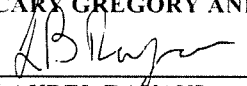
Dated this 7th day of March, 2014.

MINZAR HOLDINGS LTD.
Per: 
Authorized Signatory

CHRISTMAS MOUNTAINS MFG. INC.
Per: _____
Authorized Signatory

BURMAN AND BURMAN CORP.
Per: _____
Authorized Signatory

0827951 B.C. LTD.
Per: _____
Authorized Signatory

CARY GREGORY AND JANET GREGORY


LAUREL RAYANI

MARK GRAMBART

SALLY HELEN ZAPLATYNSKY

FIONA FINLAYSON MANNING

MICHAEL BRENNER

JULIEN SELLGREN

ANDERS TREIBERG

JANET SHANNON

ELISABETH TREIBERG

APPROVAL

TO: Centach Enterprises Inc. (the "Company")
RE: Subordination of security interests by the undersigned

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Dated this 7th day of March, 2014.

MINZAR HOLDINGS LTD.

Per: _____
Authorized Signatory

BURMAN AND BURMAN CORP.

Per: _____
Authorized Signatory

CARY GREGORY AND JANET GREGORY

LAUREL RAYANI

FIONA FINLAYSON MANNING

JULIEN SELLGREN

JANET SHANNON

CHRISTMAS MOUNTAINS MFG. INC.

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Authorized Signatory

0827951 B.C. LTD.

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Authorized Signatory

MARK GRAMBART

SALLY HELEN ZAPLATYNSKY

MICHAEL BRENNER

ANDERS TREIBERG

ELISABETH TREIBERG

APPROVAL

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Dated this 7th day of March, 2014.

MINZAR HOLDINGS LTD.

Per: _____
Authorized Signatory

BURMAN AND BURMAN CORP.

Per:  _____
Authorized Signatory

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LAUREL RAYANI

FIONA FINLAYSON MANNING

JULIEN SELLGREN

JANET SHANNON

CHRISTMAS MOUNTAINS MFG. INC.

Per: _____
Authorized Signatory

0827951 B.C. LTD.

Per: _____
Authorized Signatory

MARK GRAMBART

SALLY HELEN ZAPLATYNSKY

MICHAEL BRENNER

ANDERS TREIBERG

ELISABETH TREIBERG

APPROVAL

TO: Cimatech Enterprises Inc. (the "Company")

RE: Subordination of security interests by the undersigned

Reference is made to the Amended and Restated Inter-Lender Agreement dated as of the 1st day of August, 2013, among the Company and certain lenders of the Company (the "Inter-Lender Agreement"). Capitalized terms used but not defined herein have the meanings given in the Inter-Lender Agreement.

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Dated this 7th day of March, 2014.

MINZAR HOLDINGS LTD.

Per: _____
Authorized Signatory

BURMAN AND BURMAN CORP.

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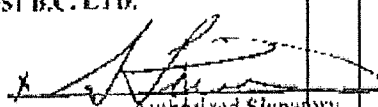
CARY GREGORY AND JANET GREGORY

LAUREL RAYANI

CHRISTMAS MOUNTAINS MFG. INC.

Per: _____
Authorized Signatory

0827951 B.C. LTD.

Per: 
Authorized Signatory

MARK GRAMBART

SALLY HELEN ZAPLATYNSKY

APPROVAL

TO: Contech Enterprises Inc. (the "Company")
RE: Subordination of security interests by the undersigned

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MINZAR HOLDINGS LTD.

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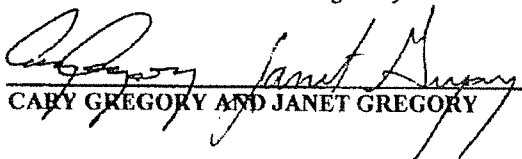
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ELISABETH TREIBERG

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BURMAN AND BURMAN CORP.

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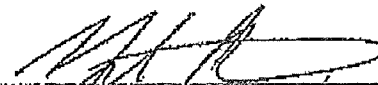
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This Approval may be signed in counterpart, including by facsimile or by other electronic means, and each counterpart when put together with such other counterparts shall be considered one and the same instrument.

Dated this 19th day of February, 2014.

MINZAR HOLDINGS LTD.

Per: _____
 Authorized Signatory

BURMAN AND BURMAN CORP.

Per: _____
 Authorized Signatory

CARY GREGORY AND JANET GREGORY

LAUREL RAYANI

FIONA FINLAYSON MANNING

JULIEN SELIGREN

JANET SHANNON

CHRISTMAS MOUNTAINS MFG. INC.

Per: _____
 Authorized Signatory

0827951 B.C. LTD.

Per: _____
 Authorized Signatory

MARK GRAMBART

SALLY HELEN ZAPLATYNSKY

MICHAEL BRENNER

ANDERS TREIBERG

ELISABETH TREIBERG

APPROVAL

TO: Contech Enterprises Inc. (the "Company")

RE: Subordination of security interests by the undersigned

Reference is made to the Amended and Restated Inter-Lender Agreement dated as of the 1st day of August, 2012, among the Company and certain lenders of the Company (the "Inter-Lender Agreement"). Capitalized terms used but not defined herein have the meanings given in the Inter-Lender Agreement.

Approval of Subordination of Security

Pursuant to the Inter-Lender Agreement, other than as provided therein, a Lender shall not, without Lender Approval, release or subordinate the Security provided under the GSAs.

The undersigned hereby approve the subordination of the Security provided under the GSAs to the security held by those lenders party to the loan agreement with the Company dated February 19th, 2014, being Sadler Farms Ltd., Denman Island Chocolate Ltd., Paul Hooper, Marianne Hooper and, from time to time and if applicable, certain others.

This Approval shall be effective upon execution by those Lenders hereunder holding more than 80% of the amount of Indebtedness outstanding as of the date hereof.

This Approval may be signed in counterpart, including by facsimile or by other electronic means, and each counterpart when put together with such other counterparts shall be considered one and the same instrument.

Dated this 6 day of March, 2014.

MINZAR HOLDINGS LTD.

Per: _____
Authorized Signatory

BURMAN AND BURMAN CORP.

Per: _____
Authorized Signatory

CARY GREGORY AND JANET GREGORY

LAUREL RAYANI

FIONA FINLAYSON MANNING

JULIEN SELLGREN

JANET SHANNON

CHRISTMAS MOUNTAINS MFG. INC.

Per: _____
Authorized Signatory

0827951 B.C. LTD.

Per: _____
Authorized Signatory

MARK GRAMBART

SALLY HELEN ZAPLATYNSKY

MICHAEL BRENNER



ANDERS TREIBERG

ELISABETH TREIBERG

APPROVAL

TO: Contech Enterprises Inc. (the "Company")
RE: Subordination of security interests by the undersigned

Reference is made to the Amended and Restated Inter-Lender Agreement dated as of the 1st day of August, 2012, among the Company and certain lenders of the Company (the "Inter-Lender Agreement"). Capitalized terms used but not defined herein have the meanings given in the Inter-Lender Agreement.

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This Approval shall be effective upon execution by those Lenders hereunder holding more than 80% of the amount of Indebtedness outstanding as of the date hereof.

This Approval may be signed in counterpart, including by facsimile or by other electronic means, and each counterpart when put together with such other counterparts shall be considered one and the same instrument.

Dated this 7 day of March, 2014.

MINZAR HOLDINGS LTD.

CHRISTMAS MOUNTAINS MFG. INC.

Per: _____
Authorized Signatory

Per: _____
Authorized Signatory

BURMAN AND BURMAN CORP.

0827951 B.C. LTD.

Per: _____
Authorized Signatory

Per: _____
Authorized Signatory

CARY GREGORY AND JANET GREGORY

MARK GRAMBART

LAUREL RAYANI

SALLY HELEN ZAPLATYNSKY

FIONA FINLAYSON MANNING

MICHAEL BRENNER

JULIEN SELLGREN

ANDERS TREIBERG



JANET SHANNON

ELISABETH TREIBERG

APPROVAL

TO: Contech Enterprises Inc. (the "Company")
RE: Subordination of security interests by the undersigned

Reference is made to the Amended and Restated Inter-Lender Agreement dated as of the 1st day of August, 2012, among the Company and certain lenders of the Company (the "**Inter-Lender Agreement**"). Capitalized terms used but not defined herein have the meanings given in the Inter-Lender Agreement.

Approval of Subordination of Security

Pursuant to the Inter-Lender Agreement, other than as provided therein, a Lender shall not, without Lender Approval, release or subordinate the Security provided under the GSAs.

The undersigned hereby approve the subordination of the Security provided under the GSAs to the security held by those lenders party to the loan agreement with the Company dated February 19th, 2014, being Sadler Farms Ltd., Denman Island Chocolate Ltd., Paul Hooper, Marianne Hooper and, from time to time and if applicable, certain others.

This Approval shall be effective upon execution by those Lenders hereunder holding more than 80% of the amount of Indebtedness outstanding as of the date hereof.

This Approval may be signed in counterpart, including by facsimile or by other electronic means, and each counterpart when put together with such other counterparts shall be considered one and the same instrument.

Dated this 6th day of March, 2014.

MINZAR HOLDINGS LTD.

CHRISTMAS MOUNTAINS MFG. INC.

Per: _____
Authorized Signatory

Per: _____
Authorized Signatory

BURMAN AND BURMAN CORP.

0827951 B.C. LTD.

Per: _____
Authorized Signatory

Per: _____
Authorized Signatory

CARY GREGORY AND JANET GREGORY

MARK GRAMBART

LAUREL RAYANI

SALLY HELEN ZAPLATYNSKY

FIONA FINLAYSON MANNING

MICHAEL BRENNER

JULIEN SELLGREN

ANDERS TREIBERG

JANET SHANNON

W2 Treiberg

ELISABETH TREIBERG

APPENDIX J

**INVOICES FOR THE FEES AND DISBURSEMENTS OF THE RECEIVER AND ITS
COUNSEL**

Contech Enterprises Inc.
115 – 19 Dallas Road
Victoria, BC V8V 5A6

Date: May 8, 2015
Invoice No: **3808312**
Client/Mandate No: 752920-1000251
Partner: H Lee

GST Registration No: 122893605

Invoice

For professional services rendered for the period March 6, 2015 to May 1, 2015 in connection with our appointment as Court Appointed Receiver and Manager of Contech Enterprises Inc. (“Contech” or the “Company”), pursuant to the Receivership Order dated March 20, 2015. Services rendered include:

- Attending at Contech’s head office in Victoria, BC to take possession and secure assets;
- Attending at the Delta, BC premise and Contech US premises located in Grand Rapids, Michigan;
- Engaging independent Canadian and US counsel in connection with the continued operations of the Company during the receivership;
- Commencing and conducting a sales process with respect to all of the Company’s assets;
- Arranging for the Company’s bank accounts to be frozen and opening new bank accounts under the Receiver’s name in Canada;
- Arranging for continued employment by Contech of select management and hourly employees to assist the Receiver in the administration of the estate and sales process;
- Taking possession of the Company’s books and records and overseeing and managing the updating of accounting records for accounts receivable, accounts payable and inventory;
- Establishing new business accounts with Canada Revenue Agency for GST and source deductions;
- Entering into discussions and negotiations with landlords with respect to ongoing occupation for each of the Company’s premises;
- Arranging for continued general liability and product insurance to be in effect through to June 30, 2015 at all of the Company’s locations in Canada and for continued insurance coverage at Contech US;
- Sending the *Notice and Statement of Receiver* required under Section 245(1) of the *Bankruptcy and Insolvency Act* (“**BIA**”);
- Sending to all registered parties under the *British Columbia Personal*

Contech Enterprises Inc.

May 8, 2015

Page 2

Property Security Act (“PPSA”) the Notice of Seizure and Disposition of Collateral required under PPSA Section 59(10);

- Effecting payment of wage arrears to former employees who were automatically terminated as at the date of bankruptcy;
- Discussions, correspondence and filing employee Proof of Claims with Service Canada with respect to the *Wage Earners Protection Program Act*;
- Ongoing collection of the Company’s pre-filing and post-filing accounts receivable;
- Entering into negotiations for finished goods inventory sales on an “as is, where is” basis with interested parties;
- Reviewing and approving receipts and disbursements on a daily basis;
- Preparing, reviewing and regular updating of operational cash flow projections;
- Negotiating with major suppliers and major customers with respect to accommodation agreements while continuing operations during the receivership period;
- Attending daily, during regular business hours, at the Company’s head office to manage day-to-day operations along with regular attendance at the Delta, BC site and Contech US premise in Grand Rapids, Michigan;
- Consolidating all of the Company’s operations into substantially five operating facilities – two in Canada and three in the US in an effort to reduce cost structure, improve cash flow and improve realizations to the estate during the receivership proceedings;
- Winding down the Company’s operations in Vista, California;
- Establishing and maintaining the Receiver’s website to inform creditors and all other stakeholders of the insolvency proceeding, Court Orders, reports and other relevant information;
- Maintaining the books and records related to the receivership administration;
- Obtaining an independent legal opinion with respect to the validity and enforceability of the Bank’s security over a trustee in bankruptcy;
- Drafting and finalizing the First Report to Court of the Receiver;
- Solicitation of potential interested parties as part of the Sales Process as outlined in the First Report to Court of the Receiver;
- Preparing and arranging for the non-disclosure agreements by potential interested parties;
- Preparing and circulating of an information memorandum to interested parties;
- Developing and maintaining an electronic data room for interested parties to conduct their due diligence;
- Preparation of an information package as outlined in the First Report to Court of the Receiver;
- Negotiation and finalization of the Purchase and Sale Agreement (“PSA”)

Contech Enterprises Inc.

May 8, 2015

Page 3

between Scotts Canada Ltd. (“**Scotts**”) and the Receiver dated April 15, 2015;

- Continued negotiations with other interested parties regarding excluded assets not included in the PSA; and
- Attendance and filing of a Notice of Application to Court seeking approval on Scotts PSA and a vesting order regarding Scotts Purchase Assets, as outlined in the First Report to Court of the Receiver.

Professional Fees	\$433,162.00
Less discount provided	(86,632.40)
	346,529.60
Disbursements	13,840.97
	360,370.57
GST @ 5%	18,018.53
Amount payable	\$378,389.10

Schedule of Hours by Professional

Name	Level	Hours	Fee \$
Huey Lee	Partner	84.2	72,412.00
Tim Morahan	Manager	230.8	126,940.00
Allison Burton	Senior	298.9	116,571.00
Chris Nolan	Senior	293.1	114,309.00
Administration		19.7	2,930.00
Gross Fee		926.7	433,162.00
Discount			(86,632.40)
Net Fee			346,529.60
Average hourly rate			373.94



Remittance information

Electronic Funds Transfer Information:

The Bank of Nova Scotia,
Business Service Centre, 20 Queen Street West, 4th Floor, Toronto, Ontario M5H 3R3

To pay invoices in CAD\$

CAD Account

Transit-Institution #: 47696-002
Account#: 1590219
Swift code: NOSCCATT

To pay invoices in USD\$

USD Account

Transit-Institution #: 47696-002
Account#: 1363514
ABA#: 026002532

**Please send electronic payment notifications
to receivablesdebitors@deloitte.ca and reference the invoice number listed.**

We encourage our clients to pay by Electronic Funds Transfer, however, when paying by cheque please mail your payment to:

CAD Payments

Deloitte Management Services LP
c/o T04567C
PO Box 4567, STN A
Toronto, ON M5W 0J1

USD Payments

Deloitte Management Services LP
c/o T04567U
PO Box 4567, STN A
Toronto, ON M5W 0J1

We also accept payment by online bill payment (select either Deloitte LLP or Deloitte S.E.N.C.R.L./s.r.l. through your financial institution and quote the first 6 digits of your client number).



Deloitte Restructuring Inc.
2800 - 1055 Dunsmuir Street
4 Bentall Centre
P.O. Box 49279
Vancouver BC V7X 1P4
Canada

Tel: 604-640-3060
Fax: 604-602-1583
www.deloitte.ca

Contech Enterprises Inc.
115 – 19 Dallas Road
Victoria, BC V8V 5A6

Date: July 9, 2015
Invoice No: **3867837**
Client/Mandate No: 752920-1000251
Partner: H Lee

GST Registration No: 122893605

Invoice

For professional services rendered for the period May 2, 2015 to July 3, 2015 in connection with our appointment as Court Appointed Receiver and Manager of Contech Enterprises Inc. (“Contech” or the “Company”), pursuant to the Receivership Order dated March 20, 2015. Services rendered include:

- Regular attendance at the Company’s head office to manage day-to-day operations along with attendance at the Delta, British Columbia site and Contech US premise in Grand Rapids, Michigan;
- Ongoing collection of the Company’s pre-filing and post-filing accounts receivable;
- Negotiating finished goods inventory sales on an “as is, where is” basis with interested parties;
- Reviewing and approving receipts and disbursements on a daily basis;
- Preparing, reviewing and regularly updating the operational cash flow projections and Statement of Estimated Realizations;
- Establishing and maintaining the Receiver’s website to inform creditors and all other stakeholders of the insolvency proceeding, Court Orders, reports and other relevant information;
- Maintaining the books and records related to the receivership administration;
- Continue engagement of independent Canadian and US counsel in connection with the continued operations of the Company during the receivership;
- Assisting Scotts Canada Ltd. (“Scotts”) with the transition of assets acquired in the Purchase and Sale Agreement between Scotts Canada Ltd. (“Scotts PSA”) and the Receiver dated April 15, 2015;
- Downsizing the remaining operations of the Company as a result of the Scotts PSA;
- Assisting Scott’s with assets transferred under the Scotts PSA which was withheld by a creditor;
- Continued assistance of Scotts on the transition of business operations acquired in the Scotts Transaction;

Contech Enterprises Inc.

July 9, 2015

Page 2

- Solicitation of potential interested parties as part of the Sales Process for the “Frame-It-All” business line of the Company as outlined in the Second Report to Court of the Receiver;
- Negotiation and finalization of the sale of the inventory and intellectual property of the “Frame-It-All” business line of the Company, pursuant to two purchase and sale agreements dated May 12, 2015 to VegHerb, LLC. (“VegHerb PSA”);
- Assisting VegHerb with the transition of assets acquired in the VegHerb PSA;
- Administration of the employee Proof of Claims with Service Canada with respect to the *Wage Earners Protection Program Act*;
- Drafting and finalizing the Second and Third Report to Court of the Receiver;
- Administering an interim distribution to HSBC, First West Credit Union Ltd. (“First West”) and Business Development Bank of Canada (“BDC”);
- Solicitation of potential interested parties as part of the Sales Process for the “True-Dose” product line of the Company as outlined in the Third Report to Court of the Receiver;
- Negotiation and finalization of the sale of the inventory and intellectual property of the “True-Dose” product line of the Company, as outlined in the Third Report to Court of the Receiver;
- Assisting Lifes 2 Good Limited with the transition of “True-Dose” product line, as outlined in the Third Report to Court of the Receiver;
- Analysis of a the priority rankings and the potential distribution to subordinate secured creditors, as outlined in the Third Report to Court of the Receiver;
- Preparation and filing of Fiscal 2014 Corporate Tax Return and Scientific Research and Experimental Development Tax Claim; and
- Various discussions with stakeholders.

Professional Fees	\$314,179.50
Less discount provided	(62,835.90)
	251,343.60
Disbursements	26,274.10
	277,617.70
GST @ 5%	13,880.89
Amount payable	\$291,498.59

Contech Enterprises Inc.

July 9, 2015

Page 3

Schedule of Hours by Professional

Name	Level	Hours	Fee \$
Huey Lee	Partner	47.2	40,592.00
Paul Chambers	Senior Manager	7.3	4,927.50
Tim Morahan	Manager	110.1	60,555.00
Allison Burton	Senior	221.2	86,268.00
Chris Nolan	Senior	214.8	83,772.00
Tax		79.0	33,075.00
Administration		33.3	4,990.00
Gross Fee		712.9	314,179.50
Discount			(62,835.90)
Net Fee			251,343.60
Average hourly rate			352.57



Deloitte Restructuring Inc.

APR 22 2015

Date Received

Borden Ladner Gervais LLP
Lawyers | Patent & Trade-mark Agents
1200 Waterfront Centre
200 Burrard St, P.O. Box 48600
Vancouver, BC, Canada V7X 1T2
T 604.687.5744 F 604.687.1415
blg.com

Deloitte Restructuring Inc.
2800 - 1055 Dunsmuir Street
Vancouver, BC V7X 1P4

April 13, 2015

Attention: Huey Lee
Senior Vice President

Invoice # 697207647
Page 1

Re: Contech Enterprises Inc.

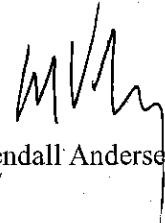
File No: 560836/000001

PROFESSIONAL SERVICES rendered to March 31, 2015 in connection with the above matter as described in the attached.

Fees	\$ 7,754.00
Disbursements and Other Charges	85.30
GST on Fees and Taxable Disbursements and Other Charges	391.97
PST on Fees and Taxable Disbursements and Other Charges	545.93
Total this Invoice	<u>\$ 8,777.20</u>

THIS IS OUR ACCOUNT - E. & O.E.

BORDEN LADNER GERVAIS LLP

By: 
for: Kendall Andersen



Borden Ladner Gervais LLP
Lawyers | Patent & Trade-mark Agents
1200 Waterfront Centre
200 Burrard St, P.O. Box 48600
Vancouver, BC, Canada V7X 1T2
T 604.687.5744 F 604.687.1415
blg.com

Deloitte Restructuring Inc.
2800 - 1055 Dunsmuir Street
Vancouver, BC V7X 1P4

May 7, 2015

Attention: Huey Lee
Senior Vice President

Invoice # 697216352
Page 1

Re: Contech Enterprises Inc.

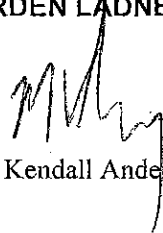
File No: 560836/000001

PROFESSIONAL SERVICES rendered to April 30, 2015 in connection with the above matter as described in the attached.

Fees	\$ 36,750.00
Disbursements and Other Charges	730.90
GST on Fees and Taxable Disbursements and Other Charges	1,874.04
PST on Fees and Taxable Disbursements and Other Charges	2,572.50
Total this Invoice	<u>\$ 41,927.44</u>

THIS IS OUR ACCOUNT - E. & O.E.

BORDEN LADNER GERVAIS LLP

By: 
for: Kendall Andersen



Borden Ladner Gervais LLP
Lawyers | Patent & Trade-mark Agents
1200 Waterfront Centre
200 Burrard St, P.O. Box 48600
Vancouver, BC, Canada V7X 1T2
T 604.687.5744 F 604.687.1415
big.com

Deloitte Restructuring Inc.
2800 - 1055 Dunsmuir Street
Vancouver, BC V7X 1P4

June 4, 2015

Attention: Huey Lee
Senior Vice President

Invoice # 697224623
Page 1

Re: Contech Enterprises Inc.

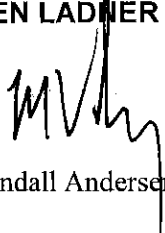
File No: 560836/000001

PROFESSIONAL SERVICES rendered to May 31, 2015 in connection with the above matter as described in the attached.

Fees	\$ 24,275.00
Disbursements and Other Charges	801.50
GST on Fees and Taxable Disbursements and Other Charges	1,249.82
PST on Fees and Taxable Disbursements and Other Charges	1,699.25
Total this Invoice	<u>\$ 28,025.57</u>

THIS IS OUR ACCOUNT - E. & O.E.

BORDEN LADNER GERVAIS LLP

By: 
for: Kendall Andersen

APPENDIX K

STATEMENT OF RECEIPTS AND DISBURSEMENTS FOR THE PERIOD MARCH 6 TO JULY 9, 2015

IN THE MATTER OF THE RECEIVERSHIP OF CONTECH ENTERPRISES INC.

Receiver's Statement of Receipts and Disbursements For the Period of March 6, 2015 to July 9, 2015 (Canadian Funds)

Receipts	
Sales Proceeds	\$ 4,880,724
Accounts Receivables	3,509,455
Funds held in trust	480
PST collected	196
Interest income	156
GST/HST collected	140
Total Receipts	<hr/> \$ 8,391,151
Disbursements	
Interim distribution to secured creditors	\$ (3,099,875)
Receiver's fees	(637,988)
Advances to Contech US	(507,538)
Contractor costs	(471,301)
Freight	(237,426)
Cost of goods sold	(131,648)
Rent	(100,461)
Legal fees	(85,584)
Utilities	(76,187)
GST/HST paid	(45,129)
GST/HST remittances	(37,690)
Insurance	(20,654)
Bank charges	(4,889)
PST remittances	(1,847)
Filing fees paid to OR	(70)
Total Disbursements	<hr/> \$ (5,458,289)
Net Receipts	<hr/> \$ 2,932,862

APPENDIX L

NOTICES OF INDEBTEDNESS AND SUBORDINATION

NOTICE OF INDEBTEDNESS AND SUBORDINATION AND POSTPONEMENT

To: Laurel Rayani (the "Existing Lender")

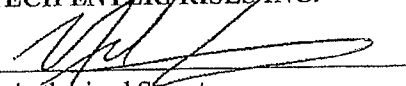
From: Contech Enterprises Inc. (the "Corporation")

TAKE NOTICE that the Corporation has been offered and has agreed to accept a loan in the principal amount of up to approximately \$3,000,000 (or such additional amount as approved by Lender Approval (as that term is defined in the loan agreement dated February 19, 2014 among the Corporation and Sadler Farms Ltd., Denman Island Chocolate Ltd., Paul Hooper, Marianne Hooper and certain others (the "New Lenders"))) from the New Lenders, such loan to be secured by a general security agreement against all assets of the Corporation and to rank in priority to and require the postponement of the secured interests of the Existing Lender and certain others, and such subordination and postponement requires the acknowledgement and consent of the Existing Lender.

DATED the 6th day of March, 2014.

CONTECH ENTERPRISES INC.

Per:

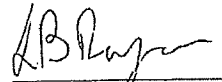

Authorized Signatory

ACKNOWLEDGEMENT AND CONSENT

The Existing Lender acknowledges receipt of this Notice of Indebtedness and Subordination and Postponement and consents to: (i) the creation and issue by the Corporation to the New Lenders of the security interest to rank in priority to the security interest of the Existing Lender, (ii) the postponement of the security interest of the Existing Lender to the security interest of the New Lenders, and (iii) the incurring by the Corporation of the indebtedness secured thereby.

DATED the 7 day of March, 2014.

Sign Below:



Print Name Here:

Laurel Rayani

NOTICE OF INDEBTEDNESS AND SUBORDINATION AND POSTPONEMENT

To: Minzar Holdings Ltd (the "Existing Lender")

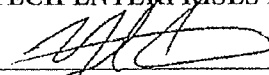
From: **Contech Enterprises Inc.** (the "Corporation")

TAKE NOTICE that the Corporation has been offered and has agreed to accept a loan in the principal amount of up to approximately \$3,000,000 (or such additional amount as approved by Lender Approval (as that term is defined in the loan agreement dated February 19, 2014 among the Corporation and Sadler Farms Ltd., Demnan Island Chocolate Ltd., Paul Hooper, Marianne Hooper and certain others (the "New Lenders"))) from the New Lenders, such loan to be secured by a general security agreement against all assets of the Corporation and to rank in priority to and require the postponement of the secured interests of the Existing Lender and certain others, and such subordination and postponement requires the acknowledgement and consent of the Existing Lender.

DATED the 6th day of March, 2014.

CONTECH ENTERPRISES INC.

Per:



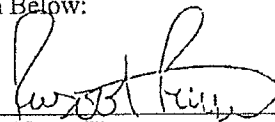
Authorized Signatory

ACKNOWLEDGEMENT AND CONSENT

The Existing Lender acknowledges receipt of this Notice of Indebtedness and Subordination and Postponement and consents to: (i) the creation and issue by the Corporation to the New Lenders of the security interest to rank in priority to the security interest of the Existing Lender, (ii) the postponement of the security interest of the Existing Lender to the security interest of the New Lenders, and (iii) the incurring by the Corporation of the indebtedness secured thereby.

DATED the 7 day of March, 2014.

Sign Below:



Print Name Here:

Rasool Rayani

NOTICE OF INDEBTEDNESS AND SUBORDINATION AND POSTPONEMENT

To: 0827 951 B.C. LTD (the "Existing Lender")

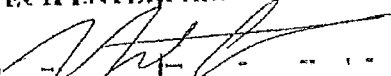
From: Contech Enterprises Inc. (the "Corporation")

TAKE NOTICE that the Corporation has been offered and has agreed to accept a loan in the principal amount of up to approximately \$3,000,000 (or such additional amount as approved by Lender Approval (as that term is defined in the loan agreement dated February 19, 2014 among the Corporation and Seidler Farms Ltd., Demman Island Chocolate Ltd., Paul Hooper, Marianne Hooper and certain others (the "New Lenders"))) from the New Lenders, such loan to be secured by a general security agreement against all assets of the Corporation and to rank in priority to and require the postponement of the secured interests of the Existing Lender and certain others, and such subordination and postponement requires the acknowledgement and consent of the Existing Lender.

DATED the 6th day of March, 2014.

CONTECH ENTERPRISES INC.

Per:

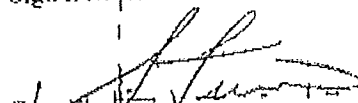

Authorized Signatory

ACKNOWLEDGEMENT AND CONSENT

The Existing Lender acknowledges receipt of this Notice of Indebtedness and Subordination and Postponement and consents to: (i) the creation and issue by the Corporation to the New Lenders of the security interest to rank in priority to the security interest of the Existing Lender, (ii) the postponement of the security interest of the Existing Lender to the security interest of the New Lenders, and (iii) the incurring by the Corporation of the indebtedness secured thereby.

DATED the 7 day of March, 2014.

Sign Below:



Print Name Here:

Sylvia Friesen

0827 951 B.C. LTD

NOTICE OF INDEBTEDNESS AND SUBORDINATION AND POSTPONEMENT

To: Burman and Burman Corp. (the "Existing Lender")

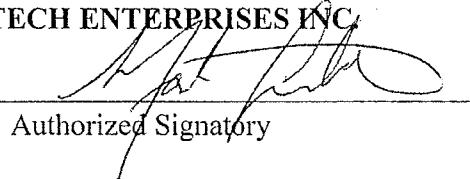
From: **Contech Enterprises Inc. (the "Corporation")**

TAKE NOTICE that the Corporation has been offered and has agreed to accept a loan in the principal amount of up to approximately \$3,000,000 (or such additional amount as approved by Lender Approval (as that term is defined in the loan agreement dated February 19, 2014 among the Corporation and Sadler Farms Ltd., Denman Island Chocolate Ltd., Paul Hooper, Marianne Hooper and certain others (the "New Lenders"))) from the New Lenders, such loan to be secured by a general security agreement against all assets of the Corporation and to rank in priority to and require the postponement of the secured interests of the Existing Lender and certain others, and such subordination and postponement requires the acknowledgement and consent of the Existing Lender.

DATED the 6th day of March, 2014.

CONTECH ENTERPRISES INC.

Per:

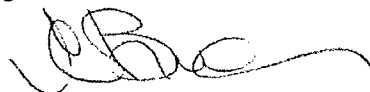

Authorized Signatory

ACKNOWLEDGEMENT AND CONSENT

The Existing Lender acknowledges receipt of this Notice of Indebtedness and Subordination and Postponement and consents to: (i) the creation and issue by the Corporation to the New Lenders of the security interest to rank in priority to the security interest of the Existing Lender, (ii) the postponement of the security interest of the Existing Lender to the security interest of the New Lenders, and (iii) the incurring by the Corporation of the indebtedness secured thereby.

DATED the 7 day of March, 2014.

Sign Below:



Print Name Here: Carol Burman

NOTICE OF INDEBTEDNESS AND SUBORDINATION AND POSTPONEMENT

To: Julien Sellgren (the "Existing Lender")

From: Contech Enterprises Inc. (the "Corporation")

TAKE NOTICE that the Corporation has been offered and has agreed to accept a loan in the principal amount of up to approximately \$3,000,000 (or such additional amount as approved by Lender Approval (as that term is defined in the loan agreement dated February 19, 2014 among the Corporation and Sadler Farms Ltd., Denman Island Chocolate Ltd., Paul Hooper, Marianne Hooper and certain others (the "New Lenders"))) from the New Lenders, such loan to be secured by a general security agreement against all assets of the Corporation and to rank in priority to and require the postponement of the secured interests of the Existing Lender and certain others, and such subordination and postponement requires the acknowledgement and consent of the Existing Lender.

DATED the 19th day of February, 2014.

CONTECH ENTERPRISES INC.

Per: [Signature]
Authorized Signatory

ACKNOWLEDGEMENT AND CONSENT

The Existing Lender acknowledges receipt of this Notice of Indebtedness and Subordination and Postponement and consents to: (i) the creation and issue by the Corporation to the New Lenders of the security interest to rank in priority to the security interest of the Existing Lender, (ii) the postponement of the security interest of the Existing Lender to the security interest of the New Lenders, and (iii) the incurring by the Corporation of the indebtedness secured thereby.

DATED the 21 day of February, 2014.

Sign Below:

[Signature]

Print Name Here:

Julien Sellgren

NOTICE OF INDEBTEDNESS AND SUBORDINATION AND POSTPONEMENT

To: ELISABETH TREIBERG (the "Existing Lender")

From: **Contech Enterprises Inc. (the "Corporation")**

TAKE NOTICE that the Corporation has been offered and has agreed to accept a loan in the principal amount of up to approximately \$3,000,000 (or such additional amount as approved by Lender Approval (as that term is defined in the loan agreement dated February 19, 2014 among the Corporation and Sadler Farms Ltd., Denman Island Chocolate Ltd., Paul Hooper, Marianne Hooper and certain others (the "New Lenders"))) from the New Lenders, such loan to be secured by a general security agreement against all assets of the Corporation and to rank in priority to and require the postponement of the secured interests of the Existing Lender and certain others, and such subordination and postponement requires the acknowledgement and consent of the Existing Lender.

DATED the 6th day of March, 2014.

CONTECH ENTERPRISES INC.

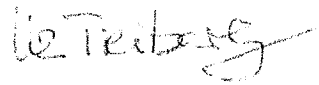
Per: 

Authorized Signatory

ACKNOWLEDGEMENT AND CONSENT

The Existing Lender acknowledges receipt of this Notice of Indebtedness and Subordination and Postponement and consents to: (i) the creation and issue by the Corporation to the New Lenders of the security interest to rank in priority to the security interest of the Existing Lender, (ii) the postponement of the security interest of the Existing Lender to the security interest of the New Lenders, and (iii) the incurring by the Corporation of the indebtedness secured thereby.

DATED the 6th day of March, 2014.

Sign Below: 

ELISABETH TREIBERG

Print Name Here:

NOTICE OF INDEBTEDNESS AND SUBORDINATION AND POSTPONEMENT

To: ANDERS TREIBERG (the "Existing Lender")

From: Contech Enterprises Inc. (the "Corporation")

TAKE NOTICE that the Corporation has been offered and has agreed to accept a loan in the principal amount of up to approximately \$3,000,000 (or such additional amount as approved by Lender Approval (as that term is defined in the loan agreement dated February 19, 2014 among the Corporation and Sadler Farms Ltd., Denman Island Chocolate Ltd., Paul Hooper, Marianne Hooper and certain others (the "New Lenders"))) from the New Lenders, such loan to be secured by a general security agreement against all assets of the Corporation and to rank in priority to and require the postponement of the secured interests of the Existing Lender and certain others, and such subordination and postponement requires the acknowledgement and consent of the Existing Lender.

DATED the 6th day of March, 2014.

CONTECH ENTERPRISES INC.

Per: 

Authorized Signatory

ACKNOWLEDGEMENT AND CONSENT

The Existing Lender acknowledges receipt of this Notice of Indebtedness and Subordination and Postponement and consents to: (i) the creation and issue by the Corporation to the New Lenders of the security interest to rank in priority to the security interest of the Existing Lender, (ii) the postponement of the security interest of the Existing Lender to the security interest of the New Lenders, and (iii) the incurring by the Corporation of the indebtedness secured thereby.

DATED the 6 day of March, 2014.

Sign Below:



Print Name Here:

ANDERS TREIBERG.

NOTICE OF INDEBTEDNESS AND SUBORDINATION AND POSTPONEMENT

To: Mark Grambart (the "Existing Lender")

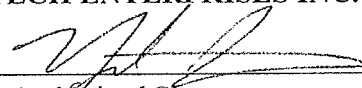
From: **Contech Enterprises Inc. (the "Corporation")**

TAKE NOTICE that the Corporation has been offered and has agreed to accept a loan in the principal amount of up to approximately \$3,000,000 (or such additional amount as approved by Lender Approval (as that term is defined in the loan agreement dated February 19, 2014 among the Corporation and Sadler Farms Ltd., Denman Island Chocolate Ltd., Paul Hooper, Marianne Hooper and certain others (the "New Lenders"))) from the New Lenders, such loan to be secured by a general security agreement against all assets of the Corporation and to rank in priority to and require the postponement of the secured interests of the Existing Lender and certain others, and such subordination and postponement requires the acknowledgement and consent of the Existing Lender.

DATED the 19th day of February, 2014.

CONTECH ENTERPRISES INC.

Per:

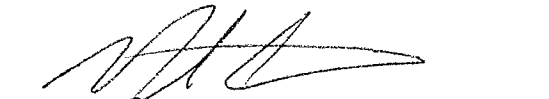

Authorized Signatory

ACKNOWLEDGEMENT AND CONSENT

The Existing Lender acknowledges receipt of this Notice of Indebtedness and Subordination and consents to the creation and issue by the Corporation to the New Lenders of the security interest to rank in priority to the security interest of the Existing Lender, the postponement of the security interest of the Existing Lender to the security interest of the New Lenders, and to the incurring by the Corporation of the indebtedness secured thereby.

DATED the 21 day of February, 2014.

Sign Below:


Print Name Here: Mark Grambart

NOTICE OF INDEBTEDNESS AND SUBORDINATION AND POSTPONEMENT

To: Janet Shannon (the "Existing Lender")


From: **Contech Enterprises Inc. (the "Corporation")**

TAKE NOTICE that the Corporation has been offered and has agreed to accept a loan in the principal amount of up to approximately \$3,000,000 (or such additional amount as approved by Lender Approval (as that term is defined in the loan agreement dated February 19, 2014 among the Corporation and Sadler Farms Ltd., Denman Island Chocolate Ltd., Paul Hooper, Marianne Hooper and certain others (the "New Lenders"))) from the New Lenders, such loan to be secured by a general security agreement against all assets of the Corporation and to rank in priority to and require the postponement of the secured interests of the Existing Lender and certain others, and such subordination and postponement requires the acknowledgement and consent of the Existing Lender.

DATED the 6th day of March, 2014.

CONTECH ENTERPRISES INC.

Per:



Authorized Signatory

ACKNOWLEDGEMENT AND CONSENT

The Existing Lender acknowledges receipt of this Notice of Indebtedness and Subordination and Postponement and consents to: (i) the creation and issue by the Corporation to the New Lenders of the security interest to rank in priority to the security interest of the Existing Lender, (ii) the postponement of the security interest of the Existing Lender to the security interest of the New Lenders, and (iii) the incurring by the Corporation of the indebtedness secured thereby.

DATED the 7 day of March, 2014.

Sign Below:


Print Name Here:
JANET SHANNON

APPENDIX M

CORRESPONDENCE BETWEEN CARY GREGORY AND OTHERS



FW: Contech discussion



Wed, May 27, 2015 at 10:09 PM



From: [Redacted]
Sent: Friday, March 07, 2014 5:20 PM
To: [Redacted]
Subject: FW: Contech discussion

FYI. Best, [Redacted]

From: Cary Gregory [mailto:[Redacted]]
Sent: March 5, 2014 11:08 AM
To: [Redacted]
Cc: [Redacted]
Subject: Re: Contech discussion

Hi [Redacted],

Thanks for taking the time to consider this and I really appreciate your support.

This all looks like it makes sense. The dollars may fluctuate a few thousand in either direction with actual March amounts and exchange rates, but I think this does it.

Did I mention that a large drink is in order?

5/28/2015

Gmail - FW: Contech discussion

Thanks for all of your and Jim's effort as well.

Best,

Cary

Cary Gregory



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On Mar 3, 2014, at 7:45 PM, [REDACTED] wrote:

Hi Cary,

Thanks for your call last week and proposal with respect to Contech's reorganization. We very much appreciate your cooperation to get Contech back on a solid financial footing.

[REDACTED] and I have discussed your proposal and we are supportive of the following:

1. Conversion of \$445K of your subordinated debentures plus the 4% payment and any interest into equity at the conversion price of \$0.08.
2. Repayment of the remaining \$325K over a 30 month period (with no additional interest payable).
3. Advantage will waive postponement and subordination elements of its agreement on the \$325K in debt in 2. above.

Please let me know if you are in agreement. Thanks again for your support.

With best regards, [REDACTED]

From: Cary Gregory [mailto:[REDACTED]]
Sent: February 25, 2014 10:06 AM
To: [REDACTED]
Subject: Contech discussion

Hello Gents,

As follow-up to [REDACTED] and my chat this morning, here is a quick recap of what we discussed.

For reference purposes, I currently have roughly \$770K in loans to the company.

In trying to find a mutually agreeable solution to convert to a meaningful equity position, I have proposed the following:

- Take \$325-\$350K in payments over a 30 month period
 - Allows me to recoup some cash while not over burdening the company
- Take the remaining balance and any interest and convert to equity
 - I would forgo the 4% payment and convert that as well

I think this creates as good a situation as can be had and also supports our collective intent of steering the company through prudent fiscal conduct.

With that being said, I would ask that you consider waiving the postponement and subordination

5/28/2015

Gmail - FW: Contech discussion

elements of your agreement on what would be the remaining cash balance of the \$330-\$350K.

This is important to me and I truly appreciate your support. I think we all need a big dose of alcohol once this is behind us!

Thanks and please let me know if you would like to get on the phone to discuss.

Best,

Cary

Cary Gregory



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