

Court File No.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

BETWEEN:

**HSBC BANK CANADA**

Applicant

- and -

**2SOURCE MANUFACTURING INC.**

Respondent

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

**APPLICATION RECORD**

January 23, 2017

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Toronto-Dominion Centre  
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*Lawyers for HSBC Bank Canada*

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**TAB 1**

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**NOTICE OF APPLICATION**

**TO THE RESPONDENTS**

**A LEGAL PROCEEDING HAS BEEN COMMENCED** by the Applicant. The claim made by the Applicant appears on the following pages.

**THIS APPLICATION** will come on for a hearing before a judge presiding over the Commercial List on the **23<sup>rd</sup> day of January, 2017 at 10:00a.m.** or so soon thereafter as the application can be heard at 330 University Avenue, Toronto, Ontario.

**IF YOU WISH TO OPPOSE THIS APPLICATION**, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

**IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION**, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in the court office

where the application is to be heard as soon as possible, but not later than 2 p.m. on the day before the hearing.

**IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU.**

**IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.**

Date: January 23, 2017

Issued By: \_\_\_\_\_

Local Registrar  
330 University Avenue  
Toronto, ON M5G 1R7

**TO: SERVICE LIST**

## APPLICATION

1. HSBC Bank Canada (the “**Applicant**”) makes an application for an order (the “**Order**”), among other things:
  - (a) Abridging the time for service and filing of this Notice of Application and the Application Record and dispensing with service thereof on any interested party other than those served with these proceedings;
  - (b) Appointing Deloitte Restructuring Inc. (“**Deloitte**”) as receiver (in such capacity, the “**Receiver**”), without security, of all of the assets, undertakings and properties of 2Source Manufacturing Inc. (the “**Respondent**”), acquired for, or used in relation to a business carried on by the Respondent, including all proceeds thereof (the “**Property**”); and
  - (c) Such further and other relief as counsel may advise and this Honourable Court may permit.
  
2. The grounds for the Application are:
  - (a) The Respondent is incorporated pursuant to the *Business Corporations Act* (Ontario), with its head office located at 5261 Bradco Boulevard, Mississauga, Ontario;
  - (b) The Respondent operates as a supplier and manufacturer of component parts used in the manufacture of aircraft landing gear, employing approximately 70 employees;
  - (c) The Respondent services clients globally;
  - (d) Robert Glegg (“**Glegg**”) is the sole director and officer of the Respondent;



- (e) The Applicant's relationship with the Respondents began in 2004, when the parties entered into a facility letter agreement (the "**2004 Facility Letter**") and the relationship was mostly recently governed by facility letters issued on July 29, 2015 (the "**2015 Facility Letter**") and on March 15, 2016 (the "**2016 Facility Letter**");
- (f) The Respondent began experiencing financial difficulties in and around the spring of 2016, a few months after it lost one of its largest customers, Messier-Bugatti-Dowty Inc. and related entities (collectively, "**MBD**"). In and around October 2015, 2Source filed a statement of claim against certain MBD entities, seeking contractual and punitive damages;
- (g) The 2015 Facility Letter remained in place until the Applicant became concerned that, as of around March 9, 2016, the Respondent was operating these facilities close to the margin limit outlined in the 2015 Facility Letter (the "**2015 Margin Requirement**");
- (h) By March 17, 2016, the Respondent had exceeded its authorized limit and was in default of certain financial covenants in the 2015 Facility Letter;
- (i) As a result, and in order to accommodate the Respondent, the Applicant issued the 2016 Facility Letter allowing the Borrower to include up to the lesser of 40% of the Acceptable Inventory (as defined in the 2016 Facility Letter) and Cdn \$1,000,000 (the "**Inventory Allowance**") in the margin requirement for the period from March 15, 2016 to December 31, 2016. The 2016 Facility Letter is

explicit in that this Inventory Allowance was only available until December 31, 2016;

- (j) Pursuant to the 2016 Facility Letter, the Applicant arranged for the following facilities:
  - (i) Cdn \$4,250,000 demand revolving line made up of an account overdraft of Cdn \$4,250,000, with a sublimit for the issuance of Letters of Guarantee in an amount up to Cdn \$500,000, both of which are also available by way of US dollar advances (the “**2016 Operating Loan**”, consisting of the “**Cdn Overdraft Account**”, for Canadian currency draws, and the “**US Overdraft Account**”, for U.S. currency draws);
  - (ii) Cdn \$56,947 lease line to finance 100% of the invoice cost of capital assets (the “**Lease Facility**”);
  - (iii) A US \$1,800,000 Foreign Exchange Hedging Facility offering the Respondent to purchase foreign forward exchange contracts up to an aggregate of US \$10,000,000, with a maximum maturity of 12 months (the “**FX Facility**”); and
  - (iv) Cdn \$15,000 MasterCard line available to issue business expense cards for employees of the Respondent  
  
(collectively, the “**Facilities**”);
- (k) The Facilities were available to the Respondent so long as the Respondent complied with the margin requirement prescribed by the 2016 Facility Letter,

which requires that the amount outstanding under the Operating Loan and Lease Facility at no time exceed:

- (i) 90% of under 90 day EDC Insured Accounts Receivable (which are the accounts receivable of the Borrower that are insured for payment by Export Development Canada); plus
- (ii) 100% of Forced Sale Value of equipment (Cdn \$1,638,000 per appraisal dated June 19, 2015 and, from and after March 18, 2016, valued at Cdn \$1,674,000 per appraisal of same date); plus
- (iii) between March 15, 2016 and December 31, 2016, the lesser of 40% of Acceptable Inventory (which is the value of all materials owned by the Borrower for resale or production, excluding work in progress and inventory held for MBD, over which the Bank holds a first-ranking security interest) and Cdn \$1,000,000 (representing the Inventory Allowance); plus
- (iv) 100% of cash, credit balances and deposit instruments over which the Bank has a prior security interest and are currently on hand at the Bank; less
- (v) Priority Claims (consisting of any lien, claim or security interest of any governmental authority of any other party having priority over the Security (as defined herein) in respect of the Property),

(collectively, the “**2016 Margin Requirement**”);

- (l) The 2016 Facility Letter provides that repayment of the Facilities shall be on the earlier of:
  - (i) receipt of the Respondent of demand from the Applicant; and
  - (ii) December 31, 2016;
- (m) As security for the indebtedness, the Respondent entered into various security agreements with the Applicant, including, without limitation, a general security agreement with respect to the Property (the “**Security**”);
- (n) The Applicant’s security interests under the 2016 Facility Letter and the Security, which secures all amounts owing by the Respondent to the Applicant, are properly perfected by registration pursuant to the *Personal Property Security Act*, R.S.O. 1990, c. P. 10 and have priority over the Property, subject to certain purchase-money security interests and unregistered super-priority claims in respect of employee amounts;
- (o) Collectively, MBD and UTAS accounted for over 80% of the Respondent’s revenue;
- (p) In and around November 2016, the Respondent once again began operating the Facilities close to the margin requirement, and eventually breached the terms of the 2016 Facility Letter;
- (q) By letter dated November 21, 2016 (the “**November 2016 Letter**”), the Applicant agreed to permit the Respondent an additional temporary Cdn \$200,000 margin shortfall (the “**Temporary Allowance**”, together with the Inventory Allowance,

the “**Allowances**”), until December 31, 2016 at which time, pursuant to the terms of the 2016 Facility Letter and in absence of an earlier receipt by the Respondent of a demand by the Applicant for repayment, the Facilities were to be repaid in full;

- (r) On December 30, 2016, the Respondent requested an extension from the Applicant to repay the indebtedness under the Facilities until January 31, 2017;
- (s) The Allowances expired on December 31, 2016. The Facilities also expired on December 31, 2016;
- (t) The Respondent has not repaid the Indebtedness (as defined herein) owing under the Facilities;
- (u) On January 6, 2017 (the “**January 6<sup>th</sup> Meeting**”), the Applicant met with the Respondent to discuss the Respondent’s failure to repay the indebtedness owing under the Facilities, its loss of customers, and its overall financial position;
- (v) At the January 6<sup>th</sup> Meeting, the Respondent provided projected cash-flow statements and anticipated margin value calculations for the month of January 2017 (“**January 2017 Forecast**”) and reiterated its request for an extension of the maturity date of the Facilities until January 31, 2017. The Respondent also requested a further amendment to the 2016 Margin Requirement;
- (w) The January 2017 Forecast for the business did not comply with the 2016 Margin Requirement as the forecast documents indicated a margin shortfall of Cdn \$1,825,000 as at January 6, 2017, with the shortfall projected to deteriorate to Cdn \$1,975,000 by January 31, 2017;

- (x) The Applicant advised the Respondent that it was not prepared to maintain the Facilities unless the Respondent was able to obtain an equity contribution, which Glegg advised he was not prepared to do;
- (y) The Applicant was also not comfortable with the cash-flow analysis provided by the Respondent in the January 2017 Forecast, but agreed to allow the Respondent until 4:00 p.m. on Monday, January 9, 2017, to propose an arrangement that would improve these results;
- (z) At the January 6<sup>th</sup> Meeting, the Bank issued to the Borrower (by hand delivery) a letter of demand (the “**January 6<sup>th</sup> Demand**”) for repayment of the indebtedness along with a Notice of Intention to Enforce Security, pursuant to Section 244(1) of the BIA (the “**BIA Notice**”).
- (aa) The Applicant did not receive an acceptable proposal by the January 9, 2017 deadline and, as a result, any discussions in respect of a forbearance agreement were terminated;
- (bb) On January 10, 2017, the Bank refreshed the January 6<sup>th</sup> Demand, to reflect a revised calculation of the indebtedness under the FX Facility (“**Refreshed Demand**”). The Refreshed Demand also included a refreshed BIA Notice and both documents were hand delivered to the Borrower on January 10, 2017;
- (cc) As of the time of issuance of the Refreshed Demand, the Respondent was indebted to the Applicant in the amount of:

- (i) Cdn \$2,909,373.67 consisting of the principal amount of Cdn \$2,907,466.08, plus accrued and unpaid interest in the amount of Cdn \$1,907.59 pursuant to the Cdn Overdraft Account;
- (ii) US \$818,636.21 consisting of the principal amount of US \$817,840.88, plus accrued and unpaid interest in the amount of US \$795.33 pursuant to the US Overdraft Account, together with the principal amount of US \$90,922.70 pursuant to the FX Facility; and
- (iii) ongoing interest and legal fees and disbursements incurred by the Bank in respect of the Facilities and the enforcement and preservation of the Bank's rights and remedies pursuant to terms of the 2016 Facility Letter,  
  
(collectively, the "**Indebtedness**");
- (dd) The Respondent is insolvent;
- (ee) The Applicant has, at all times, acted in good faith towards the Respondent;
- (ff) The Refreshed Demand and refreshed BIA Notice were issued more than 10 days ago;
- (gg) It is reasonable and prudent for the Applicant to begin the enforcement of its security in an effort to recover the Indebtedness;
- (hh) The Receiver is necessary for the protection of the Property, the interests of the Applicant and the interests of other stakeholders;
- (ii) In the circumstances, it is just and equitable that a receiver be appointed;

- (jj) Deloitte is a licenced trustee in bankruptcy and has consented to being appointed as receiver, without security, of all of the Property;
- (kk) The other grounds set out in the Affidavit of Steven G. Wayland sworn January 20, 2017;
- (ll) Subsection 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended;
- (mm) Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended;
- (nn) Rules 1.04, 2.03, 3.02 and 38 of the *Rules of Civil Procedure*, R.R.O, 1990, Reg. 194, as amended;
- (oo) The equitable jurisdiction of this Court; and
- (pp) Such further and other grounds as counsel may advise and this Court may permit.

3. The following documentary evidence will be used at the hearing of the application:

- (a) The Affidavit of Stephen G. Wayland sworn January 20, 2017;
- (b) The consent of Deloitte to act as Receiver; and
- (c) Such further and other evidence as counsel may advise and this Court may permit.

January 23, 2017

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*Solicitors for HSBC Bank Canada*

**TO: SERVICE LIST**  
(see attached)

**SERVICE LIST**

<b>TO:</b>	<p><b>BENNET JONES LLP</b></p> <p>100 King St W Suite 3400 Toronto, ON M5X 1A4</p> <p><b>Raj S. Sahni</b> Tel: 416 777 4804 Email: <a href="mailto:sahnir@bennettjones.com">sahnir@bennettjones.com</a></p> <p><b>Danish Afroz</b> Tel: 416 777 6124 Email: <a href="mailto:afroz@bennettjones.com">afroz@bennettjones.com</a></p> <p><i>Counsel to 2Source Manufacturing Inc.</i></p>
<b>AND TO:</b>	<p><b>2006905 ONTARIO INC.</b></p> <p>62 Bel Air Drive Oakville, ON L6J 7N1</p> <p><i>Secured Party</i></p>
<b>AND TO:</b>	<p><b>HER MAJESTY THE QUEEN IN THE RIGHT OF THE PROVINCE OF ONTARIO, AS REPRESENTED BY THE MINISTER OF ECONOMIC DEVELOPMENT AND INNOVATION</b></p> <p>900 Bay Street 3<sup>rd</sup> Floor, Hearst Block Toronto, ON M7A 2E1</p> <p><i>Secured Party</i></p>
<b>AND TO:</b>	<p><b>HONDA CANADA FINANCE INC.</b></p> <p>180 Honda Boulevard Markham, ON L6C 0H9</p> <p><i>Secured Party</i></p>
<b>AND TO:</b>	<p><b>NATIONAL LEASING GROUP INC.</b></p> <p>1525 Buffalo Place [265707] Winnipeg, MB R3T 1L9</p> <p><i>Secured Party</i></p>

<b>AND TO:</b>	<b>CISCO SYSTEMS CAPITAL CANADA CO.</b>  3450 Superior Court, Unit 1 Oakville, ON L6L 0C4  <i>Secured Party</i>
<b>AND TO:</b>	<b>ROYNAT INC.</b>  Suite 1500, 4710 Kingsway Street Burnaby, BC V5H 4M2  <i>Secured Party</i>
<b>AND TO</b>	<b>ELLIOTT-MATSUURA CANADA INC.</b>  2120 Buckingham Road Oakville, ON L6H 5X2  <i>Secured Party</i>

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

**HSBC BANK CANADA**  
Applicant

-and-

**2SOURCE MANUFACTURING INC.**  
Defendant

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**

Proceeding commenced at TORONTO

**NOTICE OF APPLICATION**

**DENTONS CANADA LLP**  
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Toronto, ON M5K 0A1  
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*Lawyers for HSBC Bank Canada*

**TAB 2**

Court File No.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**BETWEEN:**

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Applicant

- and -

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Respondents

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*COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C.43, AS AMENDED**

**AFFIDAVIT OF STEPHEN G. WAYLAND  
(sworn January 23, 2017)**

**I, STEPHEN G. WAYLAND, of the City of Burlington, in the Province of Ontario,  
MAKE OATH AND SAY AS FOLLOWS:**

1. I am the Assistant Vice President of the Loan Management Unit of HSBC Bank Canada (“HSBC” or the “Bank”), a secured creditor of 2Source Manufacturing Inc. (“2Source” or the “Borrower”). As such, I have personal knowledge of the matters to which I hereinafter depose. Where I do not have personal knowledge of the matters set out herein, I have stated the source of my information and, in all such cases, believe it to be true.

## NATURE OF APPLICATION AND RELIEF SOUGHT

2. This Affidavit is sworn in support of an application by HSBC for an Order pursuant to subsection 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (“**BIA**”), and section 101 of the *Courts of Justice Act* (Ontario) (the “**CJA**”) appointing Deloitte Restructuring Inc. (“**Deloitte**”) as receiver (in such capacity, the “**Receiver**”), without security, over all of the assets, undertakings and properties of 2Source (the “**Property**”).

## BACKGROUND

3. I understand that 2Source operates as a supplier and manufacturer of component parts used in the manufacture of aircraft landing gear, employing approximately 70 employees.

4. According to the corporation profile report with regard to 2Source obtained by HSBC from the Ontario Ministry of Government Services (the “**Ministry**”) on January 3, 2017 (the “**Corporate Profile Report**”), 2Source was incorporated under the *Business Corporations Act* (Ontario) on October 17, 2002 under the name Wolverhampton Inc., which was subsequently changed to Trilete Corp. (“**Trilete**”) on January 12, 2004, and thereafter changed to 2Source on March 11, 2004. 2Source’s head office is located at 5261 Bradco Boulevard, Mississauga, Ontario. A copy of the Corporate Profile Report is attached hereto as **Exhibit “A”**.

5. According to the Corporate Profile Report, Robert Glegg (“**Glegg**”) is the sole director and officer of 2Source.

6. I understand that Glegg is also the sole director and officer of 2006905 Ontario Inc. (“**200**”). To the best of my knowledge, 200 is a Glegg holding company that has loaned certain

funds to 2Source. I understand that Glegg has advised the Bank that 200 owns 65% of the shares of 2Source. A copy of the corporate profile report with regard to 200 obtained by HSBC from the Ministry on January 5, 2017, is attached hereto as **Exhibit "B"**.

7. My understanding is that the Borrower operates its business from leased premises at its Mississauga head office location.

### **HSBC'S RELATIONSHIP WITH 2SOURCE**

8. HSBC's relationship with 2Source began in 2004, when the parties, the Borrower, under its previous name of Trilete, and the Bank, entered into a facility letter dated February 16, 2004 (the "**2004 Facility Letter**") under which HSBC extended certain credit facilities to the Borrower. The 2004 Facility Letter was amended and restated by a subsequent facility letter dated April 25, 2006 (the "**2006 Facility Letter**").

9. The 2006 Facility Letter was subsequently amended and restated by several facility letters, most recently by facility letters issued on June 2, 2014 (the "**2014 Facility Letter**", a copy of which is attached hereto as **Exhibit "C"**), July 29, 2015 (the "**2015 Facility Letter**", a copy of which is attached hereto as **Exhibit "D"**), and on March 15, 2016 (the "**2016 Facility Letter**", a copy of which is attached hereto as **Exhibit "E"**), with the 2016 Facility Letter being the facility letter currently in effect.

10. Under the 2014 Facility Letter, the Borrower had access to, among other things, a demand revolving loan of up to Cdn \$3,250,000 (the "**2014 Operating Loan**").



11. Under the 2015 Facility Letter, the Borrower had access to, among other things, a demand revolving loan up to Cdn \$4,250,000 (the “**2015 Operating Loan**”), along with the other facilities as detailed therein (the “**2015 Facilities**”).

12. The 2015 Facility Letter also required the Borrower to ensure that the aggregate Canadian dollar equivalent of:

- (a) the amount outstanding on the 2015 Operating Loan;
- (b) 25% of aggregate face amounts of documentary credits issued but not accepted under the Import Loan;
- (c) 100% of the aggregate face value of all other documentary credits issued and outstanding under the Import Loan including accepted documentary credits under usance terms;
- (d) 100% of letters of guarantee issued under the Operating Loan; and
- (e) 100% of the lease outstanding,

did not exceed the margin requirement, which is the aggregate of:

- (1) 90% of under 90 day Export Development Canada (“**EDC**”) Insured Accounts Receivable (or another insurer); plus
- (2) 100% of Forced Sale Value of equipment (Cdn \$1,638,000 per appraisal dated June 19, 2015); plus
- (3) 100% of cash balances duly assigned to the Bank; less

- (4) Priority Claims (consisting of any lien, claim or security interest of any governmental authority or any other party having priority over the Security (as defined in paragraph 23 below in respect of the Property),

(collectively, the “**2015 Margin Requirement**”).

13. In September of 2015, the Bank was advised by the Borrower that 2Source had lost one of its large customers, MBD (as defined in paragraph 14 below).

14. Bank’s counsel, Dentons Canada LLP (“**Dentons**”), has obtained a copy of a statement of claim dated October 13, 2015 (the “**MBD Claim**”) filed by 2Source against a number of entities, purporting to be past customers, including Messier-Dowty Inc., Messier-BugattiDowty SA, Messier-Dowty Ltd., Messier-Dowty Mexico SA de CV, and Messier-Dowty Suzhou Co. Ltd. (collectively, with Messier-Bugatti-Dowty Inc., (“**MBD**”). In the MBD Claim, 2Source asserts that due to MBD’s alleged refusal to comply with its contractual obligations, the principal supplier contract between the parties (the “**MBD Contract**”) became voidable and subject to immediate termination.

15. In the MBD Claim, 2Source asserts that it rescinded and terminated the MBD Contract as of September 30, 2015. In the alternative, 2Source maintains that the filing of the MBD Claim rescinded and voided the MBD Contract. A copy of the MBD Claim is attached hereto as **Exhibit “F”**.

16. During the spring of 2016, the Bank became concerned that the Borrower was operating the 2015 Facilities close to the margin limit provided for in the 2015 Margin Requirement. By March of 2016, the Borrower was operating in excess of its 2015 Margin Requirement.

17. At such time, the Bank advised the Borrower that the relationship was unsatisfactory and requested the Borrower to seek alternative financing by December 31, 2016.

18. During March, 2016, the Borrower requested that inventory be included in the calculation of the 2015 Margin Requirement, in order to prevent having its cheques and payroll returned by the Bank.

19. In order to accommodate the Borrower's request, the Bank agreed to amend the 2015 Facility Letter by issuing the 2016 Facility Letter, in which the Bank allowed the Borrower to include up to the lesser of 40% of Acceptable Inventory (as defined in the 2016 Facility Letter) and Cdn \$1,000,000 (the "**Inventory Allowance**") in the margin requirement for the period from March 15, 2016 to December 31, 2016. The 2016 Facility Letter expressly provides that the Inventory Allowance was only available until December 31, 2016.

20. As a condition of the Bank agreeing to amend the margin requirements of the 2015 Facility Letter to include the Inventory Allowance, the Borrower agreed, pursuant to Section 1.4 of the 2016 Facility Letter, to repay in full all amounts owing to the Bank on the earlier of:

- (a) receipt by the Borrower of demand for repayment from the Bank; and
- (b) December 31, 2016.

21. The 2016 Facility Letter provides for the following amended and restated facilities:

- (a) Cdn \$4,250,000 demand revolving line made up of an account overdraft of \$4,250,000, with a sublimit for the issuance of Letters of Guarantee in an amount up to Cdn \$500,000, both of which are also available by way of US dollar advances (the “**2016 Operating Loan**”, consisting of the “**Cdn Overdraft Account**”, for Canadian currency draws, and the “**US Overdraft Account**”, for U.S. currency draws);
  - (b) Cdn \$56,947 lease line to finance 100% of the invoice cost of capital assets (the “**Lease Facility**”, which facility the Bank acknowledges has now been fully repaid);
  - (c) A US \$1,800,000 Foreign Exchange Hedging Facility affording the Borrower the ability to purchase foreign forward exchange contracts up to an aggregate of US \$10,000,000, with a maximum maturity of 12 months ( the “**FX Facility**”); and
  - (d) Cdn \$15,000 MasterCard line available to issue business expense cards for employees of the Borrower, which facility the Bank acknowledges has not been utilized,
- (collectively, the “**Facilities**”).

22. As of the time on January 10, 2017 at which the Refreshed Demand (as defined in paragraph 53 below) was issued, the amounts outstanding under the Facilities consisted of:

- (a) Cdn \$2,909,373.67 consisting of the principal amount of Cdn \$2,907,466.08, plus accrued and unpaid interest in the amount of Cdn \$1,907.59, pursuant to the Cdn Overdraft Account;

- (b) US \$818,636.21 consisting of the principal amount of US \$817,840.88 plus accrued and unpaid interest in the amount of US \$795.33, pursuant to the US Overdraft Account;
- (c) the principal amount of US \$90,992.70 pursuant to the FX Facility; and
- (d) ongoing interest and legal fees and disbursements incurred by the Bank in respect of the Facilities and the enforcement and preservation of the Bank's rights and remedies pursuant to terms of the 2016 Facility Letter,  
  
(collectively, the "**Indebtedness**").

23. The obligations of 2Source to HSBC under the Facilities are secured against the Property pursuant to the following documents:

- (a) a general security agreement dated June 5, 2006, executed by 2Source (the "**GSA**");
- (b) an assignment dated June 5, 2006, of 2Source's all-risk insurance policy naming the Bank as first loss payee; and
- (c) a general assignment of book debts dated June 5, 2006, executed by 2Source,  
  
(collectively, the "**Security**", a copy of which is attached hereto as **Exhibit "G"**).

24. In addition, an assignment and postponement agreement dated July 22, 2014, executed by 200 (and acknowledged by 2Source on the same date), was provided to the Bank in respect of indebtedness owing by 2Source to 200, limited to the amount of Cdn \$4,127,786 (the

**“Postponement Agreement”**). A copy of the Postponement Agreement is attached hereto as **Exhibit “H”**. The Postponement Agreement specifically provides for 200’s agreement to postpone the debt owing to it by 2Source in favour of the indebtedness owing by 2Source pursuant to the Facilities, including, without limitation, in respect of the fees and expenses of any receiver sought to be appointed by the Bank in connection with the enforcement of its Security.

25. The 2016 Facility Letter provides, among other things, that at no time shall the amount outstanding under the 2016 Operating Loan and Lease Facility exceed the aggregate of:

- (a) 90% of under 90 day EDC Insured Accounts Receivable; plus
- (b) 100% of Forced Sale Value of equipment (originally valued at Cdn \$1,638,000 per appraisal dated June 19, 2015 and, from and after March 18, 2016, valued at Cdn \$1,674,000 per appraisal of same date); plus
- (c) between March 15, 2016 and December 31, 2016, the lesser of 40% of Acceptable Inventory (which is the value of all materials owned by the Borrower for resale or production, excluding work in progress and inventory held for MBD, over which the Bank holds a first-ranking security interest) and Cdn \$1,000,000 (representing the Inventory Allowance); plus
- (d) 100% of cash, credit balances and deposit instruments over which the Bank has a prior security interest and are currently on hand at the Bank; less

- (e) Priority Claims (consisting of any lien, claim or security interest of any governmental authority or any other party having priority over the Security in respect of the Property),

(collectively, the “**2016 Margin Requirement**”).

26. In and around November 2016, the Borrower once again began operating the Facilities close to the 2016 Margin Requirement, and eventually breached the terms of the 2016 Facility Letter on November 16, 2016, and November 17, 2016 by exceeding the 2016 Margin Requirement by Cdn \$68,555 and Cdn \$68,794, respectively. To that end, Shawn Kumarasooriyar, the Chief Financial Officer of 2Source (the “**CFO**”) sent an email to the Bank dated November 17, 2016 (the “**First CFO Email**”) confirming that 2Source had exceeded the 2016 Margin Requirement and confirming his understanding that the 2Source relationship with the Bank would come to an end by December 31, 2016. A copy of the First CFO Email is attached hereto as **Exhibit “I”**.

27. As a result of these breaches, and the Borrower’s acknowledgement to the Bank that it would require additional time to ensure ongoing compliance with the 2016 Margin Requirement, by letter dated November 21, 2016 (the “**November 2016 Letter**”), the Bank agreed to permit the Borrower an additional temporary Cdn \$200,000 margin shortfall (the “**Temporary Allowance**”, together with the Inventory Allowance, the “**Allowances**”), until December 31, 2016, at which time pursuant to the terms of the 2016 Facility Letter, and in absence of an earlier receipt by the Borrower of a demand from the Bank for repayment, the Facilities were to be repaid in full. A copy of the November 2016 Letter is attached hereto as **Exhibit “J”**.

28. In the November 2016 Letter, the Bank also requested an explanation and analysis of the Borrower's poor financial performance

## **PPSA REGISTRATIONS**

### **The Borrower**

29. On May 31, 2006, the Bank perfected its security interest in the Property by registering a financing statement pursuant to the *Personal Property Security Act*, R.S.O. 1990, c. P. 10 (the "PPSA") as Registration No. 20060531 1059 1739 4638, with Reference File No. 625656042. This registration has been subsequently renewed by financing change statements having Registration Nos. 20110516 1435 1530 3674 and 20160427 1438 1530 6624, such that the current registration period expires on May 31, 2026.

30. Subject to any unregistered super-priority claims and employee claims which may have to be paid in the event of a security enforcement, the initial financing statement filed by the Bank against the Borrower pursuant to the PPSA, appears to provide the Bank with priority over all of the Property which is subject to the laws of the Province of Ontario, subject to possible purchase-money security interests held by the following secured parties:

- (i) Her Majesty the Queen in Right of the Province of Ontario, as Represented by the Minister of Economic Development and Innovation (PPSA Reference File No. 650628522);
- (ii) Honda Canada Finance Inc. (PPSA Reference File No. 686140857);



- (iii) Cisco Systems Capital Canada Co. (PPSA Reference File No. 693443718);
- (iv) National Leasing Group Inc. (PPSA Reference File No. 693436581);
- (v) RoyNat Inc. (PPSA Reference File No. 698399001); and
- (vi) Elliott-Matsuura Canada Inc. (PPSA Reference File No. 712088955).

31. A summary of the PPSA registrations (the “**PPSA Summary**”) as against the Borrower prepared by Dentons, as well as a copy of the full results of the PPSA search, with a file currency date of January 2, 2017, is attached hereto as **Exhibit “K”**.

32. I note that on June 13, 2008, subsequent to the Bank’s PPSA financing statement registration on May 31, 2006, 200 registered a PPSA financing statement in respect of all of the Property. In this regard, I refer to the Postponement Agreement pursuant to which 200 assigned to the Bank its right to Cdn \$4,127,786 of indebtedness owing to it by 2Source. In connection therewith, the Bank registered a PPSA financing statement against 200 in respect of the Postponement Agreement on May 31, 2006, as Registration No. 20060531 1057 1793 4639, with PPSA Reference File No. 625656051.

## **2SOURCE’S FINANCIAL DIFFICULTIES AND DEFAULT**

### **Loss of Major Customers**

33. 2Source began experiencing difficulties in and around the fall of 2015, when it lost one of its large customers, MBD, as previously referred to in paragraph **13** of this Affidavit.

34. In and around October 2015, 2Source filed the MBD Claim seeking approximately US \$4,030,000 in contractual damages along with punitive damages in the amount of \$500,000 (the currency of such punitive damage claim outlined in the MBD Claim is unclear) and the costs of the action on a substantial indemnity basis. MBD defended such claims and counterclaimed against 2Source for approximately Cdn \$1,096,000 in damages. I understand that this litigation remains ongoing.

35. Upon learning that the Borrower had lost a large customer, the Bank began to monitor the Borrower's accounts for signs of deterioration as it was concerned about the Borrower's sales and profitability. At such time, the operative credit facilities were those extended pursuant to the 2015 Facility Letter.

#### **Margin Shortfall and November 2016 Amendment**

36. The Borrower's September 2016 reporting package, delivered to the Bank pursuant to the reporting requirements in the 2016 Facility Letter (the "**September Margin Certificate**"), revealed certain inconsistencies with the Borrower's calculation of the 2016 Margin Requirement as there was a discrepancy with respect to whether certain accounts receivables qualified as eligible receivables for inclusion in the calculation.

37. In the November 2016 Letter, the Bank responded to the deficiencies in the September Margin Certificate. In this regard, the Bank agreed to accept the Borrower's calculation of the 2016 Margin Requirement and agreed to the Temporary Allowance (as described in paragraph 27 above) being available until the December 31, 2016 maturity date of the Facilities.

38. In the November 2016 Letter, the Bank also noted that the Borrower did not comply with the 2016 Margin Requirement on each of November 16, 2016 and November, 17, 2016, although it was in compliance on November 18, 2016.

39. On December 19, 2016, the CFO sent an email to the Bank attaching 2Source's October 2016 financial reporting, including without limitation, an unaudited balance sheet dated as at October 27, 2016 and an unaudited income statement for the month of October 2016 (the "**October 2016 Financial Statements**"). I note that the October 2016 Financial Statements indicate a loss to the end of October, 2016 of \$781,732, which the notes thereto suggest is driven mostly by a loss of sales. A copy of the October 2016 Financial Statements are attached hereto as **Exhibit "L"**.

#### **Borrower's Request for Extension of Maturity Date**

40. On December 30, 2016, the Borrower requested an extension from the Bank to repay the indebtedness under the Facilities until January 31, 2017 (the "**Requested Repayment Deadline**").

#### **Default and Demand**

41. The Allowances expired on December 31, 2016. The Facilities also expired on December 31, 2016. The Borrower has not repaid the Indebtedness owing under the Facilities.

42. On Friday, January 6, 2017 (the "**January 6<sup>th</sup> Meeting**"), Brian Pettit, Assistant Vice President of North America Risk at HSBC, and I, met with Glegg to discuss, among other things,

the Borrower's failure to repay the Indebtedness, its loss of customers, and its overall financial position.

43. During the January 6<sup>th</sup> Meeting, the Borrower provided projected cash-flow statements and anticipated margin value calculations for the month of January 2017 ("**January 2017 Forecast**") and reiterated the Requested Repayment Deadline.

44. During the January 6<sup>th</sup> Meeting, it was evident that Glegg's main objective was to convince the Bank to allow the Borrower until the Requested Repayment Deadline to repay the Indebtedness. Glegg indicated that he believed – but could not guarantee – that 2Source would be in receipt of sufficient funds in order to repay the Indebtedness in full by the Requested Repayment Deadline.

45. The January 2017 Forecast for the business did not comply with the 2016 Margin Requirement as the forecast documents indicated a margin shortfall of Cdn \$1,825,000 as at January 6, 2017, with the margin shortfall projected to deteriorate to Cdn \$1,975,000 by January 31, 2017. Such shortfall amounts are well in excess of the 2016 Margin Requirement, as the parties had agreed that the Allowances would only be available until December 31, 2016.

46. During the January 6<sup>th</sup> Meeting, the Borrower also requested an amendment to the 2016 Margin Requirement in order to reduce the projected margin shortfall and proposed that the Bank agree to the margining of 2Source inventory at 50% instead of the 2016 Margin Requirement rate of 40%. The Bank was not comfortable with this arrangement and advised the Borrower that it had never been comfortable with margining any of 2Source's inventory and that it had only reluctantly agreed to the Inventory Allowance (and thereafter the Temporary Allowance) in order

to assist 2Source with its liquidity crisis solely on the basis that the Indebtedness would be repaid in full by December 31, 2016.

47. The Bank advised the Borrower that it was not prepared to maintain the Facilities and risk a further deterioration of the margin unless 2Source was able to obtain an equity contribution from 200 or otherwise. Glegg advised that he would not inject any further funds into 2Source.

48. The Bank was also not comfortable with the cash-flow analysis provided by the Borrower in the January 2017 Forecast. However, in order to ascertain whether the Bank was prepared to provide a further short term accommodation period for 2Source, the Bank further analyzed the Borrower's financial position in a different manner. The Bank utilized the January 2017 Forecast in order to calculate an asset/cash burn analysis (the "**January 2017 Burn**") in order to understand what type of potential deterioration the business would face in January 2017 when scrutinizing the business, not based on a margin basis, but in comparing 2Source's tangible assets (being cash, accounts receivable, and inventory - notwithstanding that the Inventory Allowance had expired on December 31, 2016) as compared to the Indebtedness.

49. During the January 6<sup>th</sup> Meeting, the parties determined that such January 2017 Burn analysis provided an expected deterioration of approximately Cdn \$350,000.

50. The Bank advised the Borrower that it could not tolerate such level of deterioration but that it might be willing to tolerate the January 2017 Burn up to an amount of Cdn \$100,000 by agreeing to enter into a forbearance agreement with 2Source, in the event that the Borrower agreed to provide the Bank with all relevant documents, including a waiver of the statutory BIA

Notice (as defined below) period and a consent to the appointment of a receiver, by no later than January 10, 2017.

51. To that end, the Bank agreed to allow the Borrower until 4:00pm on Monday, January 9, 2017, to determine whether the business could comply with a January 2017 Burn of no more than \$100,000.

52. At the January 6<sup>th</sup> Meeting, the Bank issued to the Borrower (via hand delivery) a letter of demand for repayment of the Indebtedness (the “**January 6<sup>th</sup> Demand**”) along with a Notice of Intention to Enforce Security, pursuant to Section 244(1) of the BIA (the “**January 6<sup>th</sup> BIA Notice**”). A copy of the January 6<sup>th</sup> Demand and the January 6<sup>th</sup> BIA Notice is attached hereto as **Exhibit “M”**.

53. The Bank did not receive an acceptable proposal by the January 9, 2017 deadline and, as a result, any discussions in respect of a proposed forbearance agreement were terminated. On January 9, 2017, Glegg informed the Bank that the Borrower could not limit the January 2017 Burn to \$100,000.

54. On January 10, 2017, the Bank refreshed the January 6<sup>th</sup> Demand, in order to reflect a revised calculation of the indebtedness under the FX Facility (the “**Refreshed Demand**”), and also refreshed the January 6<sup>th</sup> BIA Notice (the “**Refreshed BIA Notice**”). Both documents were delivered to the Borrower on January 10, 2017. A copy of the Refreshed Demand and Refreshed BIA Notice is attached hereto as **Exhibit “N”**.

## **THE NEED FOR A RECEIVER**

55. At the request of the Borrower, the Bank has amended the Facilities three times in the last year and a half, affording the Borrower an additional aggregate Cdn \$1,200,000 of credit – almost a 37% increase from the available credit that was provided for in the 2014 Facility Letter. This additional credit was provided by the Bank acting in good faith and on the pre-condition that the Facilities were to be repaid in full by December 31, 2016.

56. 2Source has defaulted under its Facilities with HSBC and has not taken appropriate steps to rectify such defaults.

57. 2Source has lost two of its largest customers, which together represent over 80% of its revenue base. Given the ongoing litigation with these customers, it is unlikely that 2Source will be able to repair these relationships and recover these contracts. Any recoveries in respect of the Litigation Claims are difficult to gauge and, in any event, the litigation processes may take months, if not years, before the Borrower is able to see any amounts in respect of such claims.

58. 2Source's shareholders have refused to provide an equity investment, demonstrating their own loss of confidence in the business.

59. The January 2017 Forecast anticipates a further deterioration in the cash-flow and margin values of the Borrower and a significant deterioration of the Bank's position with respect to the shortfall in the 2016 Margin Requirement. Such forecast also predicts an untenable January 2017 Burn.

60. HSBC sent the Refreshed Demand and Refreshed BIA Notice to the Borrower more than ten days ago.

61. The January 2017 Forecast provides that, among other things, 2Source is to make a payroll payment of Cdn \$195,000 during the week ending January 20, 2017 and a rent payment of Cdn \$27,000 during the week ending January 27, 2017. Dentons has advised me that counsel to 2Source advised that the payroll obligation, which was due on January 20, 2017, was not made. It is unlikely that 2Source will be able to satisfy either of these obligations without an influx of equity investment.

62. HSBC has, at all times, acted in good faith and with considerable patience towards 2Source, including previously forbearing from exercising its rights on a few separate occasions. At this time, however, HSBC considers the appointment of a receiver to be just, equitable and necessary for preservation of the Property and HSBC's security interest therein.

63. Deloitte is a licenced trustee and has consented to act as receiver should the Court so appoint it. Attached hereto as **Exhibit "O"** is Deloitte's consent to act as receiver.




64. This Affidavit is made in support of the within application for the appointment of Deloitte as receiver of 2Source, and for no other or improper purpose whatsoever.

**SWORN** before me at the City of Toronto,  
in the Province of Ontario this 23<sup>rd</sup> day of  
January, 2017.



\_\_\_\_\_  
A Commissioner for taking affidavits, etc.

}



\_\_\_\_\_  
**STEPHEN G. WAYLAND**

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

**HSBC BANK CANADA**  
Applicant

-and-

**2SOURCE MANUFACTURING INC.**  
Defendant

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**

Proceeding commenced at TORONTO

**AFFIDAVIT OF STEPHEN WAYLAND**

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Email: [vanja.ginic@dentons.com](mailto:vanja.ginic@dentons.com)

*Lawyers for HSBC Bank Canada*

**TAB A**

Exhibit "A" to the Affidavit of Stephen G. Wayland,  
sworn before me this 23<sup>rd</sup> day of January, 2017



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Commissioner for Taking Affidavits, etc.

Request ID: 019757786  
Transaction ID: 63160300  
Category ID: UN/E

Province of Ontario  
Ministry of Government Services

Date Report Produced: 2017/01/03  
Time Report Produced: 14:57:25  
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## CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date	
2017215	2SOURCE MANUFACTURING INC.	2002/10/17	
		Jurisdiction	
		ONTARIO	
Corporation Type	Corporation Status	Former Jurisdiction	
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE	
Registered Office Address	Date Amalgamated	Amalgamation Ind.	
5261 BRADCO BOULEVARD	NOT APPLICABLE	NOT APPLICABLE	
	New Amal. Number	Notice Date	
MISSISSAUGA ONTARIO CANADA L4W 2A6	NOT APPLICABLE	NOT APPLICABLE	
Mailing Address		Letter Date	
5261 BRADCO BOULEVARD		NOT APPLICABLE	
	Revival Date	Continuation Date	
MISSISSAUGA ONTARIO CANADA L4W 2A6	NOT APPLICABLE	NOT APPLICABLE	
	Transferred Out Date	Cancel/Inactive Date	
	NOT APPLICABLE	NOT APPLICABLE	
	EP Licence Eff.Date	EP Licence Term.Date	
	NOT APPLICABLE	NOT APPLICABLE	
	Number of Directors Minimum      Maximum	Date Commenced in Ontario	Date Ceased in Ontario
Activity Classification	00001      00010	NOT APPLICABLE	NOT APPLICABLE
NOT AVAILABLE			

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Ministry of Government Services

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## CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2017215	2SOURCE MANUFACTURING INC.

Corporate Name History	Effective Date
2SOURCE MANUFACTURING INC.	2004/03/11
TRILETE CORP.	2004/01/12
WOLVERHAMPTON INC.	2002/10/24
WOLVERHAMPTON CAPITAL CORP.	2002/10/17

Current Business Name(s) Exist:	NO
Expired Business Name(s) Exist:	NO

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## CORPORATION PROFILE REPORT

Ontario Corp Number

Corporation Name

2017215

2SOURCE MANUFACTURING INC.

Administrator:  
Name (Individual / Corporation)

Address

ROBERT  
K.  
GLEGG

62 BELAIR DRIVE

OAKVILLE  
ONTARIO  
CANADA L6J 7N1

Date Began

First Director

2002/10/17

NOT APPLICABLE

Designation

Officer Type

Resident Canadian

DIRECTOR

Y

Administrator:  
Name (Individual / Corporation)

Address

ROBERT  
K.  
GLEGG

62 BELAIR DRIVE

OAKVILLE  
ONTARIO  
CANADA L6J 7N1

Date Began

First Director

2002/10/17

NOT APPLICABLE

Designation

Officer Type

Resident Canadian

OFFICER

PRESIDENT

Y

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## CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2017215	2SOURCE MANUFACTURING INC.

Administrator: Name (Individual / Corporation)	Address
ROBERT K. GLEGG	62 BELAIR DRIVE  OAKVILLE ONTARIO CANADA L6J 7N1

Date Began	First Director	
2002/10/17	NOT APPLICABLE	
Designation	Officer Type	Resident Canadian
OFFICER	SECRETARY	Y

Administrator: Name (Individual / Corporation)	Address
ROBERT K. GLEGG	22 ST. THOMAS STREET SUITE 10 B  TORONTO ONTARIO CANADA M5S 3E7

Date Began	First Director	
2006/06/08	NOT APPLICABLE	
Designation	Officer Type	Resident Canadian
OFFICER	CHIEF EXECUTIVE OFFICER	



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## CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2017215	2SOURCE MANUFACTURING INC.

### Last Document Recorded

Act/Code	Description	Form	Date
CIA	ANNUAL RETURN 2015	1C	2016/06/12 (ELECTRONIC FILING)

THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.

ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

The issuance of this report in electronic form is authorized by the Ministry of Government Services.

Request ID: 019757791  
Transaction ID: 63160310  
Category ID: UN/E

Province of Ontario  
Ministry of Government Services

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## CORPORATION DOCUMENT LIST

Ontario Corporation Number  
2017215

Corporation Name  
2SOURCE MANUFACTURING INC.

ACT/CODE	DESCRIPTION	FORM	DATE (YY/MM/DD)	
CIA	ANNUAL RETURN 2015 PAF: GLEGG, ROBERT	1C	2016/06/12	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2014 PAF: GLEGG, ROBERT	1C	2015/07/18	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2013 PAF: GLEGG, ROBERT	1C	2014/04/26	(ELECTRONIC FILING)
CIA	CHANGE NOTICE PAF: MCGUINEY, JOYCE M.	1	2014/03/04	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2012 PAF: GLEGG, ROBERT	1C	2013/07/20	(ELECTRONIC FILING)
CIA	CHANGE NOTICE PAF: TODD, MARK	1	2013/07/15	(ELECTRONIC FILING)
CIA	CHANGE NOTICE PAF: TODD, MARK A.	1	2013/05/23	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2011 PAF: GLEGG, ROBERT	1C	2012/03/17	(ELECTRONIC FILING)
CIA	CHANGE NOTICE PAF: MOORE, DINA	1	2011/07/08	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2010 PAF: GLEGG, ROBERT	1C	2011/05/07	(ELECTRONIC FILING)
BCA	ARTICLES OF AMENDMENT	3	2011/04/27	
CIA	ANNUAL RETURN 2009 PAF: GLEGG, ROBERT	1C	2010/05/23	
CIA	ANNUAL RETURN 2007 PAF: GLEGG, ROBERT	1C	2009/07/11	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2008 PAF: GLEGG, ROBERT	1C	2009/05/09	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2007 PAF: GLEGG, ROBERT	1C	2008/05/17	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2005 PAF: GLEGG, ROBERT	1C	2007/07/07	

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## CORPORATION DOCUMENT LIST

Ontario Corporation Number  
2017215

Corporation Name  
2SOURCE MANUFACTURING INC.

ACT/CODE	DESCRIPTION	FORM	DATE (YY/MM/DD)	
CIA	CHANGE NOTICE PAF: GLEGG, ROBERT K.	1	2007/06/19	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2006 PAF: GLEGG, ROBERT	1C	2007/06/16	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2005 PAF: GLEGG, ROBERT	1C	2007/01/20	
CIA	CHANGE NOTICE PAF: TODD, MARK	1	2006/06/09	(ELECTRONIC FILING)
CIA	CHANGE NOTICE PAF: LAVER, KEN	1	2006/05/25	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2004 PAF: GLEGG, ROBERT	1C	2005/06/11	(ELECTRONIC FILING)
BCA	ARTICLES OF AMENDMENT	3	2005/04/21	
CIA	ANNUAL RETURN PAF: GLEGG, ROBERT	1C	2004/07/16	(ELECTRONIC FILING)
CIA	ANNUAL RETURN PAF: GLEGG, ROBERT	1C	2004/07/16	(ELECTRONIC FILING)
BCA	ARTICLES OF AMENDMENT	3	2004/03/11	
BCA	ARTICLES OF AMENDMENT	3	2004/01/12	
BCA	ARTICLES OF AMENDMENT	3	2002/10/24	
CIA	INITIAL RETURN PAF: ANDERSON, KAREN M.	1	2002/10/23	
BCA	ARTICLES OF INCORPORATION	1	2002/10/17	

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## CORPORATION DOCUMENT LIST

Ontario Corporation Number  
2017215

Corporation Name  
2SOURCE MANUFACTURING INC.

ACT/CODE	DESCRIPTION	FORM	DATE (YY/MM/DD)
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THIS REPORT SETS OUT ALL DOCUMENTS FOR THE ABOVE CORPORATION WHICH HAVE BEEN FILED ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

ALL "PAF" (PERSON AUTHORIZING FILING) INFORMATION IS DISPLAYED EXACTLY AS RECORDED IN ONBIS. WHERE PAF IS NOT SHOWN AGAINST A DOCUMENT, THE INFORMATION HAS NOT BEEN RECORDED IN THE ONBIS DATABASE.

The issuance of this report in electronic form is authorized by the Ministry of Government Services.

**TAB B**

Exhibit "B" to the Affidavit of Stephen G. Wayland,  
sworn before me this 23<sup>rd</sup> day of January, 2017



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Commissioner for Taking Affidavits, etc.

Request ID: 019766840  
Transaction ID: 63183082  
Category ID: UN/E

Province of Ontario  
Ministry of Government Services

Date Report Produced: 2017/01/05  
Time Report Produced: 12:22:13  
Page: 1

## CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date
2006905	2006905 ONTARIO INC.	2001/11/14
		Jurisdiction
		ONTARIO
Corporation Type	Corporation Status	Former Jurisdiction
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE
Registered Office Address	Date Amalgamated	Amalgamation Ind.
CARE OF SB PARTNERS 3600 BILLINGS COURT Suite # 301 BURLINGTON ONTARIO CANADA L7N 3N6	NOT APPLICABLE	NOT APPLICABLE
Mailing Address	New Amal. Number	Notice Date
3600-301 BILLINGS CRT	NOT APPLICABLE	NOT APPLICABLE
BURLINGTON ONTARIO CANADA L7N 3N6		Letter Date
		NOT APPLICABLE
	Revival Date	Continuation Date
	NOT APPLICABLE	NOT APPLICABLE
	Transferred Out Date	Cancel/Inactive Date
	NOT APPLICABLE	NOT APPLICABLE
	EP Licence Eff.Date	EP Licence Term.Date
	NOT APPLICABLE	NOT APPLICABLE
	Number of Directors Minimum      Maximum	Date Commenced in Ontario
Activity Classification	00001      00005	NOT APPLICABLE
NOT AVAILABLE		NOT APPLICABLE

Request ID: 019766840  
Transaction ID: 63183082  
Category ID: UN/E

Province of Ontario  
Ministry of Government Services

Date Report Produced: 2017/01/05  
Time Report Produced: 12:22:13  
Page: 2

## CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2006905	2006905 ONTARIO INC.

Corporate Name History	Effective Date
2006905 ONTARIO INC.	2001/11/14

Current Business Name(s) Exist:	NO
Expired Business Name(s) Exist:	NO

Administrator: Name (Individual / Corporation)	Address
ROBERT K. GLEGG	38 AVENUE ROAD Suite # 611 TORONTO ONTARIO CANADA M5R 2G2

Date Began	First Director	
2001/11/14	NOT APPLICABLE	
Designation	Officer Type	Resident Canadian
DIRECTOR		Y



Request ID: 019766840  
Transaction ID: 63183082  
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Province of Ontario  
Ministry of Government Services

Date Report Produced: 2017/01/05  
Time Report Produced: 12:22:13  
Page: 3

## CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2006905	2006905 ONTARIO INC.

Administrator: Name (Individual / Corporation)	Address
ROBERT K. GLEGG	38 AVENUE ROAD  Suite # 611 TORONTO ONTARIO CANADA M5R 2G2

Date Began	First Director	
2001/11/14	NOT APPLICABLE	
Designation	Officer Type	Resident Canadian
OFFICER	PRESIDENT	

Administrator: Name (Individual / Corporation)	Address
ROBERT K. GLEGG	38 AVENUE ROAD  Suite # 611 TORONTO ONTARIO CANADA M5R 2G2

Date Began	First Director	
2001/11/14	NOT APPLICABLE	
Designation	Officer Type	Resident Canadian
OFFICER	SECRETARY	

Request ID: 019766840  
Transaction ID: 63183082  
Category ID: UN/E

Province of Ontario  
Ministry of Government Services

Date Report Produced: 2017/01/05  
Time Report Produced: 12:22:13  
Page: 4

## CORPORATION PROFILE REPORT

Ontario Corp Number

Corporation Name

2006905

2006905 ONTARIO INC.

Last Document Recorded

Act/Code Description

Form

Date

CIA ANNUAL RETURN 2015

1C

2016/06/26 (ELECTRONIC FILING)

THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.

ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

The issuance of this report in electronic form is authorized by the Ministry of Government Services.

Request ID: 019766841  
Transaction ID: 63183087  
Category ID: UNE

Province of Ontario  
Ministry of Government Services

Date Report Produced: 2017/01/05  
Time Report Produced: 12:22:21  
Page: 1

## CORPORATION DOCUMENT LIST

Ontario Corporation Number  
2006905

Corporation Name  
2006905 ONTARIO INC.

ACT/CODE	DESCRIPTION	FORM	DATE (YY/MM/DD)	
CIA	ANNUAL RETURN 2015 PAF: GLEGG, ROBERT	1C	2016/06/26	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2014 PAF: GLEGG, ROBERT	1C	2015/07/04	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2013 PAF: GLEGG, ROBERT	1C	2014/07/05	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2012 PAF: GLEGG, ROBERT	1C	2013/07/20	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2011 PAF: GLEGG, ROBERT	1C	2012/07/07	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2010 PAF: GLEGG, ROBERT	1C	2011/07/02	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2009 PAF: GLEGG, ROBERT	1C	2010/02/06	
CIA	ANNUAL RETURN 2008 PAF: GLEGG, ROBERT	1C	2009/08/01	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2007 PAF: GLEGG, ROBERT	1C	2009/07/11	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2007 PAF: GLEGG, ROBERT	1C	2008/07/19	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2006 PAF: GLEGG, ROBERT	1C	2007/07/28	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2006 PAF: MATTHEWS, SARAH C.	1S	2007/05/31	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2005 PAF: GLEGG, ROBERT	1C	2006/07/15	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2005 PAF: MATTHEWS, SARAH	1S	2006/06/16	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2004 PAF: GLEGG, ROBERT	1C	2005/07/23	(ELECTRONIC FILING)
CIA	ANNUAL RETURN PAF: GLEGG, ROBERT	1C	2004/07/10	(ELECTRONIC FILING)

Request ID: 019766841  
Transaction ID: 63183087  
Category ID: UN/E

Province of Ontario  
Ministry of Government Services

Date Report Produced: 2017/01/05  
Time Report Produced: 12:22:21  
Page: 2

## CORPORATION DOCUMENT LIST

Ontario Corporation Number  
2006905

Corporation Name  
2006905 ONTARIO INC.

ACT/CODE	DESCRIPTION	FORM	DATE (YY/MM/DD)	
CIA	ANNUAL RETURN PAF: GLEGG, ROBERT	1C	2003/07/24	(ELECTRONIC FILING)
CIA	ANNUAL RETURN PAF: GLEGG, ROBERT	1C	2002/08/13	
CIA	INITIAL RETURN PAF: ANDERSON, KAREN M.	1	2001/12/17	
BCA	ARTICLES OF INCORPORATION	1	2001/11/14	

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**TAB C**

Exhibit "C" to the Affidavit of Stephen G. Wayland,  
sworn before me this 23<sup>rd</sup> day of January, 2017



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Commissioner for Taking Affidavits, etc.



002-297620  
Cherian - 1/15/14  
2014  
NAME ON STA 2

June 2, 2014

**PRIVATE & CONFIDENTIAL**

**2Source Manufacturing Inc.**  
5261 Bradco Blvd.  
Mississauga, ON  
L4W 2A6

**Attention: Mr. Robert Glegg, President**

Dear Sir:

HSBC Bank Canada (the "Bank") is pleased to offer the following amended credit facilities (the "Loans") on the terms and conditions set out below. The terms and conditions contained in the Schedule are incorporated by reference into and form an integral part of this Facility Letter. This Facility letter, upon acceptance, shall supersede all previous facility letters issued by the Bank.

**Borrower**

2Source Manufacturing Inc. (the "Borrower").

**Operating Loan**

**Amount:**  
CAD 3,250,000 demand revolving loan (the "Operating Loan").

**Purpose:**  
To assist in financing the day-to-day operating requirements of the Borrower.

**Availability:**  
Available by way of account overdraft following satisfaction of the Conditions Precedent. All of the Operating Loan shall also be available by way of U.S. dollar advances. CAD 500,000 of the Operating Loan shall also be available by way of letters of guarantee issued on behalf of the Borrower, for maximum terms of one year. The Borrower shall ensure that the amount advanced and outstanding under the Operating Loan shall at no time exceed the Margin Requirement as calculated by the Bank described below.

**Repayment**  
All amounts outstanding under the Operating Loan shall be repaid on demand by the Bank and, unless and until otherwise demanded, interest shall be paid at the rates set out below and in the manner provided in the attached Schedules. Letters of guarantee shall be retired when due and reimbursed immediately when drawn.

**Interest**  
At the Borrower's option, exercisable by the delivery of the Required Notice, at:

- The Bank's Prime Rate plus 0.75% per annum;
- The Bank's U.S. Base Rate plus 0.75% per annum;
- At the time of issuance of each letter of guarantee, a fee equal to 2.5% per annum calculated against the face amount and over the term of the letter of guarantee.

**Fees**

The Borrower shall pay to the Bank:

- On the last day of each month, an administration fee of CAD 250;

- b. An annual review fee equal to CAD 5,000 shall be due upon acceptance of this Facility Letter;
- c. An amendment fee equal to CAD 5,000 shall be due upon acceptance of this Facility Letter;
- d. The fees outlined in Schedule 2, included herein, as they relate to Documentary Credits;
- e. A standby fee is payable by the Borrower on the Business Day following the last day of each month in an amount equal to the difference between the Overdraft credit limit and the outstanding under the Overdraft at 25 bps, calculated daily and payable monthly in arrears.

**Import Loan**

**Sub-limit of Operating Loan**

Amount  
CAD 500,000 demand revolving line (the "Import Loan").

Availability  
Available following satisfaction of the Conditions Precedent, by issuance of sight or usance documentary credits with a maximum terms of 180 days and usance period of 90 days. The Borrower shall ensure that the amount outstanding under the Import Loan shall at no time exceed the Margin Requirement as calculated by the Bank described below.

Repayment  
All amounts paid by the Bank under the documentary credits shall be repaid and all liabilities of the Bank under the documentary credits shall be satisfied by the Borrower on demand by the Bank and, unless and until otherwise demanded, drawings under the documentary credits shall be paid by the Borrower as they become due.

Interest and Fees  
Fees for collections and for documentary credits shall initially be payable as set out in the attached Schedule 2, but shall vary as stipulated by the Bank following its periodic review of the Import Loan.

Interest on any amount drawn under the documentary credits in Canadian dollars or U.S. dollars shall be payable at the rate and in the manner set out in items (a) or (b), respectively, under the "Interest" section above relating to the Operating Loan. Any amounts drawn under documentary credits in any other currency shall be converted to Canadian dollars and interest shall be payable at the rate and in the manner set out in the said item (a).

**Capital Lease Loan**

Amount  
CAD 764,000 lease line (the "Lease").

Purpose  
To assist in financing the acquisition of capital assets by the Borrower.

Availability  
Available to finance 100% of the invoice cost of capital assets deemed satisfactory to the Bank.

Repayment  
Leases may be structured on a capital or operating basis, for a maximum rental period of up to 60 months with fixed monthly payments for the term of the lease.

Interest  
Exercisable by the giving of the Required Notice, at the Bank's Fixed Rate per annum, subject to availability;

**Foreign Exchange Hedging Facility**

Amount:  
CAD 2,700,000 Foreign Exchange Hedging Facility.



Purpose

To purchase foreign forward exchange contracts for major currencies identified by the Bank up to an aggregate of CAD 10,000,000 or certain other currencies approved by the Bank up to an aggregate of CAD 10,000,000, with a maximum maturity of 12 months, in order to hedge against currency fluctuations.

Availability:

Available following satisfaction of the Conditions Precedent. The Borrower shall ensure that the Foreign Exchange Percentage of the aggregate face amount of outstanding forward foreign exchange contracts at no time exceeds the amount of the Foreign Exchange Loan set out in the above "amount". For the purpose of this Facility Letter, "Foreign Exchange Percentage" means the notional risk percentage established and recorded by the Bank from time to time based on the Bank's assessment of the foreign exchange market, and which is 27% as at the date of this Facility Letter.

Repayment

All liabilities of the Bank under forward foreign exchange contracts shall be satisfied by the Borrower on demand by the Bank and, unless and until otherwise demanded, the contracts shall be fulfilled by the Borrower as they fall due.

MasterCard Loan

Amount

CAD 15,000 MasterCard Limit ("MC")

Purpose

Available to issue business expense cards for employees of the Borrower.

Availability

Available by way of MasterCard credit cards in the name of key employees of the company.

Repayment

All amounts outstanding under the MC shall be repaid on demand by the Bank and, unless and until otherwise demanded, as per the MasterCard agreement between MasterCard and the Borrower.

Interest

As per the MasterCard agreement between MasterCard and the Borrower.

Margin Requirement

In addition to ensuring that no Loan exceeds its loan amount, as set out in this Facility Letter, the Borrower shall ensure that the aggregate Canadian Dollar Equivalent of:

- a. The amount advanced and outstanding under the Operating Loan;
- b. 25% of the aggregate face amount of documentary credits issued but not accepted under the Import Loan;
- c. 100% of the aggregate face amount of all other documentary credits issued and outstanding under the Import Loan including accepted documentary credits under usance terms;
- d. 100% of LGs issued under the Operating Loan;
- e. 100% of lease outstanding;

shall at no time exceed the Margin Requirement, being the aggregate of:

1. 90% of under 90 day EDC Insured Accounts Receivables (or another acceptable insurer); plus
2. 100% of Forced Sale Value of equipment (CAD 1,832,000 per appraisal dated March 4, 2014); plus
3. 100% of cash balances duly assigned to the Bank; less
4. Priority Claims.

### Security

The liability, indebtedness and obligations of the Borrower under the Loans and this Facility Letter shall be evidenced, governed and secured, as the case may be, by the following documents (the "Security Documents") completed in form and manner satisfactory to the Bank's or its solicitors:

- a. Line of credit by way of current account overdraft in CAD and USD agreement executed by the Borrower;
- b. The Bank's standard application and indemnity agreement with respect to the issuance of letters of guarantee, executed by the Borrower;
- c. General Security Agreement creating a first priority security interest in all present and after acquired personal property of the Borrower and a floating charge over all of the Borrower's present and after acquired real property;
- d. Assignment / endorsements by the Borrower to the Bank of all risk insurance amounts and from an insurer acceptable to the Bank, on all of the Borrower's real and personal property including, without limitation, lands, buildings, equipment and inventory owned by the Borrower, showing the Bank as first loss payee by way of standard mortgage endorsement, such policy to include business interruption and public liability insurance;
- e. General Assignment of Book Debts creating a first priority assignment of all the Borrower's debts and accounts;
- f. Section 427 *Bank Act* security including all supporting and ancillary forms of the Bank creating a first priority charge on the Borrower's assets;
- g. The Bank's standard documentation in connection with its issuance of documentary credits including a trade financing general agreement, executed by the Borrower (Import Loan);
- h. Agreement for Foreign Exchange Contracts executed by the Borrower;
- i. Assignment and Postponement of claim from 2006905 Ontario Inc. – limited to \$4,127,786
- j. Priorities Agreement between 852044 Ontario Inc., 2006905 Ontario Inc. and the Bank providing the Bank a first charge position on all assets of the Borrower;
- k. Security Agreement over cash, credit balances and deposit instruments executed by the Borrower;
- l. MasterCard Indemnity executed by the Borrower;
- m. Master Lease Agreement executed by the Borrower;
- n. All supporting certificates and opinions as the Bank may reasonably require;
- o. Such other documents as the Bank may reasonably request in order to register or otherwise perfect the documents listed above.

### Registration:

The Security Documents will be registered in all jurisdictions and at all registries or public office as the Bank may determine necessary or beneficial to perfect or protect its interest under the Security Documents. The Security Documents shall rank in priority to all other mortgages, charges, liens, encumbrances and security interests unless otherwise specifically agreed to in writing by the Bank.

### Borrower's Covenants and Conditions

The Borrower covenants and agrees with the Bank that, so long as any portion of the Loan(s) or any indebtedness or liabilities of the Borrower under this Facility Letter remain outstanding, it shall not, without the prior written consent of the Bank:

- a. Permit its ratio of Debt to Tangible Net Worth ("TNW") to at any time exceed 2.5 to 1.0

TNW is defined as the aggregate of paid in capital, retained earnings, and postponed shareholder loans less any assets deemed intangible by the Bank, which shall include, but not be limited to goodwill and any non-arms length accounts receivables or loans to affiliated companies, and SRED claims declined by Revenue Canada.

Debt is the total liabilities less postponed loans plus the principal portion of non-reatly operating lease obligations.

- b. Permit its ratio of current assets to current liabilities to at any time to be less than 1.1 to 1.0;

Current Ratio is defined as total current assets divided by total current liabilities. Current assets shall exclude advances to affiliate companies or companies under the same management. SR&ED claims declined by Revenue Canada will be deducted from current assets.

The Borrower agrees that the foregoing financial tests shall be calculated monthly by the Bank using audited financial statements of the Borrower or with such other statements as the Bank may agree to use from time to time.

#### Other Conditions

The Bank's prior written consent is required for the following:

- a. Any purchase or sale of assets outside the ordinary course of business;
- b. Granting of additional encumbrances or incurrence of additional funded indebtedness;
- c. Changes in ownership or corporate structure of the Borrower;
- d. No distributions or dividends are allowed unless prior Bank consent is obtained.

#### Financial Statements and Reports

The Borrower shall deliver to the Bank the following:

1. Monthly within 30 days of each calendar month end:
  - a. Aged list of Accounts Receivable and Accounts Payable of the Borrower;
  - b. Declaration of inventory;
  - c. Internally-prepared profit and loss statements and balance sheet for the Borrower;
  - d. Statement signed by a senior officer of the Borrower setting out the calculation of the Acceptable Receivables as at the preceding month end;
2. Quarterly, within 45 days of period end:
  - a. Evidence of EDC Receivable Insurance paid.
3. Annually, within 90 days of the Borrower's fiscal year end:
  - a. Audited financial statements for the Borrower;
  - b. Pro-forma financial statements, cash flow statement and budget for the following fiscal year of the Borrower;
4. Annual appraisal of Property, Plant & Equipment from an HSBC approved valuation firm.
5. Such additional financial statements and information as and when requested by the Bank.

## REPRESENTATIONS AND WARRANTIES

The Borrower represents, warrants and covenants that as at the time of each drawing under or other utilization of the Credit Facilities:

- (a) it has been duly incorporated and organized is subsisting and is entitled to conduct its business in all jurisdictions in which it carries on business or has assets;
- (b) the execution of the Facility Letter and the Security Documents and the incurring of liability and indebtedness to the Bank does not and will not contravene:
  - (i) any Legal Requirement applicable to the Borrower, ~~its parent~~ <sup>FS</sup> or
  - (ii) any provision contained in any other loan or credit agreement or borrowing instrument or contract to which the Borrower, ~~its parent~~ <sup>FS</sup> is a party;
- (c) the Facility Letter and the Security Documents to which it is a party have been duly authorized, executed and delivered by the Borrower, and constitute valid and binding obligations of the Borrower, ~~its parent~~ <sup>FS</sup> and are enforceable in accordance with their respective terms;
- (d) all necessary Legal Requirements have been met and all other authorizations, approvals, consents and orders have been obtained with respect to the Credit Facilities and the execution and delivery of the Security Documents.

<sup>FS</sup> The Borrower also represents and warrants to the Bank that all financial and other information provided to the Bank in connection with the Credit Facilities is true, accurate and complete, and acknowledges that the offer of credit contained in the Facility Letter is made in reliance on the truth and accuracy of this information and the above representations and warranties.

## NON-MERGER AND NON-ASSIGNMENT

This Facility Letter shall, on execution by the Borrower, replace all previous facility letters from the Bank to the Borrower with respect to the Credit Facilities. Any existing loan to the Borrower shall be modified, not refinanced, without novation of the Borrower's existing credit facilities or obligations, by virtue of the Facility Letter unless otherwise provided in the Facility Letter. The terms and conditions of the Facility Letter shall not be merged by and shall survive the execution of the Security Documents. In the event of a conflict between the terms of this Facility Letter and the terms of the Security Documents, the terms of this Facility Letter shall prevail. The benefits conferred by this Facility Letter shall enure to the benefit of the Bank and its successors and assigns, and may not be assigned by the Borrower.

## CONFIRMATION OF SECURITY

The Borrower hereby ratifies and confirms the documents, guarantees and security granted under or in connection with the facility letter which this Facility Letter replaces (including without limitation the documents listed under in section 6 hereof under the heading Security, the "Security") to which it is a party and confirms and agrees that such Security remains in full force and effect and (i) to the extent it creates a security interest, secures on a continuing basis any and all of the debts, liabilities and obligations of the Borrower to the Bank under or pursuant to this Facility Letter as amended, restated or replaced from time to time; and (ii) to the extent that it applies to indebtedness, liabilities and obligations of the Borrower to the Bank, it applies to the indebtedness, liabilities and obligations under this Facility Letter. Any references in any of the Security to a credit agreement, facility letter, loan agreement or similar instrument shall be deemed to be a reference to this Facility Letter as amended, restated or replaced from time to time without further amendment to such Security. The rights, remedies, benefits, powers and authorities granted to or conferred upon the Bank under or pursuant to the Security shall continue to apply in all respects to such Security and shall extend to and cover Facility Letter as amended, restated or replaced from time to time.

## CONSENT TO DISCLOSURE

The Borrower consents to and acknowledges that it is aware that credit, financial and personal inquiries regarding the Borrower may be gathered, made, maintained and/or used at any time in connection with: (i) the credit assessment for

the credit facility for which application has been made to the Bank, (ii) any funding of such credit facility by investors or participants or any assignment or sale of such credit facility by the Bank, and (iii) the enforcement of any remedies that the Bank may have under such credit facility, and the Borrower consents to the making of any such inquiries by or on behalf of the Bank and consents, without restriction and without further notice to or further consent of the Borrower, to disclosure of any such information to any prospective investor, participant, assignee or purchaser of all or any part of such credit facility. The Borrower irrevocably waives, to the extent permitted under applicable law, any and all rights it may have to notice of or to prohibit such disclosure, including, without limitation, any right of privacy.


#### **PERIODIC REVIEW AND CANCELLATION**

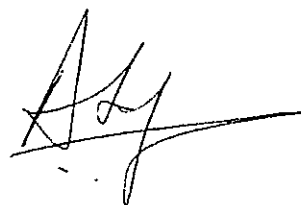
Without limiting the Bank's right to demand repayment of the Credit Facilities at any time, the Credit Facilities shall be subject to periodic review by the Bank as and when determined by the Bank in its discretion. Any unadvanced portion of the Credit Facilities shall be automatically cancelled upon demand being made by the Bank for repayment of the amount outstanding under the Credit Facilities. The Credit Facilities under this Facility Letter are uncommitted and, notwithstanding any other provision of this Facility Letter, the Bank may, at any time, in its sole discretion, (i) on same day notice to the Borrower, terminate the Borrower's right to make requests for the Credit Facilities hereunder, and (ii) even if the amounts available under the Credit Facilities has not terminated, decline any request for the Credit Facilities.

#### **Acceptance**

The terms and conditions of this Facility Letter may be accepted by signing, dating and returning the enclosed duplicate copy of this Facility Letter signed by the Borrower to the Bank by 5:00 p.m. on June 11, 2014. Failing such acceptance, this offer shall be of no further force or effect.

Yours truly,  
**HSBC BANK CANADA**

  
Cherian Mathew  
Account Manager  
Commercial Banking

  
Aditya Sapru  
Assistant Vice President  
Commercial Banking

The undersigned hereby acknowledges and agrees to the terms and conditions of this Facility Letter this 10<sup>th</sup> day of June, 2014.

**THE BORROWER:**

**2Source Manufacturing Inc.**

Per: 

**ROBERT GLEGG, CEO, 2SOURCE MANUFACTURING INC.**

Per: \_\_\_\_\_

**SCHEDULE 1 TO FACILITY LETTER  
FROM HSBC BANK CANADA  
TO 2SOURCE MANUFACTURING INC.  
DATED June 2, 2014**

The Credit Facilities as described in the Facility Letter shall be governed by the following terms and conditions:

**Definitions**

For the purpose of the Facility Letter, the following terms shall have the meanings indicated below:

"Acceptable Inventory" means the value, determined by the Bank from its review of the most recent financial statements and inventory declaration provided by the Borrower, based on the lower of cost and fair market value of all materials owned by the Borrower for resale or for production of goods for resale, excluding work in progress, and over which the Bank holds a first mortgage, first ranking transfer or first security interest;

"Acceptable Receivables" means the aggregate of accounts receivable of the Borrower, determined by the Bank from the most recent financial statements and aged list of accounts receivable of the Borrower, over which the Bank holds a first assignment or first security interest from customers approved by the Bank and which are aged from invoice date, from which shall be excluded accounts receivable from affiliated corporations, volume rebates, discounts and accounts which are disputed by the Borrower's customers or are subject to set off. In addition, if more than 5% of the aggregate of accounts receivable due from a customer of the Borrower has been outstanding for more than 90 days, the under 90 day portion of that customer's accounts receivable may also be excluded;

"Banker's Acceptance" means, with respect to the Bank, a draft drawn by the Borrower(s) in Canadian Dollars and accepted by the Bank;

"Bank's Fixed Cost of Funds" means the aggregate cost as determined by the Bank and accepted by the Borrower of the requested funds on an annual fixed rate basis for a period of 30, 60, 90, or 180 days or 1, 2, 3, 4 or 5 years, as selected by the Borrower (but maturing not later than the final date for payment of the subject Loan, in any event), including dealer commissions and such reserves as are applicable;

"Bank's Prime Rate" means the floating annual rate of interest established and recorded as such by the Bank from time to time as a reference rate for purposes of determining rates of interest it will charge on loans denominated in Canadian dollars and which was 3.0% on June 2, 2014;

"Bank's U.S. Base Rate" means the floating annual rate of interest established and recorded as such by the Bank from time to time as a reference rate for purposes of determining rates of interest it will charge on loans denominated in United States dollars in Canada based on a year of 360 days, and which was 3.75% on June 2, 2014;

"LIBOR" means with respect to a particular Libor Period, the rate of interest (rounded upwards if necessary to the nearest full multiple of one-sixteenth of one percent) at which the Bank, in accordance with its normal practice, would be prepared to offer to leading banks on the London prime inter-bank market for delivery on the first day of the applicable Libor Period approved by the Bank and for a period equal to such Libor Period based on the number of days comprised therein, a deposit of comparable amount of United States dollars to be outstanding during such Libor Period, at or about 11:00 a.m. London, England local time, two Business Days prior to the commencement of the Libor Period.

Interest based on LIBOR shall be computed on the basis of a year of 360 days and for actual days that the amounts are outstanding under the Credit Facilities on this basis. For the purpose of the Interest Act, the annual rate of interest to which interest computed on the basis of a year of 360 days is equivalent to the rate of interest as provided in the Facility Letter multiplied by the number of days in such year and divided by 360.

"Business Day" means a day upon which the Bank is open for business in the branch first above written;

"CAD" means the Canadian Dollar.

**"Compensating Amount"** means an amount determined by the Bank to be the net cost, if any, incurred by the Bank as a direct result of the repayment of all or a portion of a Loan accruing interest based on the Bank's Fixed Cost of Funds or LIBOR, on a date other than the expiration of the selected interest period or Libor Period, respectively, including, without limitation, the loss or expense sustained or incurred by the Bank relating to such payment. A certificate of a manager or account manager of the Bank shall, absent manifest error, be conclusive evidence of the Compensating Amount from time to time;

**"CAD Equivalent"** means at any time on any date in relation to any amount in a currency other than Canadian dollars, the amount of Canadian dollars required for the Borrower to purchase that amount of such other currency at the rate of exchange quoted by the Bank at or about 8:00 a.m. Pacific time on such date, including all premiums and costs of exchange;

**"Libor Period"** means a period of one, two, three, four, five or six months or 360 days but expiring not later than the final date for payment of the subject Loan.

**"Funding Period"** shall end on and include the day which numerically corresponds to the first day of such Funding Period in the calendar month which is one, two or three months, as the case may be, after the commencement of such Funding Period, provided however, that:

- i) if such day is not a Business Day such Funding Period shall end on and include the next succeeding Business Day or, if such day falls in the next calendar month, the next preceding Business Day;
- ii) if in such calendar month there is no day which numerically corresponds to the first day of such Funding Period, such Funding Period shall end on and include the last Business Day of such calendar month.

**"Facility Letter"** means the letter from the Bank to the Borrower to which this Schedule is attached, together with this Schedule, and includes all amendments and replacements thereof;

**"Government Authority"** means any government legislature, regulatory authority, agency, commission, board or court or other law, regulation or rule making entity having or purporting to have jurisdiction on behalf of any nation, state, country or other subdivision;

**"Guarantor(s)"** means the party or parties that are to execute a guarantee or guarantees of the indebtedness of the Borrower to the Bank as part of the Security Documents;

**"Insured Receivables"** means those accounts receivable of the Borrower which are insured for payment by the Canadian Export Development Corporation or similar insurer approved by and assigned to the Bank;

**"Legal Requirement"** means all laws, statutes, codes, ordinances, orders, awards, judgments, decrees, injunctions, rules, regulations, authorizations, consents, approvals, orders, permits, franchises, licenses, directions and requirements of all Governmental Authorities;

**"Potential Prior-Ranking Claims"** means all amounts owing or required to be paid, where the failure to pay any such amount could give rise to a claim pursuant to any law, statute, regulation or otherwise, which ranks or is capable of ranking in priority to the Bank's security or otherwise in priority to any claim by the Bank for repayment of any amounts owing under this Facility Letter.

**"Required Notice"** means a notice in form and content approved by the Bank given to the branch of the Bank referred to above not later than 10:30 a.m. local time two Business Days immediately preceding the date on which:

- (i) an advance is to be made;
- (ii) a rollover is to be made from one interest option to another;
- (iii) a banker's acceptance is to be issued for acceptance by the Bank; or
- (iv) a documentary credit or letter of guarantee is issued;



as the case may be, stating the date, amount and term of the requested advance or rollover, or particulars of the banker's acceptance, documentary credit or letter of guarantee.

"USD" means the Capital currency of the United States of America.

And with respect to the foregoing, a certificate of a manager or account manager of the Bank shall be prima facie evidence of the Bank's Fixed Cost of Funds, the Bank's Prime Rate, the Bank's U.S. Base Rate and LIBOR, from time to time.

### **Governing Law**

This Facility Letter shall be governed by and construed in accordance with the laws of the Province of Ontario.

### **Authorization**

The Borrower for good and valuable consideration authorizes the Bank to accept telex and telecopier communications on behalf of the Borrower as full and sufficient authority to act in accordance with communications as received by the Bank from the Borrower.

The Borrower shall be bound by all such telex, and telecopier communications from itself in the same manner and extent as if such communications were originally handwritten and signed by the Borrower, and the Borrower shall hold the Bank at all times fully indemnified from all claims and demands in respect of all such instructions, in the event such telex, and telecopier communications, were made without authority or otherwise.

### **Interest, Fees and Payment**

- (a) Interest on the daily balance of principal advanced under the Credit Facilities and remaining unpaid from time to time shall be payable by the Borrower as set out in the Facility Letter both before and after default and judgment;
- (b) In the case of interest based on the Bank's Fixed Cost of Funds, the Bank's Prime Rate and the Bank's U.S. Base Rate, interest shall be compounded and payable on the last day of each month;
- (c) In the case of interest based on LIBOR, interest shall be payable on the expiration of the Libor Period selected by the Borrower or every 3 months, whichever is earlier;
- (d) If the Borrower repays any portion of the Credit Facilities accruing interest based on the Bank's Fixed Cost of Funds or LIBOR on a date other than the expiration of the selected interest period or Libor Period, as the case may be, whether as a result of a demand for repayment by the Bank or otherwise, it shall also concurrently pay to the Bank the applicable Compensating Amount;
- (e) Interest based on the Bank's U.S. Base Rate and on LIBOR shall be computed on the basis of a year of 360 days and for actual days that the amounts are outstanding under the Credit Facilities on this basis. For the purpose of the Interest Act, the annual rate of interest to which interest computed on the basis of a year of 360 days is equivalent is the rate of interest as provided in the Facility Letter multiplied by the number of days in such year and divided by 360;
- (f) Credit Facilities made available based on the Bank's Fixed Cost of Funds or LIBOR, and BA's, shall be drawn in the minimum amount of CAD/USD 500,000 and integral multiples of CAD/USD 100,000 for periods of one, two, three, four, five or six months in the case of BA's;
- (g) Upon the expiration of a Libor or Funding Period, or on payment by the Bank on the maturity of a banker's acceptance, unless another interest rate option is selected by the Borrower, interest shall accrue at the applicable rate in the Facility Letter based on the Bank's Prime Rate or the Bank's U.S. Base Rate, as the case may be, depending on whether the funds are outstanding in Canadian or United States dollars;
- (h) The fees collected by the Bank shall be its property as consideration for the time, effort and expense incurred by it in the review of documents and financial statements, and the Borrower acknowledges and

agrees that the determination of these costs is not feasible and that the fees set out in the Facility Letter represent a reasonable estimate of such costs;

- (i) Any amounts which become payable to the Bank under the Facility Letter or the Security Documents and which are not paid when due shall accrue interest and be payable from the due date at the Bank's Prime Rate plus 3% per annum, compounded and payable monthly on the last day of each month, both before and after default and judgment, if no other interest rate is expressed for such amounts;
- (j) All payments by the Borrower to the Bank shall be made at the address of the branch of the Bank set out on the first page of the Facility Letter or at such other place as the Bank may specify in writing from time to time. Any payment delivered or made to the Bank by 1:00 p.m. local time at the place where such payment is to be made shall be credited as of that day, but if made afterwards shall be credited as of the next day on which the said branch is open for business;
- (k) Notwithstanding anything to the contrary contained in the Facility Letter, the Bank may, in its discretion, make an advance under the Credit Facilities to pay any unpaid interest or fees which have become due under the terms of the Facility Letter;
- (l) Pre-payment privileges:
  - (i) Floating rate financing pre-payments of all or part of the Credit Facilities may be made upon 1 days' prior written notice.
  - (ii) Fixed rate financing pre-payments of all or part of the Credit Facilities may be made upon 5 days' prior written notice and subject to payment of the Compensating Amount as provided herein. All amounts under the Credit Facilities which are not repaid when due upon the relevant maturity date (approved by the Bank in writing as provided herein) shall be repayable upon demand.
- (m) The obligation of the Borrower to make all payments under the Facility Letter and the Security Documents shall be absolute and unconditional and shall not be limited or affected by any circumstance, including, without limitation:
  - (i) any set-off, compensation, counterclaim, recoupment, defense or other right which the Borrower may have against the Bank or anyone else for any reason whatsoever; or
  - (ii) any insolvency, bankruptcy, reorganization or similar proceedings by or against the Borrower.
- (n) If, by reason of the introduction of any change in law or regulation or compliance with any request, direction or requirement (whether or not having the force of law) from any competent governmental or other fiscal, monetary or other authority, there shall be any increase in the cost to the Bank of making, funding or maintaining any advance under this Credit Facility or there shall be imposed on the Bank any reserve or special deposit requirement in respect of loans or deposits, the Bank shall in a reasonable time give to the Borrower notice and reasonable particulars of the effect thereof and then the Borrower shall from time to time, upon demand pay to the Bank such amount as it requires to compensate it for such increased cost. Any such demand shall set out reasonable particulars of the computation of the amount claimed.

#### **Conditions Precedent**

In addition to the conditions precedent previously set out, it shall also be a condition precedent to the initial advance and continued availability of the Credit Facilities that the Bank shall have received:

- (a) The Security Documents completed and, where necessary, registered in form and manner satisfactory to the Bank's solicitors;
- (b) Satisfactory banker's and/or other agency reports on the financial position of the Borrower, the Guarantor(s) and such customers of the Borrower as the Bank may specify from time to time;
- (c) Verification of insurance arranged by the Borrower conforming to the Bank's requirements;

- (d) If deemed necessary by the Bank, an environmental assessment, by a consultant and in form and content, acceptable to the Bank;
- (e) Confirmation that the Borrower is in compliance with each of the terms and conditions of the Facility Letter.

**Conditions of Credit**

In addition to the conditions previously set out, the following conditions shall apply until the Credit Facilities are repaid in full and cancelled:

- (a) The Borrower shall not, without the prior written consent of the Bank:
  - (i) grant or allow any lien, charge, privilege, hypothec or other encumbrance, whether fixed or floating, to be registered against or exist on any of its assets, and in particular, without limiting the generality of the foregoing, shall not grant a trust deed or other instrument in favour of a trustee;
  - (ii) become guarantor or endorser or otherwise become liable upon any note or other obligation other than in the normal course of business of the Borrower;
  - (iii) declare or pay dividends on any class or kind of its shares, repurchase or redeem any of its shares or reduce its capital in any way whatsoever or repay any shareholders' advances [if any of the above were to place the Borrower in breach of their financial covenant(s)];
  - (iv) amalgamate with or permit all or substantially all of its assets to be acquired by any other person, firm or corporation;
  - (v) permit any reorganization or change in ownership or corporate structure of the Borrower or Corporate Guarantor;
- (b) The property taxes are to be paid up to date at all times.
- (c) The Borrower agrees to file all material tax returns which are to be filed by it from time to time, to pay or make provision for payment of all taxes (including interest and penalties) and Potential Prior-Ranking Claims when due, and to provide adequate reserves for the payment of any tax, the payment of which is being contested;
- (d) The Bank shall have the right to waive the delivery of any Security Documents or the performance of any term or condition of the Facility Letter, and may advance all or any portion of the Credit Facilities prior to satisfaction of any of the aforesaid conditions precedent, but waiver by the Bank of any obligation or condition shall not constitute a waiver of such obligation or condition for any future advance;
- (e) All financial terms and covenants shall be determined in accordance with generally accepted accounting principles, applied consistently;
- (f) If the amount outstanding under any Credit Facilities in Canadian dollars plus the Canadian Dollar Equivalent of the amount outstanding under any Credit Facility in a currency other than Canadian dollars at any time exceeds the amount authorized under that Credit Facility, the Bank may, from time to time, in its sole discretion:
  - (i) limit the further utilization of that Credit Facility;
  - (ii) convert all or part of the amount outstanding under that Credit Facility to Canadian Dollars in which event, interest shall accrue and be paid on such converted amounts at the rate set out in the Facility Letter for Canadian dollar advances accruing interest with reference to the Bank's Prime Rate. If no such rate is set out in the Facility Letter, interest shall accrue on the amount so converted at the Bank's Prime Rate plus 3% per annum, compounded and payable monthly on the last day of each month, both before and after default and judgment, until paid;

- (iii) require the Borrower to pay off the excess;
- (g) Any amount payable by the Borrower to the Bank under the Facility Letter or the Security Documents may be debited to any account of the Borrower with the Bank;
- (h) The Borrower shall indemnify the Bank against any loss incurred by it as a result of any judgment or order being given or made for the payment of any amount due under the Facility Letter or the Security Documents, where:
  - (i) such judgment or order is expressed and paid in a currency (the "Judgment Currency") other than the currency of an outstanding loan (the "Loan Currency"); and
  - (ii) there is a variation between:
    - A the rate of exchange at which the Loan Currency amount is converted into the Judgment Currency for the purposes of such judgment or order, and
    - B the rate of exchange at which the Bank is able to purchase the Loan Currency with the amount of the Judgment Currency when actually received by the Bank.

The foregoing indemnity shall constitute a separate and independent obligation of the Borrower and shall apply irrespective of any indulgence granted to the Borrower from time to time, and shall continue in full force and effect notwithstanding any such judgment or order as aforesaid. The term "rate of exchange" shall include any premiums and costs of exchange payable in connection with the purchase of, or conversion into, the relevant currency.

#### **Hazardous Substances**

- (a) To the best of the Borrower's knowledge after due and diligent inquiry, no regulated, hazardous or toxic substances are being stored on any of the Borrower's premises (the "Premises") or any adjacent property, nor have any such substances been stored or used on the Premises or any adjacent property prior to the Borrower's ownership, possession or control of the Premises. The Borrower agrees to provide written notice to the Bank immediately upon the Borrower becoming aware that the Premises or any adjacent property are being or have been contaminated with regulated, hazardous or toxic substances. The Borrower will not permit any activities on the Premises which directly or indirectly could result in the Premises or any other property being contaminated with regulated, hazardous or toxic substances. For the purposes of the Facility Letter, the term "regulated, hazardous or toxic substances" means any substance, defined or designated as hazardous or toxic wastes, hazardous or toxic material, a hazardous, toxic or radioactive substance or other similar term, by any applicable federal, provincial or local statute, regulation or ordinance now or in the future in effect, or any substance or materials, the use or disposition of which is regulated by any such statute, regulation or ordinance;
- (b) The Borrower shall promptly comply with all statutes, regulations and ordinances, and with all orders, decrees or judgments of governmental authorities or courts having jurisdiction, relating to the use, collection, storage, treatment, control, removal or cleanup of regulated, hazardous or toxic substances in, on, or under the Premises or in, on or under any adjacent property that becomes contaminated with regulated, hazardous or toxic substances as a result of construction, operations or other activities on, or the contamination of, the Premises, or incorporated in any improvements thereon. The Bank may, but shall not be obligated to, enter upon the Premises and take such actions and incur such costs and expenses to effect such compliance as it deems advisable and the Borrower shall reimburse the Bank on demand for the full amount of all costs and expenses incurred by the Bank in connection with such compliance activities; and
- (c) The assets of the Borrower which are now or in the future encumbered by the Security Documents are hereby further mortgaged and charged to the Bank, and the Bank shall have a security interest in such assets, as security for the repayment of such costs and expenses and interest thereon, as if such costs and expenses had originally formed part of the Credit Facilities.

**Bank Visits**

Representatives of the Bank shall be entitled to attend at the Borrower's business premises and to view all financial records of the Borrower at any time, on reasonable notice, and in any event not less frequently than annually in conjunction with the annual review of the Credit Facilities.

**Legal and Other Expenses**

The Borrower shall pay all reasonable legal fees and disbursements in respect of the Credit Facilities, the preparation and issue of the Security Documents, the enforcement and preservation of the Bank's rights and remedies, sub-searches from time to time, including in connection with any draw and all reasonable fees and costs relating to appraisals, insurance consultation, credit reporting and responding to demands of any government or any agency or department thereof, whether or not the documentation is completed or any funds are advanced under the Credit Facilities.

**Syndication**

The Bank shall have the right to syndicate all or any portion of the Credit Facilities.

**Waiver or Variation**

No term or condition of the Facility Letter or any of the Security Documents may be waived or varied orally or by any course of conduct of any officer, employee or agent of the Bank. Any amendment to the Facility Letter or the Security Documents must be in writing and signed by a duly authorized officer of the Bank.

**Credit Reporting**

The Borrower and each Guarantor consent to the Bank obtaining from any credit reporting agency or from any person such information as the Bank may require at any time, and consents to the disclosure at any time of any information concerning the Borrower and any Guarantor to any credit grantor with whom the Borrower and any Guarantor has financial relations or to any credit reporting agency.

**Time of Essence**

Time shall be of the essence of the Facility Letter.

**SCHEDULE 2 TO FACILITY LETTER**  
**Import Documentary Credits**

**a) Opening Commission**

- |                                     |  |
|-------------------------------------|--|
| 1. Irrevocable DCs with sight draft | 0.35% for first 60 days or part thereof<br>0.10% for each additional 30 days<br>Minimum \$125  |
| 2. Irrevocable DCs with usance term | Irrevocable DC opening comm. during the pre-acceptance period as in a) I., PLUS 0.15%, for each 30 days usance term, minimum \$125 Usance fee to be calculated on value of drawing and collected at time of payment. |
| 3. Back-to-back DC                  | Same as in a) I. and II., except minimum \$200   |
| 4. Revolving DC                     | 0.50% for first 30 days or part thereof<br>0.10% for each additional 30 days or part thereof, minimum \$125  |

All opening commission, together with full cable charges of \$50 are payable in full at the time of issuance of DC.

**b) Amendments**

Amendments \$75 per amendment  
 For increased amounts, extension of validity or changes in usance a)(I.)/(II.) shall apply, minimum \$75.

All amendment fees, together with cable charges of \$50 are payable in full at the time of amendment except when same is payable by beneficiary.

**c) Discrepant documents** \$100 flat (COLLECTED FROM BENEFICIARY OVERSEAS. Should not be included in our facility letters to import clients).

**d) Drawing commission (payment commission)** 0.1%, minimum \$50 per drawing

**e) Shipping guarantees** \$100 the first 30 days  
\$50 each additional 30 days

**f) Out-of-pocket expenses** To be reimbursed as applicable.

**Export Documentary Credit**

**a) Advising fee** \$75 flat

**b) Amendment advising commission** \$75 flat

**c) Transfer Issuing Fee Amendment** 0.20% flat, minimum \$250  
**\$100**  
**For increased amounts, additional issuing fee shall apply, minimum \$75.**

All transfer issuing and amendment fees, together with cable charges of \$50 are payable in full at the time of issuance and amendment.

**d) Negotiation fee** 0.125% on value of drawing, minimum \$150

**e) Confirmation fee** Subject to country and bank risk, availability and premiums are at the discretion of the Bank, standard 0.125% per month (1.5% per annum), minimum \$250 (RM's should contact Trade Sales Reps or Center for advice).

**f) Acceptance commission** Subject to country and bank risk, availability and premiums are at the discretion of the Bank, standard 0.125% per month, minimum \$250. (RM's should contact Trade Sales Reps or Center for advice).

**g) Discrepant documents** \$75 flat (for documents requiring re-checking after first presentation).

**h) Discounting interest (bills purchased)** Subject to country and bank risk availability and premiums are at the discretion of the Bank, minimum spread is 1.0% per annum over appropriate USDLIBOR/COF rate. Minimum 14 days transit interest applicable on sight bills. (RM's should contact Trade Sales Reps or Centre for advice).

**i) Assignment of proceeds (letter of direction)** 0.10% on assigned value, minimum \$200.

**j) DC Non-Utilization fee** \$75 flat (payable at expiry)

**k) Out-of-pocket expenses** To be reimbursed as applicable.

**Documentary Collection (under Provisions of ICC 522)**

**a) Inward documentary collection** Documentary either D/P or D/A 0.25% minimum \$100.  
Cables: \$40 per cable.

**b) Outward documentary collection** Documentary either D/P or D/A : 0.25%, minimum \$100.  
Cable: \$40 per cable.

**c) Endorsement fee** \$100 flat for adding endorsement to transport documents to facilitate the release of shipment.

**d) Avalize/Guarantee payment** 0.175% every 30 days, minimum \$150 per quarter.

**e) Clean collections** 0.10%, min. \$25, when paid plus out-of-pocket expenses.

**f) Out-of-pocket expenses** To be reimbursed as applicable.

**TAB D**



Exhibit "D" to the Affidavit of Stephen G. Wayland,  
sworn before me this 23<sup>rd</sup> day of January, 2017

*Diuc*

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Commissioner for Taking Affidavits, etc.



MINI OFFER 2.  
503-217-020



July 29, 2015

**PRIVATE & CONFIDENTIAL**

**2Source Manufacturing Inc.**

5261 Bradco Blvd.  
Mississauga, ON  
L4W 2A6

**Attention: Mr. Robert Glegg, President**

Dear Sir:

HSBC Bank Canada (the "**Bank**") is pleased to offer the following amended credit facilities (the "**Loans**") on the terms and conditions set out below. The terms and conditions contained in the Schedule are incorporated by reference into and form an integral part of this Facility Letter (the "**Facility Letter**"). This Facility letter, upon acceptance, shall supersede all previous facility letters issued by the Bank.

**BORROWER**

2Source Manufacturing Inc. (the "**Borrower**").

1. **OPERATING LOAN**

1.1 **Amount:**

CAD 4,250,000 (increased from CAD 3,250,000) demand revolving loan (the "**Operating Loan**").

1.2 **Purpose:**

To assist in financing the day-to-day operating requirements of the Borrower.

1.3 **Availability:**

Available by way of account overdraft following satisfaction of the Conditions Precedent. All of the Operating Loan shall also be available by way of U.S. dollar advances. CAD 500,000 of the Operating Loan shall also be available by way of letters of guarantee issued on behalf of the Borrower, for maximum terms of one year. The Borrower shall ensure that the amount advanced and outstanding under the Operating Loan shall at no time exceed the Margin Requirement as calculated by the Bank described below.

1.4 **Repayment**

All amounts outstanding under the Operating Loan shall be repaid on demand by the Bank and, unless and until otherwise demanded, interest shall be paid at the rates set out below and in the manner provided in the attached Schedules. Letters of guarantee shall be retired when due and reimbursed immediately when drawn.

1.5 **Interest**

At the Borrower's option, exercisable by the delivery of the Required Notice, at:

- a. The Bank's Prime Rate plus 0.75% per annum;
- b. The Bank's U.S. Base Rate plus 0.75% per annum;



1.6 Fees

The Borrower shall pay to the Bank:

- a. On the last day of each month, an administration fee of CAD 250;
- b. An annual review fee equal to CAD 5,000;
- c. At the time of issuance of each letter of guarantee, a fee equal to 2.5% per annum calculated against the face amount and over the term of the letter of guarantee.
- d. A standby fee is payable by the Borrower on the Business Day following the last day of each month in an amount equal to the difference between the Overdraft credit limit and the outstanding under the Overdraft at 25 bps, calculated daily and payable monthly in arrears.
- e. An amendment fee of CAD 5,000.

2. IMPORT LOAN  
Sub-limit of Operating Loan

2.1 Amount

CAD 500,000 import line (the "Import Loan").

2.2 Purpose:

To assist in financing the Borrower's or its affiliates' import requirements.

2.3 Availability

Available following satisfaction of the Conditions Precedent, by issuance of sight or usance documentary credits with a maximum terms of 180 days and usance period of 90 days. The Borrower shall ensure that the amount outstanding under the Import Loan shall at no time exceed the Margin Requirement as calculated by the Bank described below.

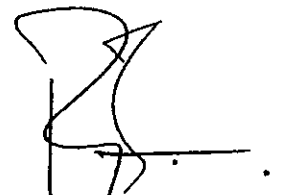
2.4 Repayment

All amounts paid by the Bank under the Import Loan, together with interest, shall be repaid by the Borrower and all liabilities of the Bank arising under the Import Loan, together with interest, shall be satisfied by the Borrower on demand by the Bank and, unless and until otherwise demanded, drawings shall be paid by the Borrower as they become due.

2.5 Interest and Fees

Fees for collections and for documentary credits shall initially be payable as set out in the attached Schedule 2, but shall vary as stipulated by the Bank following its periodic review of the Import Loan.

Interest on any amount drawn under the Import Loan in Canadian dollars or U.S. dollars shall be payable at the rate and in the manner set out in items 1.5 (a) or (b), respectively, under the "Interest" section above relating to the Operating Loan. Any amounts drawn under the Import Loan in any other currency shall be converted to Canadian dollars and interest shall be payable at the rate and in the manner set out in the said item 1.5 (a).



3. **CAPITAL LEASE LOAN**

3.1 **Amount**

CAD 214,000 lease line (the "Lease Facility").

3.2 **Purpose**

To assist in financing the acquisition of capital assets by the Borrower. The Lease Facility shall be subject to and governed by the Bank's Leasing Department's concurrence and offer letter.

3.3 **Availability**

Available to finance 100% of the invoice cost of capital assets deemed satisfactory to the Bank.

3.4 **Repayment**

Leases may be structured on a capital or operating basis, for a maximum rental period of up to 60 months with fixed monthly payments for the term of the lease. The amount of the Lease Facility repayments shall be determined at the time of each individual lease.

3.5 **Interest**

Exercisable by the giving of the Required Notice, at the Bank's Fixed Rate per annum, subject to availability;

4. **FOREIGN EXCHANGE HEDGING FACILITY**

4.1 **Amount:**

USD 1,500,000 Foreign Exchange Hedging Facility (the "Foreign Exchange Loan").

4.2 **Purpose**

To purchase foreign forward exchange contracts for major currencies identified by the Bank up to an aggregate of USD 10,000,000 or certain other currencies approved by the Bank up to an aggregate of USD 10,000,000, with a maximum maturity of 12 months, in order to hedge against currency fluctuations.

4.3 **Availability:**

Available following satisfaction of the Conditions Precedent. The Borrower shall ensure that the Foreign Exchange Percentage of the aggregate face amount of outstanding forward foreign exchange contracts at no time exceeds the amount of the Foreign Exchange Loan set out in the above "amount". For the purpose of this Facility Letter, "Foreign Exchange Percentage" means the notional risk percentage established and recorded by the Bank from time to time based on the Bank's assessment of the foreign exchange market, and which is 15% as at the date of this Facility Letter.

4.4 **Repayment**

All liabilities of the Bank under forward foreign exchange contracts shall be satisfied by the Borrower on demand by the Bank and, unless and until otherwise demanded, the contracts shall be fulfilled by the Borrower as they fall due.

5. **MASTERCARD LOAN**

5.1 **Amount**

CAD 15,000 MasterCard Limit ("MC")

5.2 **Purpose**

Available to issue business expense cards for employees of the Borrower.

5.3 **Availability**

Available by way of MasterCard credit cards in the name of key employees of the company.

5.4 **Repayment**

All amounts outstanding under the MC shall be repaid on demand by the Bank and, unless and until otherwise demanded, as per the MasterCard agreement between MasterCard and the Borrower.

5.5 **Interest**

As per the MasterCard agreement between MasterCard and the Borrower.

6. **MARGIN REQUIREMENT**

In addition to ensuring that no Loan exceeds its loan amount, as set out in this Facility Letter, the Borrower shall ensure that the aggregate Canadian Dollar Equivalent of:

- a. the amount advanced and outstanding under the Operating Loan; plus
- b. 25% of the aggregate face amount of documentary credits issued but not accepted under the Import Loan; plus
- c. 100% of the aggregate face amount of all other documentary credits issued and outstanding under the Import Loan including accepted documentary credits under usance terms; plus
- d. 100% of LGs issued under the Operating Loan; plus
- e. 100% of the amount outstanding under the Lease Facility;

shall at no time exceed the Margin Requirement, being the aggregate of:

- f. 90% of under 90 day EDC Insured Accounts Receivables (or another acceptable insurer); plus
- g. 100% of Forced Sale Value of equipment (CAD 1,638,000 per appraisal dated June 19, 2015); plus
- h. 100% of cash, credit balances and deposit instruments over which the Bank has a prior security interest and are currently on hand at the Bank; less
- i. Priority Claims.

7. SECURITY

7.1 Security Documents

The liability, indebtedness and obligations of the Borrower under the Loans and this Facility Letter shall be evidenced, governed and secured, as the case may be, by the following documents (the "Security Documents") completed in form and manner satisfactory to the Bank's or its solicitors:

**On hand**

- a. line of credit by way of current account overdraft in CAD and USD agreement executed by the Borrower;
- b. the Bank's standard application and indemnity agreement with respect to the issuance of letters of guarantee, executed by the Borrower;
- c. General Security Agreement creating a first priority security interest in all present and after acquired personal property of the Borrower and a floating charge over all of the Borrower's present and after acquired real property;
- d. assignment / endorsements by the Borrower to the Bank of all risk insurance amounts and from an insurer acceptable to the Bank, on all of the Borrower's real and personal property including, without limitation, lands, buildings, equipment and inventory owned by the Borrower, showing the Bank as first loss payee by way of standard mortgage endorsement, such policy to include business interruption and public liability insurance;
- e. general Assignment of Book Debts creating a first priority assignment of all the Borrower's debts and accounts;
- f. the Bank's standard documentation in connection with its issuance of documentary credits including a trade financing general agreement, executed by the Borrower (Import Loan);
- g. agreement for Foreign Exchange Contracts executed by the Borrower;
- h. assignment and Postponement of claim by 2006905 Ontario Inc. of all present and future amounts outstanding to them by the Borrower limited to \$4,127,786;
- i. priorities Agreement between 852044 Ontario Inc., 2006905 Ontario Inc. and the Bank providing the Bank a first charge position on all assets of the Borrower;
- j. security Agreement over cash, credit balances and deposit instruments executed by the Borrower;
- k. MasterCard Indemnity executed by the Borrower;
- l. master Lease Agreement executed by the Borrower;
- m. all supporting certificates and opinions as the Bank may reasonably require;
- n. Such other documents as the Bank may reasonably request in order to register or otherwise perfect the documents listed above.

7.2 Registration:

The Security Documents will be registered in all jurisdictions and at all registries or public office as the Bank may determine necessary or beneficial to perfect or protect its interest under the Security Documents. The Security Documents shall rank in priority to all other mortgages, charges, liens, encumbrances and security interests unless otherwise specifically agreed to in writing by the Bank.

**8. BORROWER'S COVENANTS AND CONDITIONS**

The Borrower covenants and agrees with the Bank that, so long as any portion of the Loan(s) or any indebtedness or liabilities of the Borrower under this Facility Letter remain outstanding, it shall not, without the prior written consent of the Bank:

- a. Permit its ratio of debt to tangible net worth ("TNW") to at any time exceed 2.5 to 1.0

TNW is defined as the aggregate of paid in capital, retained earnings, and postponed shareholder loans less any assets deemed intangible by the Bank, which shall include, but not be limited to goodwill and any non-arms length accounts receivables or loans to affiliated companies, and SR&ED claims declined by Revenue Canada.

Debt is the total liabilities less postponed loans plus the principal portion of non-realty operating lease obligations.

- b. Permit its ratio of current assets to current liabilities to at any time to be less than 1.1 to 1.0;

Current Ratio is defined as total current assets divided by total current liabilities. Current assets shall exclude advances to affiliate companies or companies under the same management. SR&ED claims declined by Revenue Canada will be deducted from current assets.

The Borrower agrees that the foregoing financial tests shall be calculated monthly by the Bank using audited financial statements of the Borrower or with such other statements as the Bank may agree to use from time to time.

**9. OTHER CONDITIONS**

The Bank's prior written consent is required for the following:

- a. Any purchase or sale of assets outside the ordinary course of business;
- b. Granting of additional encumbrances or incurrence of additional funded indebtedness;
- c. Changes in ownership or corporate structure of the Borrower;
- d. Declaration of any dividend or distributions.

**10. FINANCIAL STATEMENTS AND REPORTS**

The Borrower shall deliver to the Bank the following:

- a. Monthly within 30 days of each calendar month end:
- i. Aged list of Accounts Receivable and Accounts Payable of the Borrower;
- ii. Internally-prepared profit and loss statements and balance sheet for the Borrower;
- iii. Statement signed by a senior officer of the Borrower setting out the calculation of the Acceptable Receivables as at the preceding month end;

- b. Quarterly, within 45 days of period end:
  - i. Evidence of EDC Receivable Insurance paid.
- c. Annually, within 90 days of the Borrower's fiscal year end:
  - i. Audited financial statements for the Borrower;
  - ii. *Pro-forma* financial statements, cash flow statement and budget for the following fiscal year of the Borrower;
  - iii. Annual appraisal of Property, Plant & Equipment from an HSBC approved valuation firm.
- d. Such additional financial statements and information as and when requested by the Bank.

**11. REPRESENTATIONS AND WARRANTIES**

The Borrower represents, warrants and covenants that as at the time of each drawing under or other utilization of the Loans:

- a. it has been duly incorporated and organized, is subsisting and is entitled to conduct its business in all jurisdictions in which it carries on business or has assets;
- b. the execution of the Facility Letter and the Security Documents and the incurring of liability and indebtedness to the Bank does not and will not contravene:
  - i. any Legal Requirement applicable to the Borrower; or
  - ii. any provision contained in any other loan or credit agreement or borrowing instrument or contract to which the Borrower is a party;
- c. the Facility Letter and the Security Documents to which it is a party have been duly authorized, executed and delivered by the Borrower, and constitute valid and binding obligations of the Borrower, and are enforceable in accordance with their respective terms;
- d. all necessary Legal Requirements have been met and all other authorizations, approvals, consents and orders have been obtained with respect to the Loans and the execution and delivery of the Security Documents.

The Borrower also represents and warrants to the Bank that all financial and other information provided to the Bank in connection with the Loans is true, accurate and complete, and acknowledges that the offer of credit contained in the Facility Letter is made in reliance on the truth and accuracy of this information and the above representations and warranties.

**12. NON-MERGER AND NON-ASSIGNMENT**

This Facility Letter shall, on execution by the Borrower, replace all previous facility letters from the Bank to the Borrower with respect to the Loans. Any existing loan to the Borrower shall be modified, not refinanced, without novation of the Borrower's existing credit facilities or obligations, by virtue of the Facility Letter unless otherwise provided in the Facility Letter. The terms and conditions of the Facility Letter shall not be merged by and shall survive the execution of the Security Documents. In the event of a conflict between the terms of this Facility Letter and the terms of the Security Documents, the terms of this Facility Letter shall prevail. The benefits conferred by this Facility



Letter shall enure to the benefit of the Bank and its successors and assigns, and may not be assigned by the Borrower.


**13. PERIODIC REVIEW AND CANCELLATION**

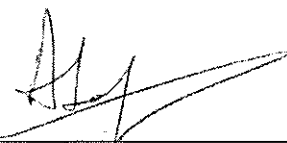
Without limiting the Bank's right to demand repayment of the Loans at any time, the Loans shall be subject to periodic review by the Bank as and when determined by the Bank in its discretion. Any unadvanced portion of the Loans shall be automatically cancelled upon demand being made by the Bank for repayment of the amount outstanding under the Loans. The Loans under this Facility Letter are uncommitted and, notwithstanding any other provision of this Facility Letter, the Bank may, at any time, in its sole discretion, (i) on same day notice to the Borrower, terminate the Borrower's right to make requests for the Loans hereunder, and (ii) even if the amounts available under the Loans has not terminated, decline any request for the Loans.

**14. Acceptance**

The terms and conditions of this Facility Letter may be accepted by signing, dating and returning the enclosed duplicate copy of this Facility Letter signed by each Borrower to the Bank by 5:00 p.m. on August 7, 2015. Failing such acceptance, this offer shall be of no further force or effect.

Yours truly,  
HSBC BANK CANADA

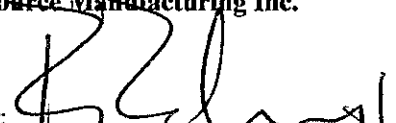
  
\_\_\_\_\_  
Ida Noohi  
Senior Relationship Manager  
Corporate Banking

  
\_\_\_\_\_  
Aditya Sapru  
Senior Director & Team Lead  
Corporate Banking

The undersigned hereby acknowledges and agrees to the terms and conditions of this Facility Letter this 30<sup>TH</sup> day of JULY, 2015.

**THE BORROWER:**

2Source Manufacturing Inc.

Per:   
\_\_\_\_\_  
ROBERT GLEGG, CEO, 2SOURCE MANUFACTURING, INC.

Per: \_\_\_\_\_

**SCHEDULE TO FACILITY LETTER  
FROM HSBC BANK CANADA  
TO 2SOURCE MANUFACTURING INC.  
DATED JULY 29, 2015**

This Schedule shall form part of the Facility Letter and the Loans as described in the Facility Letter shall also be subject to the following terms and conditions:

**I. Definitions**

For the purpose of the Facility Letter, the following terms shall have the meanings indicated below:

**"Acceptable Inventory"** means the value, determined by the Bank from its review of the most recent financial statements and inventory declaration provided by the Borrower, based on the lower of cost and fair market value of all materials owned by the Borrower for resale or for production of goods for resale, excluding work in progress, and over which the Bank holds a first mortgage, first ranking transfer or first security interest, subject only to Priority Claims;

**"Acceptable Receivables"** means the aggregate of accounts receivable of the Borrower, determined by the Bank from the most recent financial statements and aged list of accounts receivable of the Borrower, over which the Bank holds a first assignment or first security interest, subject only to Priority Claims, from customers approved by the Bank and which have been outstanding for not more than 90 days, from which shall be excluded accounts receivable from affiliated corporations and accounts which are disputed by the Borrower's customers or are subject to set-off;

**"Bank's Fixed Rate"** means the annual fixed rate of interest offered by the Bank and accepted by the Borrower for the requested funds for a period of 30, 60, 90, or 180 days or 1, 2, 3, 4 or 5 years, as selected by the Borrower (but maturing not later than the final date for payment of the subject Loans, in any event;

**"Bank's Prime Rate"** means the variable annual rate of interest established and adjusted by the Bank from time to time as a reference rate for purposes of determining rates of interest it will charge on loans denominated in Canadian dollars and which was 2.70% on July 29, 2015;

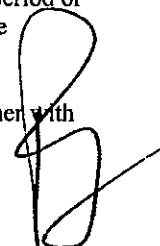
**"Bank's U.S. Base Rate"** means the variable annual rate of interest established and adjusted by the Bank from time to time as a reference rate for purposes of determining rates of interest it will charge on loans denominated in United States dollars in Canada based on a year of 360 days, and which was 3.75% on July 29, 2015;

**"Business Day"** means a day upon which the Bank is open for business in the branch first above written;

**"Canadian Dollar Equivalent"** means at any time on any date in relation to any amount in a currency other than Canadian dollars, the amount of Canadian dollars required for the Borrower to purchase that amount of such other currency at the rate of exchange quoted by the Bank at or about 8:00 a.m. Pacific time on such date, including all premiums and costs of exchange;

**"Compensating Amount"** means an amount determined by the Bank to be the net cost, if any, incurred by the Bank as a direct result of the repayment of all or a portion of a Loan accruing interest at the Bank's Fixed Rate or based on LIBOR, on a date other than the expiration of the selected interest period or LIBOR Period, respectively, including, without limitation, the loss or expense sustained or incurred by the Bank relating to such payment based on the rate at which the Bank can lend the amount prepaid into the wholesale market for balance of the said interest period or LIBOR Period. A certificate of a manager or account manager of the Bank shall, absent manifest error, be conclusive evidence of the Compensating Amount from time to time;

**"Facility Letter"** means the letter from the Bank to the Borrower to which this Schedule is attached, together with this Schedule, and includes all amendments and replacements thereof;



"Foreign Exchange Percentage" shall have the meaning set out in under paragraph [4.3] of this Facility Letter.

"Governmental Authority" means any governmental, legislative, or regulatory authority, agency, commission, board or court, tribunal or other law, regulation or rule making entity having or purporting to have jurisdiction on behalf of any nation, province, or city;

"Insured Receivables" means those accounts receivable of the Borrower insured for payment by Export Development Canada or similar insurer approved by the Bank;

"Legal Requirement" means all laws, statutes, codes, ordinances, orders, awards, judgments, decrees, injunctions, rules, regulations, authorizations, consents, approvals, orders, permits, franchises, licences, directions and requirements of any Governmental Authority or otherwise;

"Priority Claims" means any lien, claim, charge, security interest, trust claim, right or encumbrance of any Governmental Authority or other party (whether arising under any statute, law, contract or otherwise) having priority over the Security Documents and the mortgage, charge and security interest of the Bank in any of the inventory or accounts receivable of the Borrower.

"Required Notice" means a notice in form and content approved by the Bank given to the branch of the Bank referred to above not later than 10:30 a.m. local time three Business Days immediately preceding the date on which:

- (a) an advance is to be made;
- (b) a rollover is to be made from one interest option to another;
- (c) a banker's acceptance is to be issued for acceptance by the Bank; or
- (d) a documentary credit or LC is to be issued by the Bank;

as the case may be, stating the date, amount and term of the requested advance or rollover, or particulars of the banker's acceptance or letter of credit.

With respect to the foregoing, a certificate of a manager or account manager of the Bank shall be *prima facie* evidence of the Bank's Fixed Rate, the Bank's Prime Rate, the Bank's U.S. Base Rate and LIBOR, from time to time.

## II. Representations and Warranties

If a corporation, the Borrower represents and warrants, as at the time of drawing under or other utilization of the Loans, that:

- (a) it has been duly incorporated and organized, is properly constituted, is in good standing and is entitled to conduct its business in all jurisdictions in which it carries on business or has assets;
- (b) the execution of the Facility Letter and the Security Documents and the incurring of liability and indebtedness to the Bank does not and will not contravene:
  - (i) any Legal Requirement applicable to the Borrower; or
  - (ii) any provision contained in any other loan or credit agreement or borrowing instrument or contract to which the Borrower, is a party;

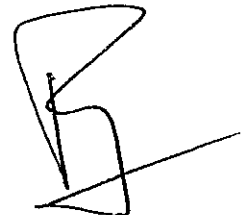
- (c) the Facility Letter and the Security Documents to which it is a party have been duly authorized, executed and delivered by the Borrower, and constitute valid and binding obligations of the Borrower and are enforceable in accordance with their respective terms;
- (d) all necessary Legal Requirements have been met and all other authorizations, approvals, consents and orders have been obtained with respect to the Loans and the execution and delivery of the Security Documents.

The Borrower also represents and warrants to the Bank that all financial and other information provided to the Bank in connection with the Loans is true and accurate, and acknowledges that the offer of credit contained in the Facility Letter is made in reliance on the truth and accuracy of this information and the above representations and warranties.

**III. Interest, Fees Payment and Rights**

- (a) Interest on the daily balance of the principal amount advanced under the Loans and remaining unpaid from time to time shall be payable by the Borrower as set out in the Facility Letter both before and after demand, maturity, default and judgment;
- (b) In the case of interest at the Bank's Fixed Rate, based on the Bank's Prime Rate and the Bank's U.S. Base Rate, interest shall be compounded and payable on the last day of each month;
- (c) If the Borrower repays any portion of the Loans accruing interest at the Bank's Fixed Rate or based on LIBOR on a date other than the expiration of the selected interest period or LIBOR Period, as the case may be, whether as a result of a demand for repayment by the Bank or otherwise, it shall also concurrently pay to the Bank the greater of:
  - (i) three months' interest on the portion prepaid at the Bank's Fixed Rate or based on the applicable rate above LIBOR, as the case may be; and,
  - (ii) the applicable Compensating Amount;
- (d) Interest based on the Bank's U.S. Base Rate and on LIBOR shall be computed on the basis of a year of 360 days and for actual days that the amounts are outstanding under the Loans on this basis. For the purpose of the Interest Act, the annual rate of interest to which interest computed on the basis of a year of 360 days is equivalent is the rate of interest as provided in the Facility Letter multiplied by the number of days in such year and divided by 360;
- (e) Loan(s) made available at the Bank's Fixed Rate or based on LIBOR, and banker's acceptances, shall be drawn in the minimum amount of CAD 500,000 and integral multiples of CAD 100,000 for periods of one, two, three, four, five or six months in the case of banker's acceptances;
- (f) Upon the expiration of a LIBOR Period, the term during which interest is accruing at the Bank's Fixed Rate, or on payment by the Bank on the maturity of a banker's acceptance, unless another interest rate option is selected by the Borrower, interest shall accrue at the applicable rate in the Facility Letter based on the Bank's Prime Rate or the Bank's U.S. Base Rate, as the case may be, depending on whether the funds are outstanding in Canadian or United States dollars;
- (g) In addition to the fees previously described in other portions of the Facility Letter, the Borrower shall also pay to the Bank:
  - (i) a fee of CAD 5 for each cheque of the Borrower which is honoured by the Bank, in its discretion, in excess of the authorized amount of the Loans;

- (h) The fees collected by the Bank shall be its property as consideration for the time, effort and expense incurred by it in the review and administration of documents and financial statements, and the Borrower acknowledges and agrees that the determination of these costs is not feasible and that the fees set out in the Facility Letter represent a reasonable estimate of such costs;
- (i) Any amounts which become payable to the Bank under the Facility Letter or the Security Documents and which are not paid when due shall accrue interest and be payable from the due date at the Bank's Prime Rate plus 3% per annum, compounded monthly and payable on the last day of each month, both before and after demand, maturity, default and judgment, if no other interest rate is expressed for such amounts;
- (j) All payments by the Borrower to the Bank shall be made at the address of the branch of the Bank set out on the first page of the Facility Letter or at such other place as the Bank may specify in writing from time to time. Any payment delivered or made to the Bank by 1:00 p.m. local time at the place where such payment is to be made shall be credited as of that day, but if made afterwards shall be credited as of the next day on which the said branch is open for business;
- (k) Notwithstanding anything to the contrary contained in the Facility Letter, the Bank may, in its discretion, make an advance under the Loans to pay any unpaid interest or fees which have become due under the terms of the Facility Letter;
- (l) The Borrower acknowledges that the actual recording of the amount of any advance or repayment thereof under the Loans, and interest, fees and other amounts due in connection with the Loans, in an account of the Borrower maintained by the Bank shall constitute *prima facie* evidence of the Borrower's indebtedness and liability from time to time under the Loans; provided that the obligation of the Borrower to pay or repay any indebtedness and liability in accordance with the terms and conditions of the Loans shall not be affected by the failure of the Bank to make such recording. The Borrower also acknowledges being indebted to the Bank for principal amounts shown as outstanding from time to time in the Bank's account records, and all accrued and unpaid interest in respect of such amounts, in accordance with the terms and conditions of this Facility Letter;
- (m) The obligation of the Borrower to make all payments under the Facility Letter and the Security Documents shall be absolute and unconditional and shall not be limited or affected by any circumstance, including, without limitation:
  - (i) any set-off, compensation, counterclaim, recoupment, defence or other right which the Borrower may have against the Bank or anyone else for any reason whatsoever; or
  - (ii) any insolvency, bankruptcy, reorganization or similar proceedings by or against the Borrower;
- (n) In addition to and not in limitation of any rights now or hereafter available to the Bank whether applicable law or arising in the Security Documents, the Bank is authorized, at any time and from time to time, upon delivery of written notice to the Borrower to set-off and appropriate and to apply any and all deposits (general and special) and any other indebtedness at any time held by or owing by the Bank to or for the credit of the Borrower against and on account of the obligations and liabilities of the Borrower to the Bank under this Facility Letter. The Bank agrees to provide written notice of the exercise of any of the rights under this section immediately after the exercise of such rights;
- (p) The remedies, rights and powers of the Bank under this Facility Letter, the Security Documents and at law and in equity are cumulative and not alternative and are not in substitution for any other remedies, rights or powers of the Bank and no delay or omission in exercise of such remedy, right, or power shall exhaust such remedies, rights or powers or be construed as a waiver of any of them.



**IV. Conditions Precedent**

In addition to the Conditions Precedent previously set out, it shall also be a condition precedent to the initial advance and continued availability of the Loans that the Bank shall have received:

- (a) The Security Documents completed and, where necessary, registered in form and manner satisfactory to the Bank's solicitors;
- (b) Satisfactory banker's and/or other agency reports on the financial position of the Borrower and such customers of the Borrower as the Bank may specify from time to time;
- (c) Verification of insurance arranged by the Borrower conforming to the Bank's requirements;
- (d) If deemed necessary by the Bank, an environmental questionnaire, including site profile [ in applicable provinces], and environmental site investigation report for the Lands prepared by an environmental consultant satisfactory to the Bank, in each case in form and content acceptable to the Bank;
- (e) confirmation that the Borrower is in compliance with each of the terms and conditions of the Facility Letter.

**V. Borrower's Covenants and Conditions**

In addition to the conditions previously set out, the following conditions shall apply until the Loan(s) are repaid in full and cancelled:

- (a) The Borrower shall not, without the prior written consent of the Bank:
  - (i) grant or allow any lien, charge, security interest, privilege, hypothec or other encumbrance, whether fixed or floating, to be registered against or exist on any of its assets and in particular, without limiting the generality of the foregoing, shall not grant a trust deed or other instrument in favour of a trustee;
  - (ii) become guarantor or endorser or otherwise become liable upon any note or other obligation other than in the normal course of business of the Borrower;
  - (iii) declare or pay dividends on any class or kind of its shares, repurchase or redeem any of its shares or reduce its capital in any way whatsoever or repay any shareholders' advances [if any of the above were to place the Borrower in breach of their financial covenant(s) or would breach the Assignment and Postponement described in Section 7.1 (i) above];
  - (iv) amalgamate with or permit all or substantially all of its assets to be acquired by any other person, firm or corporation or permit any reorganization or change of control of the Borrower;
  - (v) permit any property taxes or strata fees to be past due at any time.
- (b) The Bank shall have the right to waive the delivery of any Security Documents or the performance of any term or condition of the Facility Letter, and may advance all or any portion of the Loan(s) prior to satisfaction of any of the Conditions Precedent, but waiver by the Bank of any obligation or condition shall not constitute a waiver of performance of such obligation or condition in the future;
- (c) All financial terms and covenants shall be determined in accordance with generally accepted accounting principles, applied consistently;

- (d) If the amount outstanding under any Loan in Canadian dollars plus the Canadian Dollar Equivalent of the amount outstanding under any Loan in a currency other than Canadian dollars at any time exceeds the amount authorized under that Loan, the Bank may, from time to time, in its sole discretion:
- (i) limit the further utilization of that Loan;
  - (ii) convert all or part of the amount outstanding under that Loan to Canadian Dollars in which event, interest shall accrue and be paid on such converted amounts at the rate set out in the Facility Letter for Canadian dollar advances accruing interest with reference to the Bank's Prime Rate. If no such rate is set out in the Facility Letter, interest shall accrue on the amount so converted at the Bank's Prime Rate plus 3% per annum, compounded monthly and payable on the last day of each month, both before and after demand, maturity, default and judgment, until paid;
  - (iii) require the Borrower to pay off the excess;
- (e) The Borrower shall indemnify the Bank against any loss incurred by it as a result of any judgment or order being given or made for the payment of any amount due under the Facility Letter or the Security Documents, where:
- (i) such judgment or order is expressed and paid in a currency (the "Judgment Currency") other than the currency of an outstanding loan (the "Loan Currency"); and
  - (ii) there is a variation between:
    - a) the rate of exchange at which the Loan Currency amount is converted into the Judgment Currency for the purposes of such judgment or order, and
    - b) the rate of exchange at which the Bank is able to purchase the Loan Currency with the amount of the Judgment Currency when actually received by the Bank.

The foregoing indemnity shall constitute a separate and independent obligation of the Borrower and shall apply irrespective of any indulgence granted to the Borrower from time to time, and shall continue in full force and effect notwithstanding any such judgment or order as aforesaid. The term "rate of exchange" shall include any premiums and costs of exchange payable in connection with the purchase of, or conversion into, the relevant currency.

**VI. Environmental Matters**

- (a) To the best of the Borrower's knowledge after due and diligent inquiry, no regulated, hazardous or toxic substances are being stored on any of the Borrower's lands, facilities or premises (the "Premises") or any adjacent property, nor have any such substances been stored or used on the Premises or in the Borrower's business or any adjacent property prior to the Borrower's ownership, possession or control of the Premises. The Borrower agrees to provide written notice to the Bank immediately upon the Borrower becoming aware that the Premises or any adjacent property are being or have been contaminated with regulated, hazardous or toxic substances. The Borrower shall not permit any activities on the Premises which directly or indirectly could result in the Premises or any other property being contaminated with regulated, hazardous or toxic substances. For the purposes of the Facility Letter, the term "regulated, hazardous or toxic substances" means any substance, defined or designated as hazardous or toxic wastes, hazardous or toxic material, a hazardous, toxic or radioactive substance or other similar term, by any applicable federal, provincial or local statute, regulation or ordinance now or in the future in effect, or any substance or materials, the use or disposition of which is regulated by any such statute, regulation or ordinance;

- (b) The Borrower shall promptly comply with all statutes, regulations and ordinances, and with all orders, decrees or judgments of governmental authorities or courts having jurisdiction, relating to the use, collection, storage, treatment, control, removal or cleanup of regulated, hazardous or toxic substances [in the Borrower's business] or in, on, or under the Premises or in, on or under any adjacent property that becomes contaminated with regulated, hazardous or toxic substances as a result of construction, operations or other activities on, or the contamination of, the Premises, or incorporated in any improvements thereon. The Bank may, but shall not be obligated to, enter upon the Premises and take such actions and incur such costs and expenses to effect such compliance as it deems advisable and the Borrower shall reimburse the Bank on demand for the full amount of all costs and expenses incurred by the Bank in connection with such compliance activities;
- (c) The assets of the Borrower which are now or in the future encumbered by the Security Documents are hereby further mortgaged and charged to the Bank, and the Bank shall have a security interest in such assets, as security for the repayment of such costs and expenses and interest thereon, as if such costs and expenses had originally formed part of the Loan(s).

**VII. Bank Visits**

Representatives of the Bank shall be entitled to attend at the Borrower's business premises and to view all financial records of the Borrower at any time, on reasonable notice.

**VIII. Legal and Other Expenses**

The Borrower shall pay all reasonable legal fees and disbursements (on a solicitor and own client basis) in respect of the Loans, the preparation, issue and registration of the Security Documents, the enforcement and preservation of the Bank's rights and remedies under this Facility Letter and the Security Documents, and all reasonable fees and costs relating to appraisals, insurance consultation, credit reporting and responding to demands of any government or any agency or department thereof, whether or not the documentation is completed or any funds are advanced under the Loans.

**X. Non-Merger and Non-Assignment**

This Facility Letter shall, on execution by the Borrower, replace all previous facility letters from the Bank to the Borrower with respect to the Loans. Any existing loan to the Borrower shall be modified, not refinanced, without novation of the Borrower's existing facilities or obligations, by virtue of the Facility Letter unless otherwise provided in the Facility Letter. The terms and conditions of the Facility Letter shall not be merged by and shall survive the execution of the Security Documents. In the event of a conflict between the terms of this Facility Letter and the terms of the Security Documents, the terms of this Facility Letter shall prevail to the extent of such conflict.

The benefits conferred by this Facility Letter shall enure to the benefit of the Bank and its successors and assigns and shall be binding on the Borrower and its successors and permitted assigns.

The Borrower shall not assign all or any of its rights, benefits or obligations under this Facility Letter without the prior written consent of the Bank.





**XI. Waiver or Variation**

No term or condition of the Facility Letter or any of the Security Documents may be waived or varied verbally or by any course of conduct of any officer, employee or agent of the Bank. All waivers must be in writing and signed by the waiving party.

Any amendment to the Facility Letter or the Security Documents must be in writing and signed by a duly authorized officer of the Bank.

**XII. Consent and Acknowledgement to Collection, Use and Disclosure of Information**

When it is necessary for providing products and services to the Borrower, the Borrower consents to the Bank obtaining from any credit-reporting agency or from any person any information (including personal information) that the Bank may require at any time. The Borrower also consent to the disclosure at any time by the Bank any information concerning the Borrower to any credit grantor, to any credit reporting agency, or to the Bank's subsidiaries and affiliates. If applicable, the Borrower also authorizes the Bank to release the information contemplated by any builder's lien or similar legislation to all persons claiming a right to such information under such legislation. The Borrower may refuse or withdraw these consents; however this may result in the Bank cancelling or withholding products or services for which these consents are necessary.

**XIII. Time of Essence**


Time shall be of the essence of the Facility Letter.

**XIV. Indemnity**

The Borrower agrees to keep the Bank and its officers, directors, employees, solicitors, agents and affiliates (collectively, the "Bank Group") indemnified against any claim for any damages, losses, costs or expenses (including, without limitation, legal costs on a solicitor and his own client basis) incurred or suffered by any of the Bank Group in relation to this Facility Letter or as a consequence (direct or indirect) of any breach by the Borrower of this Facility Letter, or as a result of an assessment made by any tax authority in respect of any payment made by the Bank to any third party including, without limitation, to the beneficiary of any LC, unless such damage, loss, cost or expense was incurred solely as a direct result of the Bank's gross negligence or wilful misconduct.

**XIV Governing Law**

This Facility Letter and, unless otherwise specified therein, all other documents or instruments delivered in accordance with this Facility Letter shall be governed by and interpreted in accordance with the laws of the Province of Ontario (the "Governing Jurisdiction") and the laws of Canada applicable therein. The Borrower irrevocably submit to the exclusive jurisdiction of the courts in the Governing Jurisdiction.



**FEES FOR COLLECTIONS AND DOCUMENTARY CREDITS**  
[attach and/or modify this schedule as required]

- Note:
1. Out-of-pocket expenses are in addition to the charges outlined.
  - (2) All fees are to be assessed in the currency of the transaction for USD, CAD or EUR transaction. For any other currency, CAD equivalent shall apply.
  - (3) Standard pricing will apply on all other charges not itemized here

**IMPORT DOCUMENTARY CREDITS**

**A. OPENING COMMISSION**

- |       |                                     |   |
|-------|-------------------------------------|---|
| (i)   | Irrevocable D/C's with sight draft  | 0.35% for first 60 days or part thereof.<br>0.10% for each additional 30 days<br>Minimum \$125.   |
| (ii)  | Irrevocable D/C's with Usance Draft | irrevocable D/C opening commission during the pre-acceptance period as in A.(i); PLUS 0.15%, for each 30 days, minimum \$125. Usance period fee to be collected when payment is effected. |
| (iii) | Back to Back D/C                    | same as in A.(i) and (ii), except minimum \$200.  |
| (iv)  | Revolving D/C                       | 0.50% for first 30 days or part thereof;<br>0.10% for each additional 30 days or part thereof, minimum \$125.   |

All opening commission, together with full cable charges of \$50 are payable in full at the time of issuance of D/C.

**B. AMENDMENTS**

- |      |   |
|------|---|
| (i)  | \$75 per amendment.   |
| (ii) | For increased amounts, extension of validity or changes in issuance A.(i)/(ii) shall apply, minimum \$75. |

All amendment fees, together with cable charges of \$50 are payable in full at the time of amendment except when same is payable by Beneficiary.

- |    |                        |  |
|----|------------------------|--|
| C. | DRAWING COMMISSION     | 0.1%, minimum \$50 per drawing.                        |
| D. | SHIPPING GUARANTEES    | \$100 the first 30 days; \$50 each additional 30 days. |
| E. | OUT-OF-POCKET EXPENSES | To be reimbursed as applicable.                        |

**EXPORT DOCUMENTARY CREDIT**

- |    |                      |  |
|----|----------------------|--|
| A. | ADVISING FEE         | \$75 flat  |
| B. | AMENDMENT COMMISSION | \$75 flat  |
| C. | TRANSFER             |  |
|    | Issuing Fee          | 0.20% flat, minimum \$250.   |
|    | Amendment            | \$100<br>For increased amount, additional issuing fee, minimum \$75 shall apply. |

All transfer issuing and amendment fees, together with cable charges of \$50 are payable in full at the time of issuance and amendment.

D. NEGOTIATION FEE 0.125% on face value of D/C, minimum \$150.

E. CONFIRMATION FEE

Subject to country risk and Bank availability and premiums at the discretion of the Bank, minimum 0.125% per month (1.5% per annum), minimum \$250.

F. ACCEPTANCE COMMISSION

Subject to country risk and Bank availability and premiums at the discretion of the Bank, minimum 0.125% per month, minimum \$250.

G. DISCREPANT DOCUMENTS

\$75 flat for documents requiring re-checking after first presentation.

H. ASSIGNMENT OF PROCEEDS (Letter of Direction)

0.10% on assigned value, minimum \$200.

I. DC NON-UTILIZATION FEE \$75 flat (payable at expiry).

J. OUT-OF-POCKET EXPENSES To be reimbursed as applicable.

**DOCUMENTARY COLLECTION (under provisions of ICC Publication 522).**

A. INWARD DOCUMENTARY COLLECTION

Documentary either D/P or D/A: 0.25%, minimum \$100.

Cable: \$40 per cable.

B. OUTWARD DOCUMENTARY COLLECTION

Documentary either D/P or D/A: 0.25%, minimum \$100.

Cable: \$40 per cable.

C. ENDORSEMENT FEE

\$100 flat for adding endorsement to transport documents to facilitate the release of shipment.

D. AVALIZE / GUARANTEE PAYMENT FEE

0.175% every 30 days, minimum \$150 per quarter.

E. CLEAN COLLECTIONS

0.10%, Min. \$25, when paid plus Out-of-Pocket expenses.

F. OUT-OF-POCKET EXPENSES

To be reimbursed as applicable.



# TAB E

Exhibit "E" to the Affidavit of Stephen G. Wayland,  
sworn before me this 23<sup>rd</sup> day of January, 2017



---

Commissioner for Taking Affidavits, etc.



March 15, 2016

PRIVATE & CONFIDENTIAL

2Source Manufacturing Inc.  
5261 Bradco Blvd.  
Mississauga, ON  
L4W 2A6

Attention: Mr. Robert Glegg, President

Dear Sir:

HSBC Bank Canada (the "Bank") is pleased to offer the following amended credit facilities (the "Loans") on the terms and conditions set out below. The terms and conditions contained in the Schedule are incorporated by reference into and form an integral part of this Facility Letter (the "Facility Letter"). This Facility letter, upon acceptance, shall supersede all previous facility letters issued by the Bank.

BORROWER

2Source Manufacturing Inc. (the "Borrower").

1. OPERATING LOAN

1.1 Amount:

CAD 4,250,000 demand revolving loan (the "Operating Loan").

1.2 Purpose:

To assist in financing the day-to-day operating requirements of the Borrower.

1.3 Availability:

Available by way of account overdraft following satisfaction of the Conditions Precedent. All of the Operating Loan shall also be available by way of U.S. dollar advances. CAD 500,000 of the Operating Loan shall also be available by way of letters of guarantee issued on behalf of the Borrower, for maximum terms of **nine months, not to exceed December 31, 2016**. The Borrower shall ensure that the amount advanced and outstanding under the Operating Loan shall at no time exceed the Margin Requirement as calculated by the Bank described below.

1.4 Repayment

All amounts outstanding under the Operating Loan shall be repaid on the earlier of (i) receipt by the Borrower of demand from the Bank, and (ii) December 31, 2016 and, unless and until otherwise demanded, interest shall be paid at the rates set out below and in the manner provided in the attached Schedules. Letters of guarantee shall be retired when due and reimbursed immediately when drawn.

1.5 Interest

At the Borrower's option, exercisable by the delivery of the Required Notice, at:

- a. The Bank's Prime Rate plus 0.75% per annum;
- b. The Bank's U.S. Base Rate plus 0.75% per annum;

HSBC Bank Canada  
70 York Street, Toronto, ON M5J 1S9

1.6 Fees

The Borrower shall pay to the Bank:

- a. On the last day of each month, an administration fee of CAD 250;
- b. An annual review fee equal to CAD 5,000 (annual review fee has already been collected for the fiscal year ending December 31, 2014);
- c. At the time of issuance of each letter of guarantee, a fee equal to 2.5% per annum calculated against the face amount and over the term of the letter of guarantee.
- d. A standby fee is payable by the Borrower on the Business Day following the last day of each month in an amount equal to the difference between the Overdraft credit limit and the amount outstanding under the Overdraft at 25 bps, calculated daily and payable monthly in arrears.
- e. An amendment fee of CAD 5,000.

2. CAPITAL LEASE LOAN

2.1 Amount

CAD 56,947 lease line (the "Lease Facility").

2.2 Purpose

To assist in financing the acquisition of capital assets by the Borrower. The Lease Facility shall be subject to and governed by the Bank's Leasing Department's concurrence and offer letter.

2.3 Availability

Available to finance 100% of the invoice cost of capital assets deemed satisfactory to the Bank.

2.4 Repayment

Leases may be structured on a capital or operating basis, for a maximum rental period of up to 60 months with fixed monthly payments for the term of the lease. The amount of the Lease Facility repayments shall be determined at the time of each individual lease.

2.5 Interest

Exercisable by the giving of the Required Notice, at the Bank's Fixed Rate per annum, subject to availability;

3. FOREIGN EXCHANGE HEDGING FACILITY

3.1 Amount:

USD 1,800,000 Foreign Exchange Hedging Facility (the "Foreign Exchange Loan").

3.2 Purpose



To purchase foreign forward exchange contracts for major currencies identified by the Bank up to an aggregate of USD 10,000,000 or certain other currencies approved by the Bank up to an aggregate of USD 10,000,000, with a maximum maturity of twelve months, in order to hedge against currency fluctuations.

3.3 Availability:

Available following satisfaction of the Conditions Precedent. The Borrower shall ensure that the Foreign Exchange Percentage of the aggregate face amount of outstanding forward foreign exchange contracts at no time exceeds the amount of the Foreign Exchange Loan set out in the above "amount". For the purpose of this Facility Letter, "Foreign Exchange Percentage" means the notional risk percentage established and recorded by the Bank from time to time based on the Bank's assessment of the foreign exchange market, and which is 18% as at the date of this Facility Letter.

3.4 Repayment

All liabilities of the Bank under forward foreign exchange contracts shall be satisfied by the Borrower on receipt by the Borrower of demand from the Bank, unless and until otherwise demanded, the contracts shall be fulfilled by the Borrower as they fall due.

4. MASTERCARD LOAN

4.1 Amount

CAD 15,000 MasterCard Limit ("MC")

4.2 Purpose

Available to issue business expense cards for employees of the Borrower.

4.3 Availability

Available by way of MasterCard credit cards in the name of key employees of the company.

4.4 Repayment

All amounts outstanding under the MC shall be repaid on the earlier of (i) receipt by the Borrower of demand from the Bank, and (ii) December 31, 2016 and, unless and until otherwise demanded, as per the MasterCard agreement between MasterCard and the Borrower.

4.5 Interest

As per the MasterCard agreement between MasterCard and the Borrower.

5. MARGIN REQUIREMENT

In addition to ensuring that no Loan exceeds its loan amount, as set out in this Facility Letter, the Borrower shall ensure that the aggregate Canadian Dollar Equivalent of:

- a. the amount advanced and outstanding under the Operating Loan; plus
- b. 100% of LGs issued under the Operating Loan; plus
- c. 100% of the amount outstanding under the Lease Facility;



shall at no time exceed the Margin Requirement, being the aggregate of:

- d. 90% of under 90 day EDC Insured Accounts Receivables (or another acceptable insurer); plus
- e. 100% of Forced Sale Value of equipment (CAD 1,638,000 per appraisal dated June 19, 2015); plus
- f. between ~~March 15, 2016~~ <sup>FEBRUARY</sup> and December 31, 2016, the lesser of 40% of Acceptable Inventory and CAD 1,000,000; plus
- g. 100% of cash, credit balances and deposit instruments over which the Bank has a prior security interest and are currently on hand at the Bank; less
- h. Priority Claims.

For greater certainty, Acceptable Inventory will not be included in the Margin Requirement after December 31, 2016.

## 6. SECURITY

### 6.1 Security Documents

The liability, indebtedness and obligations of the Borrower under the Loans and this Facility Letter shall be evidenced, governed and secured, as the case may be, by the following documents (the "Security Documents") completed in form and manner satisfactory to the Bank's or its solicitors:

#### On hand

- a. line of credit by way of current account overdraft in CAD and USD agreement executed by the Borrower;
- b. the Bank's standard application and indemnity agreement with respect to the issuance of letters of guarantee, executed by the Borrower;
- c. General Security Agreement creating a first priority security interest in all present and after acquired personal property of the Borrower and a floating charge over all of the Borrower's present and after acquired real property;
- d. assignment / endorsements by the Borrower to the Bank of all risk insurance in amounts and from an insurer acceptable to the Bank, on all of the Borrower's real and personal property including, without limitation, lands, buildings, equipment and inventory owned by the Borrower, showing the Bank as first loss payee by way of standard mortgage endorsement, such policy to include business interruption and public liability insurance;
- e. general Assignment of Book Debts creating a first priority assignment of all the Borrower's debts and accounts;
- f. the Bank's standard documentation in connection with its issuance of documentary credits including a trade financing general agreement, executed by the Borrower (Import Loan);
- g. agreement for Foreign Exchange Contracts executed by the Borrower;
- h. assignment and Postponement of claim by 2006905 Ontario Inc. of all present and future amounts outstanding to them by the Borrower limited to \$4,127,786;

- i. priorities Agreement between 852044 Ontario Inc., 2006905 Ontario Inc. and the Bank providing the Bank a first charge position on all assets of the Borrower;
- j. security Agreement over cash, credit balances and deposit instruments executed by the Borrower;
- k. MasterCard Indemnity executed by the Borrower;
- l. master Lease Agreement executed by the Borrower;
- m. all supporting certificates and opinions as the Bank may reasonably require;
- n. Such other documents as the Bank may reasonably request in order to register or otherwise perfect the documents listed above.

6.2 Registration:

The Security Documents will be registered in all jurisdictions and at all registries or public office as the Bank may determine necessary or beneficial to perfect or protect its interest under the Security Documents. The Security Documents shall rank in priority to all other mortgages, charges, liens, encumbrances and security interests unless otherwise specifically agreed to in writing by the Bank.

7. BORROWER'S COVENANTS AND CONDITIONS

The Borrower covenants and agrees with the Bank that, so long as any portion of the Loan(s) or any indebtedness or liabilities of the Borrower under this Facility Letter remain outstanding, it shall not, without the prior written consent of the Bank:

- a. Permit its ratio of debt to tangible net worth ("TNW") to at any time exceed 2.5 to 1.0

TNW is defined as the aggregate of paid in capital, retained earnings, and postponed shareholder loans less any assets deemed intangible by the Bank, which shall include, but not be limited to goodwill and any non-arms length accounts receivables or loans to affiliated companies, and SR&ED claims declined by Revenue Canada.

Debt is defined as the total liabilities less postponed loans plus the principal portion of non-realty operating lease obligations.

- b. Permit its ratio of current assets to current liabilities to at any time to be less than 1.1 to 1.0;

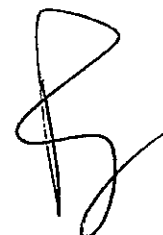
Current Ratio is defined as total current assets divided by total current liabilities. Current assets shall exclude advances to affiliate companies or companies under the same management. SR&ED claims declined by Revenue Canada will be deducted from current assets.

The Borrower agrees that the foregoing financial tests shall be calculated monthly by the Bank using audited financial statements of the Borrower or with such other statements as the Bank may agree to use from time to time.

8. OTHER CONDITIONS

The Bank's prior written consent is required for the following:

- a. Any purchase or sale of assets outside the ordinary course of business;
- b. Granting of additional encumbrances or incurrence of additional funded indebtedness;



- c. Changes in ownership or corporate structure of the Borrower;
- d. Declaration of any dividend or distributions.

9. **FINANCIAL STATEMENTS AND REPORTS**

The Borrower shall deliver to the Bank the following:

- a. Monthly within 30 days of each calendar month end:
  - i. Aged list of Accounts Receivable and Accounts Payable of the Borrower;
  - ii. Internally-prepared profit and loss statements and balance sheet for the Borrower;
  - iii. Statement signed by a senior officer of the Borrower setting out the calculation of the Acceptable Receivables as at the preceding month end;
- b. Quarterly, within 45 days of period end:
  - i. Evidence of EDC Receivable Insurance paid.
- c. Annually, within 90 days of the Borrower's fiscal year end:
  - i. Audited financial statements for the Borrower;
  - ii. *Pro-forma* financial statements, cash flow statement and budget for the following fiscal year of the Borrower;
  - iii. Annual appraisal of Property, Plant & Equipment from an HSBC approved valuation firm.
- d. Such additional financial statements and information as and when requested by the Bank.

10. **REPRESENTATIONS AND WARRANTIES**

The Borrower represents, warrants and covenants that as at the time of each drawing under or other utilization of the Loans:

- a. it has been duly incorporated and organized, is subsisting and is entitled to conduct its business in all jurisdictions in which it carries on business or has assets;
- b. the execution of the Facility Letter and the Security Documents and the incurring of liability and indebtedness to the Bank does not and will not contravene:
  - i. any Legal Requirement applicable to the Borrower; or
  - ii. any provision contained in any other loan or credit agreement or borrowing instrument or contract to which the Borrower is a party;
- c. the Facility Letter and the Security Documents to which it is a party have been duly authorized, executed and delivered by the Borrower, and constitute valid and binding obligations of the Borrower, and are enforceable in accordance with their respective terms;



- d. all necessary Legal Requirements have been met and all other authorizations, approvals, consents and orders have been obtained with respect to the Loans and the execution and delivery of the Security Documents.

The Borrower also represents and warrants to the Bank that all financial and other information provided to the Bank in connection with the Loans is true, accurate and complete, and acknowledges that the offer of credit contained in the Facility Letter is made in reliance on the truth and accuracy of this information and the above representations and warranties.

**11. NON-MERGER AND NON-ASSIGNMENT**


This Facility Letter shall, on execution by the Borrower, replace all previous facility letters from the Bank to the Borrower with respect to the Loans. Any existing loan to the Borrower shall be modified, not refinanced, without novation of the Borrower's existing credit facilities or obligations, by virtue of the Facility Letter unless otherwise provided in the Facility Letter. The terms and conditions of the Facility Letter shall not be merged by and shall survive the execution of the Security Documents. In the event of a conflict between the terms of this Facility Letter and the terms of the Security Documents, the terms of this Facility Letter shall prevail. The benefits conferred by this Facility Letter shall enure to the benefit of the Bank and its successors and assigns, and may not be assigned by the Borrower.


**12. PERIODIC REVIEW AND CANCELLATION**

Without limiting the Bank's right to demand repayment of the Loans at any time, the Loans shall be subject to periodic review by the Bank as and when determined by the Bank in its discretion. Any unadvanced portion of the Loans shall be automatically cancelled upon demand being made by the Bank for repayment of the amount outstanding under the Loans. The Loans under this Facility Letter are uncommitted and, notwithstanding any other provision of this Facility Letter, the Bank may, at any time, in its sole discretion, (i) on same day notice to the Borrower, terminate the Borrower's right to make requests for the Loans hereunder, and (ii) even if the amounts available under the Loans has not terminated, decline any request for the Loans. **For greater certainty, in the absence of receipt by the Borrower from the Bank of prior demand for repayment or notice of termination of the Loans, the Borrower shall repay all advances and amounts outstanding under the Loans and credit facilities provided under this Facility Letter on or before December 31, 2016.**

**13. Acceptance**

The terms and conditions of this Facility Letter may be accepted by signing, dating and returning the enclosed duplicate copy of this Facility Letter signed by each Borrower to the Bank by 5:00 p.m. on March 26, 2016. Failing such acceptance, this offer shall be of no further force or effect.

Yours truly,  
**HSBC BANK CANADA**  
  
\_\_\_\_\_  
Ida Noohi  
Senior Relationship Manager  
Corporate Banking

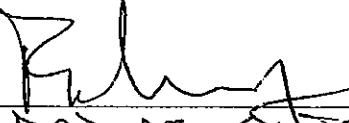
  
\_\_\_\_\_  
Aditya Sapru  
Senior Director and Team Lead  
Corporate Banking

The undersigned hereby acknowledges and agrees to the terms and conditions of this Facility Letter this 23<sup>RD</sup> day of MARCH, 2016.



**THE BORROWER:**

2Source Manufacturing Inc.

Per:   
ROBERT G. G. G., CEO, 2SOURCE MANUFACTURING,  
INC.

Per: \_\_\_\_\_

**SCHEDULE TO FACILITY LETTER  
FROM HSBC BANK CANADA  
TO 2SOURCE MANUFACTURING INC.  
DATED MARCH 15, 2016**

This Schedule shall form part of the Facility Letter and the Loans as described in the Facility Letter shall also be subject to the following terms and conditions:

**I. Definitions**

For the purpose of the Facility Letter, the following terms shall have the meanings indicated below:

**"Acceptable Inventory"** means the value, determined by the Bank from its review of the most recent financial statements and inventory declaration provided by the Borrower, based on the lower of cost and fair market value, of all materials owned by the Borrower for resale or for production of goods for resale, excluding work in progress and inventory held for Messier-Bugatti-Dowty Inc., and over which the Bank holds a first mortgage, first ranking transfer or first security interest, subject only to Priority Claims;

**"Acceptable Receivables"** means the aggregate of accounts receivable of the Borrower, determined by the Bank from the most recent financial statements and aged list of accounts receivable of the Borrower, over which the Bank holds a first assignment or first security interest, subject only to Priority Claims, from customers approved by the Bank and which have been outstanding for not more than 90 days, from which shall be excluded accounts receivable from affiliated corporations and accounts which are disputed by the Borrower's customers or are subject to set-off;

**"Bank's Fixed Rate"** means the annual fixed rate of interest offered by the Bank and accepted by the Borrower for the requested funds for a period of 30, 60, 90, or 180 days or 1, 2, 3, 4 or 5 years, as selected by the Borrower (but maturing not later than the final date for payment of the subject Loans, in any event);

**"Bank's Prime Rate"** means the variable annual rate of interest established and adjusted by the Bank from time to time as a reference rate for purposes of determining rates of interest it will charge on loans denominated in Canadian dollars and which was 2.70% on March 15, 2016;

**"Bank's U.S. Base Rate"** means the variable annual rate of interest established and adjusted by the Bank from time to time as a reference rate for purposes of determining rates of interest it will charge on loans denominated in United States dollars in Canada based on a year of 360 days, and which was 4.0% on March 15, 2016;

**"Business Day"** means a day upon which the Bank is open for business in the branch first above written;

**"Canadian Dollar Equivalent"** means at any time on any date in relation to any amount in a currency other than Canadian dollars, the amount of Canadian dollars required for the Borrower to purchase that amount of such other currency at the rate of exchange quoted by the Bank at or about 8:00 a.m. Pacific time on such date, including all premiums and costs of exchange;

**"Compensating Amount"** means an amount determined by the Bank to be the net cost, if any, incurred by the Bank as a direct result of the repayment of all or a portion of a Loan accruing interest at the Bank's Fixed Rate or based on LIBOR, on a date other than the expiration of the selected interest period or LIBOR Period, respectively, including, without limitation, the loss or expense sustained or incurred by the Bank relating to such payment based on the rate at which the Bank can lend the amount prepaid into the wholesale market for balance of the said interest period or LIBOR Period. A certificate of a manager or account manager of the Bank shall, absent manifest error, be conclusive evidence of the Compensating Amount from time to time;

**"Facility Letter"** means the letter from the Bank to the Borrower to which this Schedule is attached, together with this Schedule, and includes all amendments and replacements thereof;

"Foreign Exchange Percentage" shall have the meaning set out in under paragraph 4.3 of this Facility Letter.

"Governmental Authority" means any governmental, legislative, or regulatory authority, agency, commission, board or court, tribunal or other law, regulation or rule making entity having or purporting to have jurisdiction on behalf of any nation, province, or city;

"Insured Receivables" means those accounts receivable of the Borrower insured for payment by Export Development Canada or similar insurer approved by the Bank;

"Legal Requirement" means all laws, statutes, codes, ordinances, orders, awards, judgments, decrees, injunctions, rules, regulations, authorizations, consents, approvals, orders, permits, franchises, licences, directions and requirements of any Governmental Authority or otherwise;

"Priority Claims" means any lien, claim, charge, security interest, trust claim, right or encumbrance of any Governmental Authority or other party (whether arising under any statute, law, contract or otherwise) having priority over the Security Documents and the mortgage, charge and security interest of the Bank in any of the inventory or accounts receivable of the Borrower.

"Required Notice" means a notice in form and content approved by the Bank given to the branch of the Bank referred to above not later than 10:30 a.m. local time three Business Days immediately preceding the date on which:

- (a) an advance is to be made;
- (b) a rollover is to be made from one interest option to another;
- (c) a banker's acceptance is to be issued for acceptance by the Bank; or
- (d) a documentary credit or LC is to be issued by the Bank;

as the case may be, stating the date, amount and term of the requested advance or rollover, or particulars of the banker's acceptance or letter of credit.

With respect to the foregoing, a certificate of a manager or account manager of the Bank shall be *prima facie* evidence of the Bank's Fixed Rate, the Bank's Prime Rate, the Bank's U.S. Base Rate and LIBOR, from time to time.

## II. Representations and Warranties

If a corporation, the Borrower represents and warrants, as at the time of drawing under or other utilization of the Loans, that:

- (a) it has been duly incorporated and organized, is properly constituted, is in good standing and is entitled to conduct its business in all jurisdictions in which it carries on business or has assets;
- (b) the execution of the Facility Letter and the Security Documents and the incurring of liability and indebtedness to the Bank does not and will not contravene:
  - (i) any Legal Requirement applicable to the Borrower; or
  - (ii) any provision contained in any other loan or credit agreement or borrowing instrument or contract to which the Borrower, is a party;

- (c) the Facility Letter and the Security Documents to which it is a party have been duly authorized, executed and delivered by the Borrower, and constitute valid and binding obligations of the Borrower and are enforceable in accordance with their respective terms;
- (d) all necessary Legal Requirements have been met and all other authorizations, approvals, consents and orders have been obtained with respect to the Loans and the execution and delivery of the Security Documents.

The Borrower also represents and warrants to the Bank that all financial and other information provided to the Bank in connection with the Loans is true and accurate, and acknowledges that the offer of credit contained in the Facility Letter is made in reliance on the truth and accuracy of this information and the above representations and warranties.

**III. Interest, Fees Payment and Rights**

- (a) Interest on the daily balance of the principal amount advanced under the Loans and remaining unpaid from time to time shall be payable by the Borrower as set out in the Facility Letter both before and after demand, maturity, default and judgment;
- (b) In the case of interest at the Bank's Fixed Rate, based on the Bank's Prime Rate and the Bank's U.S. Base Rate, interest shall be compounded and payable on the last day of each month;
- (c) If the Borrower repays any portion of the Loans accruing interest at the Bank's Fixed Rate or based on LIBOR on a date other than the expiration of the selected interest period or LIBOR Period, as the case may be, whether as a result of a demand for repayment by the Bank or otherwise, it shall also concurrently pay to the Bank the greater of:
  - (i) three months' interest on the portion prepaid at the Bank's Fixed Rate or based on the applicable rate above LIBOR, as the case may be; and,
  - (ii) the applicable Compensating Amount;
- (d) Interest based on the Bank's U.S. Base Rate and on LIBOR shall be computed on the basis of a year of 360 days and for actual days that the amounts are outstanding under the Loans on this basis. For the purpose of the Interest Act, the annual rate of interest to which interest computed on the basis of a year of 360 days is equivalent is the rate of interest as provided in the Facility Letter multiplied by the number of days in such year and divided by 360;
- (e) Loan(s) made available at the Bank's Fixed Rate or based on LIBOR, and banker's acceptances, shall be drawn in the minimum amount of CAD 500,000 and integral multiples of CAD 100,000 for periods of one, two, three, four, five or six months in the case of banker's acceptances;
- (f) Upon the expiration of a LIBOR Period, the term during which interest is accruing at the Bank's Fixed Rate, or on payment by the Bank on the maturity of a banker's acceptance, unless another interest rate option is selected by the Borrower, interest shall accrue at the applicable rate in the Facility Letter based on the Bank's Prime Rate or the Bank's U.S. Base Rate, as the case may be, depending on whether the funds are outstanding in Canadian or United States dollars;
- (g) In addition to the fees previously described in other portions of the Facility Letter, the Borrower shall also pay to the Bank:
  - (i) a fee of CAD 5 for each cheque of the Borrower which is honoured by the Bank, in its discretion, in excess of the authorized amount of the Loans;



- (h) The fees collected by the Bank shall be its property as consideration for the time, effort and expense incurred by it in the review and administration of documents and financial statements, and the Borrower acknowledges and agrees that the determination of these costs is not feasible and that the fees set out in the Facility Letter represent a reasonable estimate of such costs;
- (i) Any amounts which become payable to the Bank under the Facility Letter or the Security Documents and which are not paid when due shall accrue interest and be payable from the due date at the Bank's Prime Rate plus 3% per annum, compounded monthly and payable on the last day of each month, both before and after demand, maturity, default and judgment, if no other interest rate is expressed for such amounts;
- (j) All payments by the Borrower to the Bank shall be made at the address of the branch of the Bank set out on the first page of the Facility Letter or at such other place as the Bank may specify in writing from time to time. Any payment delivered or made to the Bank by 1:00 p.m. local time at the place where such payment is to be made shall be credited as of that day, but if made afterwards shall be credited as of the next day on which the said branch is open for business;
- (k) Notwithstanding anything to the contrary contained in the Facility Letter, the Bank may, in its discretion, make an advance under the Loans to pay any unpaid interest or fees which have become due under the terms of the Facility Letter;
- (l) The Borrower acknowledges that the actual recording of the amount of any advance or repayment thereof under the Loans, and interest, fees and other amounts due in connection with the Loans, in an account of the Borrower maintained by the Bank shall constitute *prima facie* evidence of the Borrower's indebtedness and liability from time to time under the Loans; provided that the obligation of the Borrower to pay or repay any indebtedness and liability in accordance with the terms and conditions of the Loans shall not be affected by the failure of the Bank to make such recording. The Borrower also acknowledges being indebted to the Bank for principal amounts shown as outstanding from time to time in the Bank's account records, and all accrued and unpaid interest in respect of such amounts, in accordance with the terms and conditions of this Facility Letter;
- (m) The obligation of the Borrower to make all payments under the Facility Letter and the Security Documents shall be absolute and unconditional and shall not be limited or affected by any circumstance, including, without limitation:
  - (i) any set-off, compensation, counterclaim, recoupment, defence or other right which the Borrower may have against the Bank or anyone else for any reason whatsoever; or
  - (ii) any insolvency, bankruptcy, reorganization or similar proceedings by or against the Borrower;
- (n) In addition to and not in limitation of any rights now or hereafter available to the Bank whether applicable law or arising in the Security Documents, the Bank is authorized, at any time and from time to time, upon delivery of written notice to the Borrower to set-off and appropriate and to apply any and all deposits (general and special) and any other indebtedness at any time held by or owing by the Bank to or for the credit of the Borrower against and on account of the obligations and liabilities of the Borrower to the Bank under this Facility Letter. The Bank agrees to provide written notice of the exercise of any of the rights under this section immediately after the exercise of such rights;
- (p) The remedies, rights and powers of the Bank under this Facility Letter, the Security Documents and at law and in equity are cumulative and not alternative and are not in substitution for any other remedies, rights or powers of the Bank and no delay or omission in exercise of such remedy, right, or power shall exhaust such remedies, rights or powers or be construed as a waiver of any of them.

**IV. Conditions Precedent**

In addition to the Conditions Precedent previously set out, it shall also be a condition precedent to the initial advance and continued availability of the Loans that the Bank shall have received:

- (a) The Security Documents completed and, where necessary, registered in form and manner satisfactory to the Bank's solicitors;
- (b) Satisfactory banker's and/or other agency reports on the financial position of the Borrower and such customers of the Borrower as the Bank may specify from time to time;
- (c) Verification of insurance arranged by the Borrower conforming to the Bank's requirements;
- (d) If deemed necessary by the Bank, an environmental questionnaire, including site profile in applicable provinces, and environmental site investigation report for the Lands prepared by an environmental consultant satisfactory to the Bank, in each case in form and content acceptable to the Bank;
- (e) confirmation that the Borrower is in compliance with each of the terms and conditions of the Facility Letter.

**V. Borrower's Covenants and Conditions**

In addition to the conditions previously set out, the following conditions shall apply until the Loan(s) are repaid in full and cancelled:

- (a) The Borrower shall not, without the prior written consent of the Bank:
  - (i) grant or allow any lien, charge, security interest, privilege, hypothec or other encumbrance, whether fixed or floating, to be registered against or exist on any of its assets and in particular, without limiting the generality of the foregoing, shall not grant a trust deed or other instrument in favour of a trustee;
  - (ii) become guarantor or endorser or otherwise become liable upon any note or other obligation other than in the normal course of business of the Borrower;
  - (iii) declare or pay dividends on any class or kind of its shares, repurchase or redeem any of its shares or reduce its capital in any way whatsoever or repay any shareholders' advances if any of the above were to place the Borrower in breach of their financial covenant(s) or would breach the Assignment and Postponement described in Section 7.1 (h) above;
  - (iv) amalgamate with or permit all or substantially all of its assets to be acquired by any other person, firm or corporation or permit any reorganization or change of control of the Borrower;
  - (v) permit any property taxes or strata fees to be past due at any time.
- (b) The Bank shall have the right to waive the delivery of any Security Documents or the performance of any term or condition of the Facility Letter, and may advance all or any portion of the Loan(s) prior to satisfaction of any of the Conditions Precedent, but waiver by the Bank of any obligation or condition shall not constitute a waiver of performance of such obligation or condition in the future;
- (c) All financial terms and covenants shall be determined in accordance with generally accepted accounting principles, applied consistently;

- (d) If the amount outstanding under any Loan in Canadian dollars plus the Canadian Dollar Equivalent of the amount outstanding under any Loan in a currency other than Canadian dollars at any time exceeds the amount authorized under that Loan, the Bank may, from time to time, in its sole discretion:
- (i) limit the further utilization of that Loan;
  - (ii) convert all or part of the amount outstanding under that Loan to Canadian Dollars in which event, interest shall accrue and be paid on such converted amounts at the rate set out in the Facility Letter for Canadian dollar advances accruing interest with reference to the Bank's Prime Rate. If no such rate is set out in the Facility Letter, interest shall accrue on the amount so converted at the Bank's Prime Rate plus 3% per annum, compounded monthly and payable on the last day of each month, both before and after demand, maturity, default and judgment, until paid;
  - (iii) require the Borrower to pay off the excess;
- (e) The Borrower shall indemnify the Bank against any loss incurred by it as a result of any judgment or order being given or made for the payment of any amount due under the Facility Letter or the Security Documents, where:
- (i) such judgment or order is expressed and paid in a currency (the "Judgment Currency") other than the currency of an outstanding loan (the "Loan Currency"); and
  - (ii) there is a variation between:
    - a) the rate of exchange at which the Loan Currency amount is converted into the Judgment Currency for the purposes of such judgment or order, and
    - b) the rate of exchange at which the Bank is able to purchase the Loan Currency with the amount of the Judgment Currency when actually received by the Bank.

The foregoing indemnity shall constitute a separate and independent obligation of the Borrower and shall apply irrespective of any indulgence granted to the Borrower from time to time, and shall continue in full force and effect notwithstanding any such judgment or order as aforesaid. The term "rate of exchange" shall include any premiums and costs of exchange payable in connection with the purchase of, or conversion into, the relevant currency.

**VI. Environmental Matters**

- (a) To the best of the Borrower's knowledge after due and diligent inquiry, no regulated, hazardous or toxic substances are being stored on any of the Borrower's lands, facilities or premises (the "Premises") or any adjacent property, nor have any such substances been stored or used on the Premises or in the Borrower's business or any adjacent property prior to the Borrower's ownership, possession or control of the Premises. The Borrower agrees to provide written notice to the Bank immediately upon the Borrower becoming aware that the Premises or any adjacent property are being or have been contaminated with regulated, hazardous or toxic substances. The Borrower shall not permit any activities on the Premises which directly or indirectly could result in the Premises or any other property being contaminated with regulated, hazardous or toxic substances. For the purposes of the Facility Letter, the term "regulated, hazardous or toxic substances" means any substance, defined or designated as hazardous or toxic wastes, hazardous or toxic material, a hazardous, toxic or radioactive substance or other similar term, by any applicable federal, provincial or local statute, regulation or ordinance now or in the future in effect, or any substance or materials, the use or disposition of which is regulated by any such statute, regulation or ordinance;

- (b) The Borrower shall promptly comply with all statutes, regulations and ordinances, and with all orders, decrees or judgments of governmental authorities or courts having jurisdiction, relating to the use, collection, storage, treatment, control, removal or cleanup of regulated, hazardous or toxic substances [in the Borrower's business] or in, on, or under the Premises or in, on or under any adjacent property that becomes contaminated with regulated, hazardous or toxic substances as a result of construction, operations or other activities on, or the contamination of, the Premises, or incorporated in any improvements thereon. The Bank may, but shall not be obligated to, enter upon the Premises and take such actions and incur such costs and expenses to effect such compliance as it deems advisable and the Borrower shall reimburse the Bank on demand for the full amount of all costs and expenses incurred by the Bank in connection with such compliance activities;
- (c) The assets of the Borrower which are now or in the future encumbered by the Security Documents are hereby further mortgaged and charged to the Bank, and the Bank shall have a security interest in such assets, as security for the repayment of such costs and expenses and interest thereon, as if such costs and expenses had originally formed part of the Loan(s).

**VII. Bank Visits**

Representatives of the Bank shall be entitled to attend at the Borrower's business premises and to view all financial records of the Borrower at any time, on reasonable notice.

**VIII. Legal and Other Expenses**

The Borrower shall pay all reasonable legal fees and disbursements (on a solicitor and own client basis) in respect of the Loans, the preparation, issue and registration of the Security Documents, the enforcement and preservation of the Bank's rights and remedies under this Facility Letter and the Security Documents, and all reasonable fees and costs relating to appraisals, insurance consultation, credit reporting and responding to demands of any government or any agency or department thereof, whether or not the documentation is completed or any funds are advanced under the Loans.

**X. Non-Merger and Non-Assignment**

This Facility Letter shall, on execution by the Borrower, replace all previous facility letters from the Bank to the Borrower with respect to the Loans. Any existing loan to the Borrower shall be modified, not refinanced, without novation of the Borrower's existing facilities or obligations, by virtue of the Facility Letter unless otherwise provided in the Facility Letter. The terms and conditions of the Facility Letter shall not be merged by and shall survive the execution of the Security Documents. In the event of a conflict between the terms of this Facility Letter and the terms of the Security Documents, the terms of this Facility Letter shall prevail to the extent of such conflict.

The benefits conferred by this Facility Letter shall enure to the benefit of the Bank and its successors and assigns and shall be binding on the Borrower and its successors and permitted assigns.

The Borrower shall not assign all or any of its rights, benefits or obligations under this Facility Letter without the prior written consent of the Bank.

**XI. Waiver or Variation**

No term or condition of the Facility Letter or any of the Security Documents may be waived or varied verbally or by any course of conduct of any officer, employee or agent of the Bank. All waivers must be in writing and signed by the waiving party.

Any amendment to the Facility Letter or the Security Documents must be in writing and signed by a duly authorized officer of the Bank.

**XII. Consent and Acknowledgement to Collection, Use and Disclosure of Information**

When it is necessary for providing products and services to the Borrower, the Borrower consents to the Bank obtaining from any credit-reporting agency or from any person any information (including personal information) that the Bank may require at any time. The Borrower also consent to the disclosure at any time by the Bank any information concerning the Borrower to any credit grantor, to any credit reporting agency, or to the Bank's subsidiaries and affiliates. If applicable, the Borrower also authorizes the Bank to release the information contemplated by any builder's lien or similar legislation to all persons claiming a right to such information under such legislation. The Borrower may refuse or withdraw these consents; however this may result in the Bank cancelling or withholding products or services for which these consents are necessary.

**XIII. Time of Essence**

Time shall be of the essence of the Facility Letter.

**XIV. Indemnity**

The Borrower agrees to keep the Bank and its officers, directors, employees, solicitors, agents and affiliates (collectively, the "Bank Group") indemnified against any claim for any damages, losses, costs or expenses (including, without limitation, legal costs on a solicitor and his own client basis) incurred or suffered by any of the Bank Group in relation to this Facility Letter or as a consequence (direct or indirect) of any breach by the Borrower of this Facility Letter, or as a result of an assessment made by any tax authority in respect of any payment made by the Bank to any third party including, without limitation, to the beneficiary of any LC, unless such damage, loss, cost or expense was incurred solely as a direct result of the Bank's gross negligence or wilful misconduct.

**XIV Governing Law**

This Facility Letter and, unless otherwise specified therein, all other documents or instruments delivered in accordance with this Facility Letter shall be governed by and interpreted in accordance with the laws of the Province of Ontario (the "Governing Jurisdiction") and the laws of Canada applicable therein. The Borrower irrevocably submit to the exclusive jurisdiction of the courts in the Governing Jurisdiction.

## FEES FOR COLLECTIONS AND DOCUMENTARY CREDITS

- Note:
1. Out-of-pocket expenses are in addition to the charges outlined.
  - (2) All fees are to be assessed in the currency of the transaction for USD, CAD or EUR transaction. For any other currency, CAD equivalent shall apply.
  - (3) Standard pricing will apply on all other charges not itemized here

### IMPORT DOCUMENTARY CREDITS

#### A. OPENING COMMISSION

- |       |                                     |   |
|-------|-------------------------------------|---|
| (i)   | Irrevocable D/C's with sight draft  | 0.35% for first 60 days or part thereof.<br>0.10% for each additional 30 days<br>Minimum \$125.   |
| (ii)  | Irrevocable D/C's with Usance Draft | irrevocable D/C opening commission during the pre-acceptance period as in A.(i); PLUS 0.15%, for each 30 days, minimum \$125. Usance period fee to be collected when payment is effected. |
| (iii) | Back to Back D/C                    | same as in A.(i) and (ii), except minimum \$200.  |
| (iv)  | Revolving D/C                       | 0.50% for first 30 days or part thereof;<br>0.10% for each additional 30 days or part thereof, minimum \$125.   |

All opening commission, together with full cable charges of \$50 are payable in full at the time of issuance of D/C.

#### B. AMENDMENTS

- |      |   |
|------|---|
| (i)  | \$75 per amendment.   |
| (ii) | For increased amounts, extension of validity or changes in issuance A.(i)/(ii) shall apply, minimum \$75. |

All amendment fees, together with cable charges of \$50 are payable in full at the time of amendment except when same is payable by Beneficiary.

- |    |                        |  |
|----|------------------------|--|
| C. | DRAWING COMMISSION     | 0.1%, minimum \$50 per drawing.                        |
| D. | SHIPPING GUARANTEES    | \$100 the first 30 days; \$50 each additional 30 days. |
| E. | OUT-OF-POCKET EXPENSES | To be reimbursed as applicable.                        |

### EXPORT DOCUMENTARY CREDIT

- |    |                      |  |
|----|----------------------|--|
| A. | ADVISING FEE         | \$75 flat  |
| B. | AMENDMENT COMMISSION | \$75 flat  |
| C. | TRANSFER             |  |
|    | Issuing Fee          | 0.20% flat, minimum \$250.   |
|    | Amendment            | \$100<br>For increased amount, additional issuing fee, minimum \$75 shall apply. |

All transfer issuing and amendment fees, together with cable charges of \$50 are payable in full at the time of issuance and amendment.

- D. NEGOTIATION FEE 0.125% on face value of D/C, minimum \$150.
- E. CONFIRMATION FEE  
Subject to country risk and Bank availability and premiums at the discretion of the Bank, minimum 0.125% per month (1.5% per annum), minimum \$250.
- F. ACCEPTANCE COMMISSION  
Subject to country risk and Bank availability and premiums at the discretion of the Bank, minimum 0.125% per month, minimum \$250.
- G. DISCREPANT DOCUMENTS  
\$75 flat for documents requiring re-checking after first presentation.
- H. ASSIGNMENT OF PROCEEDS (Letter of Direction)  
0.10% on assigned value, minimum \$200.
- I. DC NON-UTILIZATION FEE \$75 flat (payable at expiry).
- J. OUT-OF-POCKET EXPENSES To be reimbursed as applicable.

**DOCUMENTARY COLLECTION (under provisions of ICC Publication 522).**

- A. INWARD DOCUMENTARY COLLECTION  
Documentary either D/P or D/A: 0.25%, minimum \$100.  
Cable: \$40 per cable.
- B. OUTWARD DOCUMENTARY COLLECTION  
Documentary either D/P or D/A: 0.25%, minimum \$100.  
Cable: \$40 per cable.
- C. ENDORSEMENT FEE  
\$100 flat for adding endorsement to transport documents to facilitate the release of shipment.
- D. AVALIZE / GUARANTEE PAYMENT FEE  
0.175% every 30 days, minimum \$150 per quarter.
- E. CLEAN COLLECTIONS  
0.10%, Min. \$25, when paid plus Out-of-Pocket expenses.
- F. OUT-OF-POCKET EXPENSES  
To be reimbursed as applicable.

**TAB F**



Exhibit "F" to the Affidavit of Stephen G. Wayland,  
sworn before me this 23<sup>rd</sup> day of January, 2017



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Commissioner for Taking Affidavits, etc.

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

**BETWEEN:**

**2SOURCE MANUFACTURING INC.**

Plaintiff

- and -

**MESSER-DOWTY INC., MESSIER-BUGATTIDOWTY SA, MESSIER-DOWTY LTD.,  
MESSIER-DOWTY MEXICO SA de CV, and MESSIER-DOWTY SUZHOU CO. LTD.**

Defendants

**STATEMENT OF CLAIM**  
(Notice of Action Issued October 7, 2015)

**TO THE DEFENDANT**

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the plaintiff. The claim made against you is set out in the following pages.

IF YOU WISH TO DEFEND THIS PROCEEDING, you or an Ontario lawyer acting for you must prepare a statement of defence in Form 18A prescribed by the Rules of Civil Procedure, serve it on the plaintiff's lawyer or, where the plaintiff does not have a lawyer, serve it on the plaintiff, and file it, with proof of service, in this court office, WITHIN TWENTY DAYS after this statement of claim is served on you, if you are served in Ontario.

If you are served in another province or territory of Canada or in the United States of America, the period for serving and filing your statement of defence is forty days. If you are served outside Canada and the United States of America, the period is sixty days.

Instead of serving and filing a statement of defence, you may serve and file a notice of intent to defend in Form 18B prescribed by the Rules of Civil Procedure. This will entitle you to ten more days within which to serve and file your statement of defence.

IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date October 13, 2015

Issued by

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Local registrar

Address of  
court office

393 University Avenue, 10<sup>th</sup> Floor  
Toronto, Ontario  
L5G 1E6

TO: Messier-Dowty Inc.  
574 Monarch Avenue  
Ajax, Ontario L1S 2G8

AND TO: Messier-Bugatti-Dowty SA  
Inovel Par Sud  
78140 Velizy-Villacoublay  
France

AND TO: Messier-Dowty Ltd.  
Cheltenham Road East  
Gloucester, England  
GL2 9QH

AND TO: Messier-Dowty Mexico SA de CV  
Carretera Estatal 200, M 22 N 547 B  
Parque Aeroespacial de Queretaro  
Colon, Queretaro  
76278  
Colon, Mexico

AND TO: Messier-Dowty Suzhou Co. Ltd.  
70 Qiming Road, Export Processing Zone B  
Suzhou Industrial Park  
Jiangsu, China  
215121

**CLAIM**

1. The Plaintiff, 2Source Manufacturing ("2Source") claims:
  - (a) a declaration that the Contract (as defined below in paragraph 17) was validly terminated, voided and rescinded by 2Source effective September 30, 2015 or in the alternative effective October 13, 2015;
  - (b) damages for breach of contract and misrepresentation in the sum of \$4,030,000 USD;
  - (c) punitive damages in the sum of \$500,000;
  - (d) the costs of this action on a substantial indemnity basis plus applicable taxes; and
  - (e) such further and other heads of relief as counsel may advise and/or this Honourable Court deems just.

**THE PARTIES**

2. The Plaintiff, 2Source, is a company incorporated under the laws of Ontario, with its registered office located in Mississauga, Ontario. 2Source is a certified manufacturer and supplier of precision machined parts for the aeronautics and oil and gas industries.
3. The Defendants, Messier-Dowty Inc., Messier-Bugatti-Dowty SA, Messier-Dowty Ltd., Messier-Dowtry Mexico SA de CV, and Messier-Dowty Suzhou Co. Ltd (collectively referred to as "**Messier**") are members of a group of companies engaged in the management, design, development, manufacture and support of aircraft landing gear systems and braking systems for various original equipment manufacturers ("**OEMs**") in the aeronautics industry.
4. The Defendant, Messier-Dowty Inc., is a corporation incorporated pursuant to the laws of the Ontario and conducts business at 574 Monarch Avenue, Ajax, Ontario.

5. The Defendant, Messier Bugatti-Dowty SA, is company incorporated under the laws of France and is located at Inovel Parc Sud, 8140 Veizy-Villabcoublay, France.
6. The Defendant, Messier-Dowty Ltd., is a company incorporated under the laws of England and is located at Cheltenham Road East, Gloucester, England.
7. The Defendant, Messier-Dowty Mexico SA de CV, is company incorporated under the laws of Mexico and is located at Carreter Estatal 200, M 22 N 547 B, Parque Aeroespacial de Queretaro, Colon, Queretaro, Mexico.
8. The Defendant, Messier-Dowty Suzhou Co. Ltd., is a company incorporated under the laws of China and is located at 70 Qiming Road, Export Processing Zone B, Suzhou Industrial Park, Jiangsu, China.

#### THE CONTRACT

9. In or about March, 2012, Messier approached 2Source to inquire whether 2Source was interested in becoming a principal supplier to Messier of custom bushings and related custom products which Messier would utilize in its manufacturing of landing gear systems that it supplies to various aircraft OEMs. At this time, Messier represented and warranted to 2Source that, if the parties reached an agreement, 2Source would be awarded a significant portion of Messier's requirements for custom bushings for use in Messier's manufacturing of landing gear systems for the Boeing 787 Dreamliner (the "**Boeing 787 Representation**").
10. 2Source relied upon the Boeing 787 Representation in deciding whether to engage in negotiations with Messier. Given the economics associated with the supply of custom bushings for the Boeing 787 Dreamliner relative to other aircraft, among other factors, 2Source would not have entered into negotiations with Messier in 2012 but for the Boeing 787 Representation.

11. Between March, 2012 and November, 2012, Messier and 2Source had numerous meetings and communications around the terms of a principal supplier arrangement.

12. In or about October, 2012, 2Source and Messier attended at a meeting to discuss the terms of the principal supplier arrangement. The meeting took place in Messier's offices in Ajax, Ontario. Robert Glegg and Robert Waslyk represented 2Source and Pierre Borie and Brett Moore represented Messier. During the meeting, Messier provided 2Source with an anticipated volume and revenue forecast for the principal supplier arrangement (the "**Volume Forecast**"). The Volume Forecast was important because, as is typical in the aeronautics manufacturing industry, the draft agreement itself was silent on the issue of volumes given that Messier's volume needs ultimately depended on the needs of its customers. Nevertheless, Messier provided the Volume Forecast to 2Source with the understanding that, as long as the needs of Messier's customers remained as anticipated, and other key assumptions remained unchanged, 2Source would obtain the volumes and revenues set out in the Volume Forecast. The Volume Forecast was binding upon Messier upon the signing of the Contract.

13. After reviewing the Volume Forecast provided by Messier, Glegg of 2Source noticed that the document failed to include any worthwhile volumes for the Boeing 787 Dreamliner. Glegg brought this to the attention of Borie and Moore, and demanded an explanation. In response, Borie and Moore explained that 2Source was no longer being considered by Messier as a significant supplier for the Boeing 787 Dreamliner.

14. In response to this information from Messier, Glegg advised Borie and Moore that the negotiations were over and that 2Source would not be signing any principal supplier agreement with Messier.

15. During another meeting between 2Source and Messier in or about October, 2012, in response to the collapse of the negotiations, and in order to induce 2Source to sign and execute

the principal supplier agreement, Borie represented and warranted to Glegg that Messier would be prepared to guarantee to 2Source an additional line of volume over and above what was already provided for in the Volume Forecast. In particular, Borie represented and warranted to Glegg (the "Inducing Covenant") that Messier would purchase 100 shipsets of custom bushings for Maintenance Repair Overhaul ("MRO") purposes for the Airbus A320 aircraft (the "A320 MRO Custom Bushings") during each of the 6 years of the principal supplier agreement at a price of \$16,000 USD per shipset.

16. Messier revised the draft principal supply agreement to include the price of the A320 MRO Custom Bushings. However, consistent with the practice in the aeronautics manufacturing industry, the volume guarantee contained in the Inducing Covenant was not expressly incorporated into the agreement as the agreement itself was silent on volumes.

17. In or about December, 2012, Messier and 2Source agreed to the principal supplier agreement outlining the general terms that would apply to Messier's ordering and 2Source's supply of custom bushings and related products to Messier for a term of six years (the "Contract"). The Contract was dated November 1, 2012.

18. The Inducing Covenant constitutes a binding representation, collateral covenant, collateral contract and warranty.

19. 2Source materially relied upon the Inducing Covenant in deciding to sign the Contract and would never have signed the Contract but for the Inducing Covenant. 2Source would have walked away from the negotiations but for the Inducing Covenant. Messier knew this at the time.

20. 2Source also relied upon the Inducing Covenant after signing the Contract by expending substantial financial and human capital resources in order to ensure it would be able to supply Messier with the A320 MRO Custom Bushings.

**NON-PERFORMANCE OF THE INDUCING COVENANT**

21. In 2013, Messier ordered forty shipsets of A320 MRO Custom Bushings. Despite many attempts by 2Source to encourage Messier to comply with the Inducing Covenant, Messier failed to order the remaining sixty shipsets of A320 MRO Custom Bushings in 2013.

22. In 2014, Messier did not order any A320 MRO Custom Bushings.

23. In 2015, Messier did not order any A320 MRO Custom Bushings.

24. Despite numerous attempts by 2Source to encourage Messier to comply with the Inducing Covenant, Messier has outright refused to satisfy its obligations.

25. On or about September 25, 2015, Gregory Robiquet of Messier verbally acknowledged to 2Source that Messier had made a commitment to 2Source in relation to the A320 MRO Custom Bushings. Nevertheless, Messier has continued to refuse to comply with the Inducing Covenant.

26. On or about September 30, 2015, Patricia Varanges of Messier verbally acknowledged to Glegg that Messier had indeed provided the Inducing Covenant to 2Source, but indicated that Messier did not consider itself bound by the Inducing Covenant in light of the express terms of the Contract.

27. At all material times, 2Source has complied with the Contract.

**2SOURCE'S CLAIM AGAINST MESSIER**

28. At the time that it made the Inducing Covenant, Messier never intended to, or was reckless as to whether or not it could, comply with the Inducing Covenant. The Inducing Covenant was made knowingly, recklessly and/or carelessly in order to induce 2Source to sign the Contract. In addition, at the same time as Messier was making the Inducing Covenant,



Messier was preparing to manufacture A320 MRO Custom Bushings in its manufacturing plant in Mexico, which is inconsistent with the Inducing Covenant.

29. The Contract was therefore induced by deceit. The Inducing Covenant also constituted a misrepresentation *in substantialibus*.

30. As a result of the Inducing Covenant and Messier's stated refusal to comply with the obligations therein, the Contract became voidable and subject to immediate termination and prospective rescission at the election of 2Source. In addition, Messier's refusal to comply with the Inducing Covenant constituted a repudiation of the Contract and 2Source has elected to terminate the Contract as a result of Messier's repudiation.

31. On September 30, 2015, in light of Messier's refusal to comply with the Inducing Covenant, 2Source placed a hold on all product ordered by Messier. 2Source pleads that it rescinded and voided the Contract as of this date. In the alternative, 2Source rescinded and voided the Contract effective the filing of this Statement of Claim.

#### DAMAGES FOR BREACH OF CONTRACT

32. Messier is in breach of the Inducing Covenant, which constitutes a binding contractual obligation on Messier. Messier failed to order the full one hundred A320 MRO Custom Bushings for each of the years 2013, 2014 and 2015, as agreed. 2Source claims compensatory damages for these breaches.

33. 2Source claims damages for the unperformed portion of the Inducing Covenant for 2013, 2014, and 2015 in the amount of \$3,760,000 USD.

34. In the alternative, if the Contract was not properly terminated, voided and/or rescinded by 2Source, then 2Source claims compensatory damages for Messier's breach of the Inducing Covenant for the years 2013-2018 inclusive.

35. 2Source also claims damages in the amount of \$270,000 USD on account of out-of-pocket expenses and detrimental reliance caused by the Inducing Covenant.

36. 2Source claims punitive damages in the amount of \$500,000 on account of Messier's intentional, reckless, highhanded and outrageous behaviour.

**SERVICE OUTSIDE ONTARIO**

37. 2Source pleads and relies upon Rules 17.02(a), 17.02(c), and 17.02(f) of the Ontario *Rules of Civil Procedure* for the purpose of service outside Ontario. Section 16.1.1 of the Contract provides that the Contract shall in all respects be governed by and construed and enforced in accordance with the laws of the Province of Ontario, Canada. Section 16.1.1 also provides that the Contract is under the exclusive jurisdiction of the courts of the Province of Ontario.

38. Such other grounds as counsel may advise and/or this Honourable Court deems just.

October 13, 2013

McCarthy Tétrault LLP  
Suite 5300, Toronto Dominion Bank Tower  
Toronto ON M5K 1E6

**Adam Ship** LSUC#: 55973P  
Tel: 416-601-7731  
Email: aship@mccarthy.ca

**Sapna Thakker** LSUC#: 68601U  
Tel: 416-601-7650  
Email: sthakker@mccarthy.ca

Lawyers for the Plaintiff

TO: Messier-Dowty Inc.  
574 Monarch Avenue  
Ajax, Ontario L1S 2G8

AND TO: Messier-Bugatti-Dowty SA

Inovel Par. Sud  
78140 Velizy-Villacoublay  
France

AND TO: Messier-Dowty Ltd.  
Cheltenham Road East  
Gloucester, England  
GL2 9QH

AND TO: Messier-Dowty Mexico SA de CV  
Carretera Estatal 200, M 22 N 547 B  
Parque Aeronautico de Queretaro  
Colon, Queretaro  
76278  
Colon, Mexico

AND TO: Messier-Dowty Suzhou Co. Ltd.  
70 Qiming Road, Export Processing Zone B  
Suzhou Industrial Park  
Jiangsu, China  
215121

2 Source Manufacturing Inc. Plaintiff and Messier-Dowty Inc. et al. Defendants

Court File No: CV-15-537943

ONTARIO  
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

STATEMENT OF CLAIM

McCarthy Tétrault LLP  
Suite 5300, Toronto Dominion Bank Tower  
Toronto ON M5K 1E6

Adam Ship LSUC#: 55973P  
Tel: 416-601-7731  
Fax: 416-868-0673

Sapna Thakker LSUC#: 68601U  
Tel: 416-601-7650  
Fax: 416-868-0673

Lawyers for the Plaintiff



**TAB G**

Exhibit "G" to the Affidavit of Stephen G. Wayland,  
sworn before me this 23<sup>rd</sup> day of January, 2017



---

Commissioner for Taking Affidavits, etc.



## General Security Agreement

TO: HSBC Bank Canada (the "Bank")

The undersigned (the "Debtor") enters into this General Security Agreement with the Bank for valuable consideration and as security for the repayment and discharge of all indebtedness obligations and liabilities of any kind, present or future, direct or indirect, absolute or contingent, joint or several, of the Debtor to the Bank, whether as principal or surety, together with all expenses (including legal fees on a full indemnification basis) incurred by the Bank, its receiver or agent, in the preparation, perfection and enforcement of security and other agreements held by the Bank in respect of such indebtedness, obligations or liabilities and interest thereon (collectively, the "Indebtedness").

### ARTICLE 1. GRANT OF SECURITY INTERESTS

1.1 The Debtor grants to the Bank, by way of mortgage, charge, assignment and transfer, a security interest (the "Security Interest") in the undertaking of the Debtor and in all Personal Property including, without limitation, all Goods (including all parts, accessories, attachments, special tools, additions and accessions thereto), Accounts, Chattel Paper, Documents of Title (whether negotiable or not), Instruments, Intangibles, Money and Securities now or hereafter owned or acquired by or on behalf of the Debtor and in all proceeds and renewals thereof, accretions thereto and substitutions therefor (collectively, the "Collateral") including, without limitation, all of the following now or hereafter owned or acquired by or on behalf of the Debtor:

- (a) all Inventory of whatever kind and wherever situate.
- (b) all Equipment of whatever kind and wherever situate including, without limitation, all machinery, tools, apparatus, plant, furniture, fixtures and vehicles of whatsoever nature or kind.
- (c) all accounts and book debts and generally all debts, dues, claims, choses in action and demands of every nature and kind howsoever arising or secured including letters of credit, guarantees and advices of credit which are now due, owing or accruing or growing due to or owned by or which may hereafter become due, owing or accruing or growing due to or owned by the Debtor.
- (d) all deeds, documents, writings, papers, books of account and other books relating to or being records of Accounts, Chattel Paper or Documents of Title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable.
- (e) all contractual rights and insurance claims and all goodwill, patents, trademarks, copyrights and other industrial property.
- (f) all monies other than trust monies lawfully belonging to others.
- (g) all property and assets, real and personal, movable or immovable, of whatsoever

nature and kind.

- 1.2 The Security Interest shall not extend or attach to (a) any personal property held in trust by the Debtor and lawfully belonging to others or (b) any property of the Debtor that constitutes consumer goods for the personal use of the Debtor; or (c) the last day of the term of any lease, oral or written, or agreement therefor, now held or hereafter acquired by the Debtor, provided that upon the enforcement of the Security Interest the Debtor shall stand possessed of such last day in trust to assign and dispose of the same to any person acquiring such term. Unless otherwise defined herein, capitalized terms used herein shall have meanings ascribed thereto in the PPSA, as defined in this Agreement.

## **ARTICLE 2. ATTACHMENT**

- 2.1 The Debtor warrants and acknowledges that the Debtor and the Bank intend the Security Interest in existing Collateral to attach upon the execution of this General Security Agreement; that value has been given; that the Debtor has rights in such existing Collateral; and that the Debtor and the Bank intend the Security Interest in hereafter acquired Collateral to attach at the same time as the Debtor acquires rights in the said after acquired Collateral.

## **ARTICLE 3. REPRESENTATIONS AND WARRANTIES OF THE DEBTOR**

- 3.1 The Debtor represents and warrants and, so long as this General Security Agreement remains in effect shall be deemed to continuously represent and warrant, to the Bank that:
- (a) the Debtor has or expects hereafter to have assets at the location(s) set out in Schedule "A".
  - (b) the Collateral is situate or located at the location(s) set out in Schedule "A" on the date of this Agreement; may also be located at other places while in transit to and from such locations and premises; and may from time to time be situate or located at any other place when on lease or consignment to any lessee or consignee from the Debtor.
  - (c) the Collateral is genuine and owned by the Debtor free of all security interests, mortgages, liens, claims, charges or other encumbrances (collectively, "Encumbrances"), save for the Security Interest and those Encumbrances expressly consented to in writing by the Bank.

## **ARTICLE 4. COVENANTS AND AGREEMENTS OF THE DEBTOR**

- 4.1 The Debtor covenants and agrees with the Bank that until all of the Indebtedness is paid in full:
- (a) the Debtor shall not without the prior written consent of the Bank sell or dispose of any of the Collateral in the ordinary course of business or otherwise, and if the amounts on or in respect of the Collateral or Proceeds thereof shall be paid to the Debtor, the Debtor shall receive the same in trust for the Bank and forthwith pay over the same to the Bank upon request; provided however that the Inventory of the Debtor may be sold or disposed of in the ordinary course of



business and for the purpose of carrying on the same.

- (b) the Debtor shall not without the prior written consent of the Bank, create or permit any Encumbrances upon or assign or transfer as security or pledge or hypothecate as security any of the Collateral except to the Bank.
- (c) the Debtor shall at all times have and maintain insurance over the Collateral against risks of fire (including extended coverage), theft, and such risks as the Bank may reasonably require in writing, containing such terms, in such form, for such periods and written by such companies as may be reasonably satisfactory to the Bank. The Debtor shall duly and seasonably pay all premiums and other sums payable for maintaining such insurance and shall cause the insurance money thereunder to be payable to the Bank as its interest under this Agreement may appear and shall, if required, furnish the Bank with certificates or other evidence satisfactory to the Bank of compliance with the foregoing insurance provisions. In the event that the Debtor fails to pay all premiums and other sums payable in accordance with the foregoing insurance provision, the Bank may make such payments to be repayable by the Debtor on demand and any such payments made by the Bank shall be secured by this Agreement.
- (d) the Debtor shall keep the Collateral in good condition and repair according to the nature and description thereof, and the Bank may, whenever it deems necessary, either in person or by agent, inspect the Collateral and the reasonable cost of such inspection shall be paid by the Debtor and secured by this Agreement, the Bank may make repairs as it deems necessary, and the cost thereof shall be paid by the Debtor and secured by this Agreement.
- (e) the Debtor shall duly pay all taxes, rates, levies, assessments of every nature which may be lawfully levied, assessed or imposed against or in respect of the Debtor or the Collateral as and when the same become due and payable.
- (f) the Debtor agrees that the Bank may, at any time, whether before or after a default under this General Security Agreement, notify any account debtor of the Debtor of the Security Interest, require such account debtor to make payment to the Bank, take control of any Proceeds of Collateral and may hold all amounts received from any account debtor and any Proceeds as part of the Collateral and as security for the Indebtedness.
- (g) the Debtor shall notify the Bank promptly of any change in the information set out in Schedule "A".

4.2 The Debtor shall at all times and from time to time do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered any such further act, deed, transfer, assignment, assurance, document or instrument as the Bank may reasonably require for the better granting, mortgaging, charging, assigning and transferring unto the Bank the property and assets subjected or intended to be subject to the Security Interest or which the Debtor may hereafter become bound to mortgage, charge, assign, transfer or subject to the Security Interest in favour of the Bank and for the better accomplishing and effectuating of this General Security Agreement and the provisions contained herein and each and every officer of the Bank is irrevocably appointed attorney to execute in the name and on behalf of the Debtor any document or instrument for the said purposes.

- 4.3 The Debtor shall permit the Bank at any time, either in person or by agent, to inspect the Debtor's books and records pertaining to the Collateral. The Debtor shall at all times upon request by the Bank furnish the Bank with such information concerning the Collateral and the Debtor's affairs and business as the Bank may reasonably request including, without limitation, lists of Inventory and Equipment and lists of Accounts showing the amounts owing upon each Account and securities therefor and copies of all financial statements, books and accounts, invoices, letters, papers and other documents in any way evidencing or relating to the Accounts.
- 4.4 The Debtor acknowledges and agrees that, in the event it amalgamates with any other corporation or corporations, it is the intention of the parties hereto that the term "Debtor" when used in this Agreement shall apply to each of the amalgamating corporations and to the amalgamated corporation, such that the Security Interest granted in this Agreement:
- (a) shall extend and attach to Collateral owned by each of the amalgamating corporations and the amalgamated corporation at the time of amalgamation and to any Collateral thereafter owned or acquired by the amalgamated corporation.
  - (b) shall secure the Indebtedness of each of the amalgamating corporations and the amalgamated corporation to the Bank at the time of amalgamation and any Indebtedness of the amalgamated corporation to the Bank thereafter arising.

#### ARTICLE 5. DEFAULT

- 5.1 The Debtor shall be in default under this General Security Agreement upon the occurrence of any one of the following events:
- (a) the non-payment by the Debtor, when due, whether by acceleration or otherwise, of any of the Indebtedness.
  - (b) the death or a declaration of incompetency by a court of competent jurisdiction with respect to the Debtor, if an individual.
  - (c) the failure of the Debtor to observe or perform any covenant, undertaking or agreement heretofore or hereafter given to the Bank, whether contained in this Agreement or not.
  - (d) an execution or any other process of the Court becomes enforceable against the Debtor or a distress or an analogous process is levied upon the property of the Debtor or any part thereof.
  - (e) the Debtor becomes insolvent, commits an act of bankruptcy, makes an assignment in bankruptcy or a bulk sale of its assets, any proceeding for relief as a debtor or liquidation, re-assignment or winding-up is commenced with respect to the Debtor or a bankruptcy petition is filed or presented against the Debtor and is not bona fide opposed by the Debtor.
  - (f) the Debtor ceases to carry on business.

- (g) the Debtor defaults in the observance or performance of any provision relating to indebtedness of the Debtor to any creditor other than the Bank and thereby enables such creditor to demand payment of such indebtedness.

5.2 The Bank may in writing waive any breach by the Debtor of any of the provisions contained in this Agreement or any default by the Debtor in the observance or performance of any covenant or condition required by the Bank to be observed or performed by the Debtor; provided that no act or omission by the Bank in the premises shall extend to or be taken in any manner whatsoever to affect any subsequent breach or default or the rights resulting therefrom.

#### ARTICLE 6. REMEDIES OF THE BANK

6.1 Upon any default under this General Security Agreement, the Bank may declare any or all of the Indebtedness to be immediately due and payable and the Bank may proceed to realize the security constituted by this Agreement and to enforce its rights by entry or by the appointment by instrument in writing of a receiver or receivers of all or any part of the Collateral and such receiver or receivers may be any person or persons, whether an officer or officers or employee or employees of the Bank or not, and the Bank may remove any receiver or receivers so appointed and appoint another or others in his or their stead; or by proceedings in any court of competent jurisdiction for the appointment of a receiver or receivers or for sale of the Collateral or any part thereof; or by any other action, suit, remedy or proceeding authorized or permitted or by law or by equity; and may file such proofs of claim and other documents as may be necessary or advisable in order to have its claim lodged in any bankruptcy, winding-up or other judicial proceedings relative to the Debtor.

6.2 Any such receiver or receivers so appointed shall have power:

- (a) to take possession of the Collateral or any part thereof and to carry on the business of the Debtor.
- (b) to borrow money required for the maintenance, preservation or protection of the Collateral or any part thereof or the carrying on of the business of the Debtor.
- (c) to further charge the Collateral in priority to the Security Interest as security for money so borrowed.
- (d) to sell, lease or otherwise dispose of the whole or any part of the Collateral on such terms and conditions and in such manner as such receiver or receivers shall determine.

In exercising any powers any such receiver or receivers shall be deemed to act as agent or agents for the Debtor and the Bank shall not be responsible for the actions of such agent or agents.

6.3 In addition, the Bank may enter upon and lease or sell the whole or any part or parts of the Collateral and any such sale may be made under this Agreement by public auction, by public tender or by private contract, with or without notice, advertising or any other formality, all of which are waived by the Debtor, and such sale shall be on such terms and conditions as to credit or otherwise and as to upset or reserve bid or price as to the

Bank in its sole discretion may seem advantageous and such sale may take place whether or not the Bank has taken possession of such Collateral.

- 6.4 No remedy for the realization of the security of this Agreement or for the enforcement of the rights of the Bank shall be exclusive of or dependent on any other such remedy, and any one or more of such remedies may from time to time be exercised independently or in combination.
- 6.5 The term "receiver" as used in this General Security Agreement includes a receiver and manager.

#### **ARTICLE 7. RIGHTS OF THE BANK**

- 7.1 All payments made in respect of the Indebtedness and money realized from any securities held therefor may be applied on such part or parts of the Indebtedness as the Bank may see fit and the Bank shall at all times and from time to time have the right to change any appropriation of any money received by it and to reapply the same on any other part or parts of the Indebtedness as the Bank may see fit, notwithstanding any previous application by whomsoever made.
- 7.2 The Debtor grants to the Bank the right to set off against any and all accounts, credits or balances maintained by it with the Bank, the aggregate amount of any of the Indebtedness when the same shall become due and payable whether at maturity, upon acceleration of maturity thereof or otherwise.
- 7.3 The Bank, without exonerating in whole or in part the Debtor, may grant time, renewals, extensions, indulgences, releases and discharges to, may take securities from and give the same and any or all existing securities up to, may abstain from taking securities from or from perfecting securities of, may accept compositions from, and may otherwise deal with the Debtor and all other persons and securities as the Bank may see fit.
- 7.4 The Bank may assign, transfer and deliver to any transferee any of the Indebtedness or any security or any documents or instruments held by the Bank in respect thereof provided that no such assignment, transfer or delivery shall release the Debtor from any of the Indebtedness; and thereafter the Bank shall be fully discharged from all responsibility with respect to the Indebtedness and security, documents and instruments so assigned, transferred or delivered. Such transferee shall be vested with all powers and rights of the Bank under such security, documents or instruments but the Bank shall retain all rights and powers with respect to any such security, documents or instruments not so assigned, transferred or delivered. The Debtor shall not assign any of its rights or obligations under this Agreement without the prior written consent of the Bank.

#### **ARTICLE 8. MISCELLANEOUS**

- 8.1 This General Security Agreement is in addition to all, and not in substitution for or merged in any, other agreement, security, document or instrument now or hereafter held by the Bank or existing at law, in equity or by statute.
- 8.2 Nothing in this Agreement shall obligate the Bank to make any advance or loan or further advance or loan or to renew any note or extend any time for payment of any indebtedness of the Debtor to the Bank.

- 8.3 This General Security Agreement shall be binding upon the Debtor and its heirs, legatees, trustees, executors, administrators, successors and assigns including any successor by reason of amalgamation of or any other change in the Debtor and shall enure to the benefit of the Bank successors and assigns.
- 8.4 In construing this General Security Agreement, terms shall have the same meaning as defined in the PPSA, as hereinafter defined, unless the context otherwise requires. Words importing gender shall include all genders. Words importing the singular number shall include the plural and vice versa.
- 8.5 If one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained in this Agreement shall not in any way be affected or impaired thereby.
- 8.6 The headings in this General Security Agreement are included for convenience of reference only, and shall not constitute a part of this General Security Agreement for any other purpose.
- 8.7 Any notice or statement referred to in this Agreement may be delivered, sent by facsimile machine ("fax") or, providing that postal service throughout Canada is fully operative, mailed by ordinary prepaid mail to the Debtor at his last address known to the Bank and the Debtor shall be deemed to have received such notice or statement on the day of delivery, if delivered on a business day, the business day immediately following the day of delivery, if delivered on a day other than a business day, on the business day following transmission, if transmitted by fax, and three (3) business days after mailing, if mailed.
- 8.8 Where any provision or remedy contained or referred to in this General Security Agreement is prohibited, modified or altered by the laws of any province or territory of Canada which governs that aspect of this General Security Agreement and the provision or remedies may be waived or excluded by the Debtor in whole or in part, the Debtor waives and excludes such provision to the fullest extent permissible by law.
- 8.9 In the event the Debtor is a body corporate, it is agreed that *The Limitations of Civil Rights Act of the Province of Saskatchewan*, or any provision thereof, shall have no application to this General Security Agreement or any agreement or instrument renewing or extending or collateral to this General Security Agreement. In the event that the Debtor is an agricultural corporation within the meaning of *The Saskatchewan Farm Security Act*, the Debtor agrees with the Bank that all of Part IV (other than section 46) of that Act shall not apply to the Debtor.
- 8.10 This General Security Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws applicable therein, as the same may be in effect from time to time including, where applicable, the *Personal Property Security Act* of that Province (as amended or substituted, the "PPSA"). For the purpose of legal proceedings this General Security Agreement shall be deemed to have been made in the said Province and to be performed there and the courts of that Province shall have jurisdiction over all disputes which may arise under this General Security Agreement and the Debtor irrevocably and unconditionally submits to the non-

exclusive jurisdiction of such courts, provided always that nothing in this Agreement contained shall prevent the Bank from proceeding at its election against the Debtor in the courts of any other Province, country or jurisdiction.

8.11 The Debtor acknowledges having received a copy of this General Security Agreement.

DATED as of June 5, 2006.

**2SOURCE MANUFACTURING INC.**

by:  c.s.

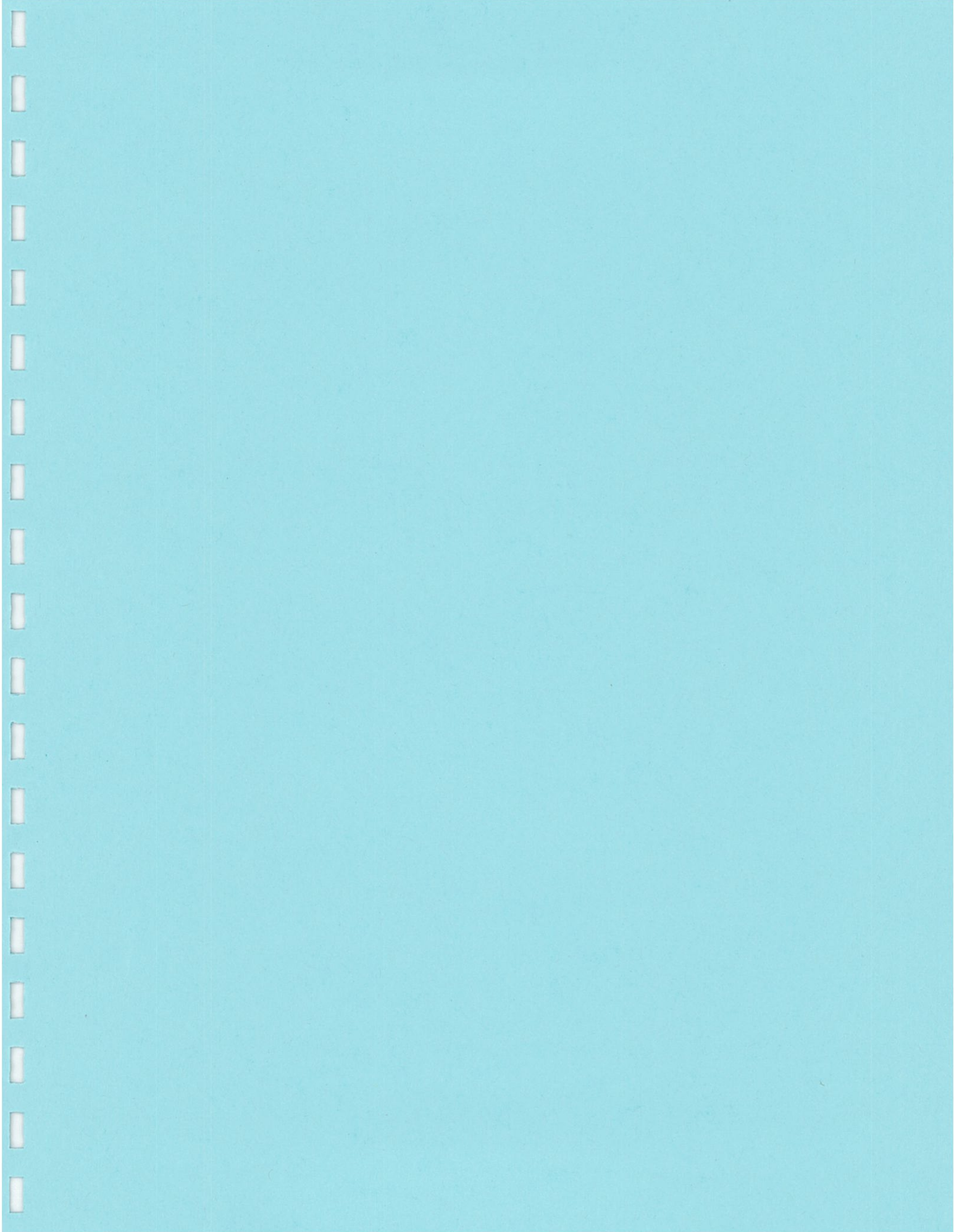
Name: Robert Glegg  
Title: President & Secretary

(LoanTransact ID) DocName: gen. security agrmnt. (standard)

**Schedule "A"**

**Locations of Collateral**

5261 Bradco Boulevard  
Mississauga, Ontario  
L4W 2A6  
Canada







(16)

**Security with Respect to Insurance Policies**

TO: HSBC Bank Canada (the "Bank")

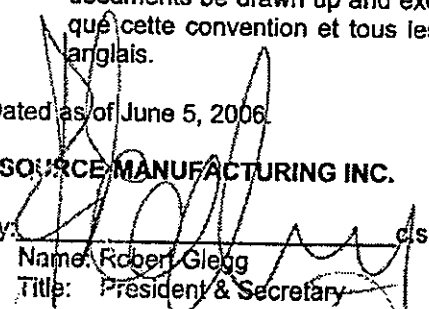
1. **Designation of Beneficiary and Loss Payee.** 2Source Manufacturing Inc. (the "Assignor") designates the Bank as a loss payee, with respect to property damage and loss insurance, and as an additional insured, with respect to liability insurance, under the policy(ies) described in attached Schedule "A", and further designates the Bank as a loss payee and additional insured, as the case may be, under any and all renewals thereof or substitutions therefor (collectively, the "Policies") and grants a security interest in all right, title and interest of the Assignor in, to and under the Policies and all proceeds which may become payable under the Policies. The Assignor may not revoke the loss payee designation without the Bank's written consent.
2. **Indebtedness Secured.** The security constituted under this Agreement shall secure all indebtedness, obligations and liabilities of any kind, present or future, direct or indirect, absolute or contingent, joint or several, of the Assignor to the Bank, whether as principal or surety, together with all expenses (including legal fees on a full indemnification basis) incurred by the Bank, its receiver or agent, in the preparation, perfection and enforcement of security and other agreements held by the Bank in respect of such indebtedness, obligations or liabilities and interest thereon (collectively, the "Indebtedness").
3. **Possession of Policies.** The Assignor shall deliver certified copies of the Policies to the Bank and inform it of any and all events which could result in payment of the sums payable thereunder.
4. **Premiums.** The Assignor shall pay the premiums for the Policies at least 10 days before the expiry date thereof and shall deliver to the Bank evidence of such payment. If the Assignor fails to pay such premiums, the Bank may pay them for the Assignor, without however being bound to do so, and any such payment shall be added to the Indebtedness and secured by this Assignment.
5. **Rights of the Bank.** The Bank may, without however being bound to do so, collect any and all sums payable under the Policies (save and except any such sums payable to third parties under liability insurance) and exercise all rights arising from the Policies. All sums collected by the Bank may, at its discretion, be remitted to the Assignor, or they may be held by the Bank as security for the Indebtedness, or applied to the payment of the Indebtedness and any such payment shall be applied to the Indebtedness and obligations secured by this Assignment, whether or not due. The Bank shall have the choice of how any such sums collected shall be applied.
6. **Remedies of the Bank.** The Bank may exercise its rights and recourse without being required to exercise same against the Assignor or any other person, or to realize on any other security.
7. **Expenses.** The Assignor shall pay all the expenses incurred by the Bank in connection

herewith as well as the expenses arising from the exercise of the Bank rights, including any premiums which the Bank may pay, and any such payment shall be added to the Indebtedness and secured by this Assignment.

8. **Mandate.** The Assignor constitutes and appoints the Bank its irrevocable attorney, with power of substitution, in order to perform all acts and to sign all documents necessary or expedient for the exercise of the rights conferred on the Bank under this Assignment, including to endorse all cheques or payment orders made to the order of the Assignor.
9. **Liability of the Bank.** The Bank shall only be required to exercise reasonable care in the exercise of its rights and the performance of its obligations, and it shall be liable only for its intentional fault or gross negligence.
10. **Additional Security.** The rights conferred on the Bank under this Assignment are in addition to all, and not in substitution for or merged in any, other security held by the Bank. The Bank may, however, waive any other security without affecting its rights under this Assignment.
11. **Successor of the Bank.** This Assignment shall be binding upon the Assignor and enure to the benefit of the Bank and its successors, by way of amalgamation or otherwise, and assigns.
12. **Governing Laws.** This Agreement shall be construed in accordance with and be governed by the laws of the Province of Ontario and for the purpose of legal proceedings this Agreement shall be deemed to have been made in the said jurisdiction and to be performed there and the courts of that jurisdiction shall have jurisdiction over all disputes which may arise under this Agreement and the undersigned irrevocably and unconditionally submits to the non-exclusive jurisdiction of such courts, provided always that nothing contained in this Agreement shall prevent the Bank from proceeding at its election against the undersigned in the courts of any other province, state, country or jurisdiction.
13. **Language.** It is the express wish of the parties that this Agreement and any related documents be drawn up and executed in English. Il est la volonté expresse des Parties que cette convention et tous les documents s'y rattachant soient rédigés et signés en anglais.

Dated as of June 5, 2006.

**2SOURCE MANUFACTURING INC.**

by:  c/s.  
Name: Robert Gregg  
Title: President & Secretary

(LoanTransact ID DocName: security re insurance policies)

Schedule "A"

List of Insurance Policies

Name of Insurance Company	Policy Number	Insurance Coverage
GCAN Insurance	8139285	Commercial general liability
GCAN Insurance	9136082	Umbrella liability
Global Aerospace Underwriting Managers (Canada) Limited	51408-ON-05	Aviation liability





**General Assignment of Book Debts  
(For use in all Provinces except Quebec)**

TO: HSBC Bank Canada (the "Bank")

1. The undersigned, 2Source Manufacturing Inc. (the "undersigned"), for valuable consideration, jointly and severally assigns and transfers to the Bank all debts, claims, demands, monies and choses in action, (including, without limitation, all book debts) now due or accruing or growing due, or hereafter to become due or accruing or growing due, or which may become vested in the undersigned alone or the undersigned jointly with others, whether in connection with the business now carried on by the undersigned, or any future business or otherwise, or any policy or contract of insurance against loss by whatever cause to the real or personal property of the undersigned (collectively, the "Debts"), and also books of account, and documents in any way evidencing or relating to, or which may be received as security for or on account of the Debts, and also all judgments and all mortgages or other securities for payment of the same or any of them, and also all other rights and benefits which are now or may hereafter become vested in the undersigned in respect of the Debts.
2. If the undersigned is a corporation, no change in the name, objects, capital stock or constitution of the undersigned shall in any way affect the validity or enforceability of this Assignment, with respect to Debts due or accruing or growing due to the undersigned before or after any such change, and this Assignment shall extend to all Debts of the person or corporation who or which assumes the obligations of the undersigned in whole or in part in whatsoever manner including, without limitation, by amalgamation with the undersigned.
3. If the undersigned is a partnership, no change in the name of the undersigned's firm or in the membership of the undersigned's firm through the death, retirement or introduction of one or more partners or otherwise, or by the disposition of the undersigned's business in whole or in part, shall in any way affect the validity or enforceability of this Assignment, with respect to Debts due or accruing or growing due to the undersigned before or after any such change, and this Assignment shall extend to all Debts of the person or corporation who or which assumes the obligations of the undersigned in whole or in part in whatsoever manner.
4. The undersigned undertakes to furnish to the Bank at any time on demand a list of all the debtors of the undersigned with the amount owing by each and the securities held by the undersigned therefor together with all information which may assist in the collection of the Debts, and the Bank or its authorized agent shall be entitled from time to time to inspect all books and accounts, letters, invoices, papers and documents in any way evidencing or relating to the Debts and to make photocopies at the expense of the undersigned, and for such purposes the Bank shall have access to all premises occupied by the undersigned.
5. The undersigned covenants that none of the Debts have been assigned to or pledged or encumbered in favour of any other person, firm or corporation, and agrees not to make any subsequent assignment of any or all of the Debts without the prior written consent of

the Bank thereto.

6. The present assignment and transfer shall be a continuing security to the Bank for the payment of all and every present and future indebtedness and liability direct or indirect, absolute or contingent, mature or not, of the undersigned to the Bank and any ultimate unpaid balance thereof with interest, and is in addition to all, and not in substitution for or merged in any, other similar assignment heretofore given to and still held by the Bank and is taken by the Bank as additional security for the fulfilment of the obligations of the undersigned to the Bank therein, and shall not operate as a merger of any simple contract debt or in any way suspend the fulfilment of, or prejudice or affect the rights, remedies and powers of, the Bank in respect of the said obligations or any securities held by the Bank for the fulfilment thereof.
7. The undersigned expressly authorizes the Bank to realize the Debts from time to time in such manner and at such times as it may in its discretion deem advisable (but shall not be bound to realize the same unless it sees fit) and to impute or appropriate the proceeds thereof in its absolute discretion on account of such parts of the said indebtedness and liability whether secured or unsecured; and such appropriations or imputations may be changed or varied from time to time at the discretion of the Bank; and the undersigned acknowledges that the operation of the account or accounts relating to loans to or indebtedness of the undersigned will involve extra work on the part of the Bank and agrees to pay the Bank's charges for the keeping of the said account or accounts and for receiving, whether directly or through the undersigned, payments on account of the Debts, and also to pay to the Bank its charges for services in collecting, enforcing or realizing any of the Debts or attempting to do so and sums paid and expenses incurred in connection therewith, and authorizes the Bank to add such charges, sums or expenses to the indebtedness of the undersigned and to retain the same out of monies received by the Bank.
8. The Bank may grant extensions, take and give up securities, accept compositions, grant releases and discharges and generally deal with the Debts in its absolute discretion without consent of or notice to the undersigned, and may deal with the undersigned, debtors of the undersigned, sureties and others and with the Debts and other securities as the Bank may see fit without prejudice to the liability of the undersigned or to the right of the Bank to hold and realize as security, and the Bank shall not be responsible for any loss or damage which may occur in consequence of the negligence of any officer, agent or legal counsel employed in the collection or realization thereof, and the Bank shall not be liable or accountable for any failure to collect, realize, sell or obtain payment of the Debts or any part thereof and shall not be bound to institute proceedings for the purpose of collecting, realizing or obtaining payment of the same or for the purpose of preserving any rights of the Bank, the undersigned or any other person, firm or corporation in respect of the same.
9. If the amount of any of the Debts be paid to the undersigned or an agent of the undersigned, the undersigned agrees that such amount shall be received in trust for the Bank and the undersigned shall forthwith pay over or cause to be paid over the same to the Bank.
10. The undersigned undertakes to do such other things and sign such further instruments as may from time to time be required by the Bank or any officer or successor thereof to vest in the Bank the Debts or to collect the same, and hereby constitutes and appoints

any branch manager or acting manager of the Bank the true and lawful attorney of the undersigned, irrevocable, with full power of substitution, to do, make and execute all such assignments, deeds, documents, acts, matters and things as the undersigned has agreed herein to do, make and execute or as may be required to give effect to this Assignment or in the exercise of the powers of the Bank hereby conferred, with the right to use the name of the undersigned whenever and wherever the Bank may deem it to be necessary or expedient.

11. In this Assignment, any word importing the singular number shall include the plural, and without restricting the generality of the foregoing, where there is more than one undersigned any reference to the undersigned refers to each and every one of the undersigned, and any word importing a person shall include a corporation, partnership and any other entity.
12. If this Assignment is executed by more than one party, the liability of each of the undersigned hereunder shall be joint and several with one another.
13. The provisions hereof shall enure to the benefit of the successors and assigns of the Bank and shall be binding upon the respective heirs, executors, administrators, successors and assigns of the undersigned.
14. The parties hereto confirm that they have expressly required that this Agreement and all related documents be drawn up in English. Les parties aux présentes reconnaissent avoir expressement exigé que cette convention et tous les documents qui s'y rapportent soient rédigés en langue anglais.

Dated as of June 5, 2006.

**2SOURCE MANUFACTURING INC.**

by:  c.s.

Name: Robert Glegg  
Title: President & Secretary

(LoanTransact ID DocName: gen. assign. of book debts (not quebec))

**TAB H**



Exhibit "H" to the Affidavit of Stephen G. Wayland,  
sworn before me this 23<sup>rd</sup> day of January, 2017



---

Commissioner for Taking Affidavits, etc.



*Original received  
Aug 7, 2014  
AM  
002-297620 500031*

July 18, 2014

**PRIVATE & CONFIDENTIAL**

**2Source Manufacturing Inc.**


5261 Bradco Blvd.  
Mississauga, ON  
L4W 2A6

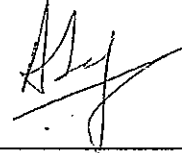
Attention: Mr. Robert Glegg, President

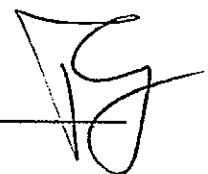
Dear Sir:

We refer to the facility letter dated June 2, 2014 and the requirement therein for an Assignment & Postponement Agreement with 2006905 Ontario Ltd to postpone its loans to 2Source Manufacturing Ltd ("Borrower") in the amount of \$4,127,786.00. We note that this security requirement is intended as a replacement for an existing Assignment & Postponement Agreement executed by the Borrower dated June 5, 2006. We hereby confirm that the newly executed version shall supersede the previously executed Assignment & Postponement Agreement.

Yours truly,  
HSBC BANK CANADA

  
Cherian Mathew  
Account Manager  
Commercial Banking

  
Aditya Sapru  
Assistant Vice President  
Commercial Banking



*original received  
Aug 7, 2014  
CMA*



**Postponement Agreement  
(with Postponer Corporations)  
(with Permitted Payments)**

TO: HSBC Bank Canada (the "Bank")

**RECITALS**

- A. 2Source Manufacturing Inc. (the "**Debtor**") is now or may hereafter become indebted or liable or further indebted or liable to the undersigned (the "**Postponer**") or to corporations directly or indirectly owned or controlled by the Postponer (collectively, the "**Postponer Corporations**").
- B. The Postponer has agreed to enter into this Agreement in favour of the Bank.

**NOW THEREFORE** for value received and intending to be legally bound, the undersigned covenants and agrees as follows:

- 1. Subject to the provisions of paragraph 5 hereof, any and all present and future indebtedness, obligations and liabilities of any kind, present or future, direct or indirect, absolute or contingent, jointly or severally, of the Debtor to the Postponer and to any Postponer Corporations, whether as principal or surety, together with all expenses (including legal fees on a full indemnification basis) incurred by the Postponer, its receiver or agent in the preparation, perfection and enforcement of security or other agreements held by the Postponer (collectively, the "**Postponer Security**") in respect of such indebtedness, obligations or liabilities and interest thereon, up to the Required Amount, (collectively, the "**Postponer Indebtedness**") is and shall hereafter be subject, postponed to all indebtedness, obligations and liabilities of any kind, present or future, direct or indirect, absolute or contingent, jointly or severally, of the Debtor to the Bank, whether as principal or surety, together with all expenses (including legal fees on a full indemnification basis) incurred by the Bank, its receiver or agent in the preparation, perfection and enforcement of security or other agreements held by the Bank in respect of such indebtedness, obligations or liabilities and interest thereon (collectively, the "**Lender Indebtedness**").
- 2. In order to effectuate this Agreement:
  - (a) the Postponer assigns, transfers and makes over to the Bank the Postponer Indebtedness and agrees to cause all Postponer Corporations which are now or hereafter become a creditor of the Debtor to assign, transfer and make over to the Bank any and all Postponer Indebtedness which such Postponer Corporations may now or hereafter have against the Debtor;
  - (b) the Postponer subrogates to the Bank and agrees to cause all Postponer Corporations to subrogate to the Bank all of the rights of the Postponer and all Postponer Corporations in respect to the Postponer Indebtedness;

- (c) the Postponer authorizes the Bank and agrees to cause all Postponer Corporations to authorize the Bank to collect and receive any dividends or payments which may be payable to the Postponer or such Postponer Corporations in the course of any receivership, bankruptcy, liquidation or winding-up of the Debtor or upon any realization of any Postponer Security; and
  - (d) in the event that the amount of the Lender Indebtedness at such time is not paid in full, the Postponer authorizes the Bank and agrees to cause all Postponer Corporations to authorize the Bank to apply the amount of the dividends or payments so collected by the Bank in payment of the balance of the Lender Indebtedness, with the surplus, if any, to be paid to the Postponer or such Postponer Corporations.
3. The Postponer shall at all times and from time to time do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all and singular every such further act, deed, transfer, assignment, assurance, document or instrument as the Bank may reasonably require for the better accomplishing and effectuating of this Agreement and the provisions contained herein, including such measures as may be required to cause Postponer Corporations which now or hereafter hold Postponer Indebtedness to enter into an agreement similar hereto, and every officer of the Bank and each of them is irrevocably appointed attorneys or attorney to execute in the name and on behalf of the Postponer any document or instrument for the said purpose.
4. The Postponer agrees that it will not and agrees to cause all Postponer Corporations not to take any action to collect the Postponer Indebtedness or to realize upon the Debtor's assets or any part thereof, as the case may be, without the prior written consent of the Bank.
5. No Postponer Indebtedness shall be paid or withdrawn without the occurrence of one of the following events:
- (a) the Bank having provided its prior written consent.
  - (b) the Bank having indefeasibly received all amounts due and owing in respect of the Lender Indebtedness.
  - (c) unless on account of a Permitted Payment.

For the purpose of this section, the term "**Permitted Payments**" means all payments or withdrawals on account of Postponer Indebtedness representing:

provided that no such payment or withdrawal shall be made:

- (i) at any time the Debtor is, or that such payment or withdrawal would cause the Debtor to be, in default of any of its covenants or agreements with the Bank; and
- (ii) at no time shall the balance of Postponer Indebtedness remaining after such payment or withdrawal be less than CAD 4,127,786.00 (the "**Required Amount**").

Any payments which may be received by the Postponer or Postponer Corporations from the Debtor or from any third party on account of or otherwise for the benefit of the Debtor in contravention of the foregoing shall be received in trust for the Bank and shall be paid over to the Bank forthwith upon receipt but no such payment shall have the effect of reducing the Lender Indebtedness until the same has been applied in permanent reduction of the Lender Indebtedness.

6. Except with the prior written consent of the Bank, the Postponer shall not assign and will cause any Postponer Corporation not to assign Postponer Indebtedness or any part thereof to any other party or ask for or obtain any negotiable paper or other evidence of the same.
7. If the Debtor is a corporation, no change in the name, objects, capital stock or constitution of the Debtor shall in any way affect the obligations of the Postponer with respect to transactions occurring before or after any such change, and this Agreement shall extend to all debts and liabilities to the Postponer of the person or corporation who or which assumes the obligations of the Debtor in whole or in part in whatsoever manner including, without limitation, by amalgamation with the Debtor.
8. This Agreement shall be binding upon the Postponer and its heirs, executors, administrators, successors and assigns including any successor by reason of amalgamation of or any other change in the Postponer and shall enure to the benefit of the Bank and its successors and assigns. ~~In the event that this Agreement is executed by more than one party, the obligations of each of the undersigned shall be joint and several, but the failure of any other party or parties to sign this or any other agreement with the Bank shall in no way limit or otherwise affect the liability of the undersigned to the Bank.~~ The Bank may assign, transfer and deliver to any transferee any of the Lender Indebtedness or any security, documents or instruments held by the Bank in respect thereof provided that no such assignment, transfer or delivery shall release the Postponer from the covenants and agreements herein contained; and thereafter the Bank shall be fully discharged from all responsibility with respect to the Lender Indebtedness and security, documents and instruments so assigned, transferred or delivered. Such transferee shall be vested with all powers and rights of the Bank under such security, documents or instruments but the Bank shall retain all rights and powers with respect to any such security, documents or instruments not so assigned, transferred or delivered.
9. This Agreement is in addition to all, and not in substitution for or merged in any, other agreement, security, document and instrument now or hereafter held by the Bank.
10. This Agreement shall be construed in accordance with and be governed by the laws of the Province of Ontario and the federal laws applicable therein and for the purpose of legal proceedings this Agreement shall be deemed to have been made in the said jurisdiction and to be performed there and the courts of that jurisdiction shall have jurisdiction over all disputes which may arise under this Agreement and the Postponer irrevocably and unconditionally submits to the non-exclusive jurisdiction of such courts, provided always that nothing herein contained shall prevent the Bank from proceeding at its election against the Postponer in the courts of any other province, state, country or jurisdiction.

11. If one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.
12. Any notice or statement referred to in this Agreement may be delivered, transmitted by facsimile machine ("fax") or, providing that postal service throughout Canada is fully operative, mailed by ordinary prepaid mail to the Postponer at the address of the Postponer as shown on the books of the Bank and the Postponer shall be deemed to have received such notice or statement on the day of delivery, if delivered on a business day, the business day immediately following the day of delivery, if delivered on a day other than a business day, on the business day following transmission, if transmitted by fax, or three (3) business days after mailing, if mailed.
13. Words importing the singular include the plural and vice versa; and words importing gender shall include all genders.
14. It is the express wish of the parties that this Agreement and any related documents be drawn up and executed in English. Il est la volonté expresse des Parties que cette convention et tous les documents s'y rattachant soient rédigés et signés en anglais.

Dated as of July 22, 2014.

2006905 ONTARIO INC.

By: 

Name: Robert K. Glegg  
Title: CEO Chairman

Address:

62 Belair Drive  
Oakville, Ontario  
L6J 7N1

TO: HSBC Bank Canada (the "Bank")

**ACKNOWLEDGEMENT**

The undersigned acknowledges receipt of notice in writing of the assignment contained in the foregoing Agreement and agrees to the terms thereof and agrees not to be a party to any negotiable paper representing the indebtedness thereby assigned and not to make any payment to the Postponer or to any Postponer Corporation except as therein provided.

Dated as of July 22, 2014.

**2SOURCE MANUFACTURING INC.**

By: 

Name: Robert Glegg  
Title: President & Secretary

**Resolution Authorizing  
Postponement Agreement**

**Resolution of Directors of  
2006905 Ontario Inc.  
(the "Corporation")**

**RECITALS**

- A. The Corporation has business relations with 2Source Manufacturing Inc. (the "**Debtor**"), and the directors of the Corporation are of the opinion that it is in the interest of the Corporation to enter into a postponement agreement with HSBC Bank Canada (the "**Bank**") with respect to the indebtedness of the Debtor to the Corporation.

**RESOLVED THAT:**

1. The Corporation enter into, execute and deliver to the Bank a postponement agreement relating to the present and future indebtedness and liability of the Debtor to the Corporation, substantially in the form and containing the terms and conditions of the draft document presented to the directors of the Corporation, subject to such alterations, amendments or additions to which any officer or director of the Corporation may agree.
2. The execution by any officer or director of the Corporation of the said postponement agreement shall be conclusive proof of his/her agreement to any amendments or additions incorporated therein.
3. Any officer or director of the Corporation be and each of them is authorized to execute and deliver the said postponement agreement on behalf of the Corporation and each director and officer of the Corporation is authorized to execute all such other documents and writings and do such acts and things as may be necessary for fulfilling the Corporation's obligations under the said postponement agreement.

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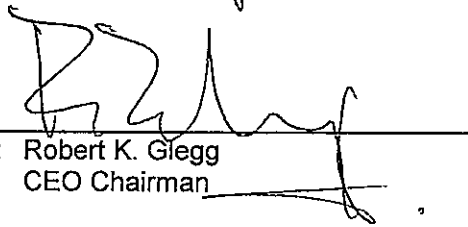
The undersigned, being the CEO Chairman of 2006905 Ontario Inc. (the "**Corporation**"), certifies that:

1. The foregoing is a true and complete copy of a resolution duly enacted by the board of directors of the Corporation, in accordance with the by-laws of the Corporation and all applicable statutes, and that the said resolution remains in full force and effect unamended on the date of this resolution.



2. The postponement agreement delivered to HSBC Bank Canada with this resolution is in the form of the draft postponement agreement referred to in the said resolution and has been duly and properly executed by the proper officers of the Corporation under its corporate seal pursuant to the said resolution.

Dated as of July 22, 2014.

  
Name: Robert K. Glegg  
Title: CEO Chairman

**TAB I**

Exhibit "T" to the Affidavit of Stephen G. Wayland,  
sworn before me this 23<sup>rd</sup> day of January, 2017



---

Commissioner for Taking Affidavits, etc.

**Salmas, John**

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**From:** stephen\_wayland@hsbc.ca  
**Sent:** 19-Jan-17 1:51 PM  
**To:** Salmas, John  
**Subject:** FW: Financial Package for Sep 2016: Follow-up

Stephen Wayland  
North American Risk  
Assistant Vice President  
HSBC Bank Canada  
70 York St, Toronto, On M5J 1S9  
Phone 416 868 8052  
Fax 416 868 3812

---

**From:** Ida Noohi  
**Sent:** January-19-17 1:44 PM  
**To:** Stephen Wayland <stephen\_wayland@hsbc.ca>  
**Subject:** FW: Financial Package for Sep 2016: Follow-up

**Ida Noohi**  
Senior Relationship Manager | Corporate Banking | HSBC Bank Canada  
70 York Street  
Toronto, ON, M5J 1S9

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Phone 416-868-8145  
Fax 416-350-1248  
Mobile 647-466-9764  
Email [Ida.Noohi@hsbc.ca](mailto:Ida.Noohi@hsbc.ca)

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**From:** Shan Kumarasooriyar [<mailto:SKumarasooriyar@2source.com>]  
**Sent:** November-17-16 9:28 AM  
**To:** Ida Noohi <[ida\\_noohi@hsbc.ca](mailto:ida_noohi@hsbc.ca)>  
**Cc:** Robert Glegg <[rglegg@2source.com](mailto:rglegg@2source.com)>  
**Subject:** RE: Financial Package for Sep 2016: Follow-up

Good Morning Ida:

Further to the reports for the period ended September 30, 2016 that I sent you last night, I note that our margin surplus has declined below \$4.25 million.

As we will only be working together for another six weeks, I trust that our borrowing capacity will be maintained at \$4.25 million, as this is critical to us.

Thanks for your understanding!

Regards,

**Shan Kumarasooriyar. CPA, CMA**  
**Chief Financial Officer**  
**2Source Manufacturing Inc.**  
**5261 Bradco Blvd.**  
**Mississauga, Ontario**  
**L4W 2A6**  
**Phone: 905-361-9998, 226**  
**Fax: 905-282-9924**  
**Email: skumar@2source.com**

---

**From:** Shan Kumarasooriyar  
**Sent:** November-16-16 6:12 PM  
**To:** 'Ida\_Noohi@hsbc.ca'  
**Cc:** 'gary.f.zhong@hsbc.ca'; 'Financial.Reports@HSBC.ca'; Robert Glegg  
**Subject:** Financial Package for Sep 2016

Hi Ida,

Please see attached Financial Package for the month of September 2016.

Ida,

Just wondering if I could talk to you sometimes tomorrow morning. Appreciate please let me know and I will call you over. Alternatively, I can be reached on my cell @ 416 602 8020 as well.

Thanks

**Shan Kumarasooriyar. CPA, CMA**  
**Chief Financial Officer**  
**2Source Manufacturing Inc.**  
**5261 Bradco Blvd.**  
**Mississauga, Ontario**  
**L4W 2A6**  
**Phone: 905-361-9998, 226**  
**Fax: 905-282-9924**  
**Email: skumar@2source.com**

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\*\*\*\*\* Si vous préférez ne plus recevoir de messages promotionnels électroniques de la part de la HSBC, veuillez envoyer un courriel à [unsubscribe-request@hsbc.ca](mailto:unsubscribe-request@hsbc.ca) en inscrivant la mention "Désabonnement" en objet et en indiquant que vous souhaitez vous désabonner de la liste d'envoi de messages promotionnels électroniques. Vous continuerez de recevoir des avis contenant des renseignements factuels à propos de vos comptes.  
\*\*\*\*\* HSBC Bank Canada, 300-885 West Georgia Street, Vancouver, BC, Canada, V6C 3E9 \*\*\*\*\*

This email may contain confidential information, and is intended only for the named recipient and may be privileged. Distribution or

**TAB J**

Exhibit "J" to the Affidavit of Stephen G. Wayland,  
sworn before me this 23<sup>rd</sup> day of January, 2017



---

Commissioner for Taking Affidavits, etc.



November 21, 2016

2Source Manufacturing Inc.  
5261 Bradco Blvd.  
Mississauga, Ontario  
L4W 2A6

Attention: Mr. Robert Glegg, President

Dear Sir:

As you are aware, we received your September 2016 reporting package from Shan Kumarasooriyar during the evening of November 16th. You calculated the company's reported security margin value in accordance with section 5 Margin Requirement of the Facility Letter dated March 15, 2016 (the "Facility Letter") to be \$3,875,379. We have reviewed your margin value calculation and have determined the value to be \$3,824,000. This discrepancy results primarily from the determination of what is or is not considered to be an insured receivable for purposes of the margin calculation. Nevertheless, we are prepared to accept the company's calculation at this time, as it is possible that you have not provided us with the most current insured receivable listing. We would appreciate it, if you could provide us with your most recent listing, so that we may verify the status of the insured receivables of the company.

As at the close of business November 16th the company was borrowing \$3,943,934 resulting in a security margin shortfall pursuant to Section 5 of the Facility Letter of \$68,555. As you are aware, you are required to manage your borrowings to remain in compliance with the Margin Requirement at all times. As of the close of business on November 17th, the company was borrowing \$3,944,173, which again resulted in a margin shortfall. As of the close of business on November 18th, the company was borrowing \$3,709,269, which resulted in the Margin Requirement being satisfied at such time.

We understand from Shan's e-mail of November 17th, that the company may require some time to ensure ongoing compliance with the Margin Requirement. This letter is to advise you that the Bank is prepared to permit you a temporary \$200,000 margin shortfall allowance through to December 31, 2016 at which time pursuant to the terms of the Facility Letter and in the absence of an earlier receipt by the company of a demand by the Bank advances are to be repaid in full. We would expect that you will implement measures to ensure ongoing compliance with the Margin Requirement at the earliest opportunity.

We have reviewed the September financial performance submitted by the company and we are concerned and disappointed with the results. We would appreciate receiving from you at your earliest convenience a detailed explanation and analysis of the results together with your immediate plans to improve the financial performance of the company.

Lastly, we have previously requested that you provide us with evidence of your refinancing arrangements in order to repay your facilities with the Bank however you have declined to do so. We ask you once again



to provide the Bank with written evidence that you have made refinancing arrangements in an amount sufficient to repay the Bank by no later than December 31, 2016, pursuant to the terms of the Facility Letter.

Should you have any questions please feel free to contact the undersigned.

Sincerely,



Ida Noohi  
Senior Relationship Manager  
416-868-8145

RESTRICTED

**TAB K**

Exhibit "K" to the Affidavit of Stephen G. Wayland,  
sworn before me this 23<sup>rd</sup> day of January, 2017



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Commissioner for Taking Affidavits, etc.

**PPSA SUMMARY**

**2SOURCE MANUFACTURING INC.**

***Personal Property Security Act (Ontario)***  
(File Currency: January 2, 2017)

1.     **Secured Party:**                                 **HSBC Bank Canada**  
          **Debtor Name:**                                 2Source Manufacturing Inc.  
          **Registration No.:**                             20060531 1056 1793 4638  
          **File No.:**   625656042  
          **Registration Date:**                            May 31, 2006  
          **Registration Period:**                         5 years  
          **Expiry Date:**                                   May 31, 2026  
          **Collateral Classification:**                 Inventory, Equipment, Accounts, Other, Motor Vehicle  
  Included  
  
          **Motor Vehicle Description:**                 n/a  
          **General Collateral Description:**           n/a  
          **Renewed by:**                                   20110516 1453 1530 3674: Renewal for an additional 5  
  years  
          **Renewed by:**                                   20160427 1438 1530 6624: Renewal for an additional 10  
  years
  
2.     **Secured Party:**                                 **2006905 Ontario Inc.**  
          **Debtor Name:**                                 2Source Manufacturing Inc.  
          **Registration No.:**                             20080613 1326 1590 2471  
          **File No.:**   646074027  
          **Registration Date:**                            June 13, 2008  
          **Registration Period:**                         5 years  
          **Expiry Date:**                                   June 13, 2018  
          **Collateral Classification:**                 Inventory, Equipment, Accounts, Other, Motor Vehicle  
  Included  
  
          **Motor Vehicle Description:**                 n/a  
          **General Collateral Description:**           n/a  
          **Renewed by:**                                   20130612 1734 1590 2330: Renewal for an additional 5  
  years  
          **Amended by:**                                   20130614 1642 2278 0004: Amendment to change  
  debtor's address



**General Collateral Description:** All personal property of the debtor financed by the secured party, wherever situate, consisting of telecommunication system, together with all parts and accessories relating thereto, all attachments, accessories and accessions thereto or thereon, all replacements, substitutions, additions and improvements of all or any part of the foregoing and all proceeds in any form derived therefrom.

6.     **Secured Party:**                                 **National Leasing Group Inc.**  
          **Debtor Name:**                                 2Source Manufacturing Inc.  
          **Registration No.:**                             20140128 1614 6005 1433  
          **File No.:**                                     693436581  
          **Registration Date:**                         January 28, 2014  
          **Registration Period:**                     4 years  
          **Expiry Date:**                                January 28, 2018  
          **Collateral Classification:**                Equipment  
          **Motor Vehicle Description:**             n/a  
          **General Collateral Description:**        All computer software and licenses of every nature or kind described in lease number 2654707 between Questor Financial Corp., as original lessor and the debtor, as lessee, which lease was assigned by the original lessor to the secured party, as amended from time to time, together with all attachments, accessories and substitutions.

7.     **Secured Party:**                                 **RoyNat Inc.**  
          **Debtor Name:**                                 2Source Manufacturing Inc.  
          **Registration No.:**                             20140728 1525 1902 7234  
          **File No.:**                                     698399001  
          **Registration Date:**                         July 28, 2014  
          **Registration Period:**                     4 years  
          **Expiry Date:**                                July 28, 2018  
          **Collateral Classification:**                Equipment, Other  
          **Motor Vehicle Description:**             n/a

**General Collateral Description:** Marker(s), laser marker(s), laser system(s), marking enclosure(s), len(s), enclosure(s), door(s), control(s), window(s), axis(s), chuck(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

8.     **Secured Party:**                     **Elliott-Matsuura Canada Inc.**  
       **Debtor Name:**                     2Source Manufacturing Inc.  
       **Registration No.:**                 20151125 1529 1862 3395  
       **File No.:**                             712088955  
       **Registration Date:**                 November 25, 2015  
       **Registration Period:**             5 years  
       **Expiry Date:**                     November 25, 2020  
       **Collateral Classification:**       Equipment, Other  
       **Motor Vehicle Description:**     n/a  
       **General Collateral Description:** n/a





MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

THIS IS TO CERTIFY THAT A SEARCH HAS BEEN MADE IN THE RECORDS OF THE  
CENTRAL OFFICE OF THE PERSONAL PROPERTY SECURITY SYSTEM IN RESPECT  
OF THE FOLLOWING:

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: 2SOURCE MANUFACTURING INC.

FILE CURRENCY: January 2, 2017

RESPONSE CONTAINS: APPROXIMATELY 10 FAMILIES and 33 PAGES.

THE SEARCH RESULTS MAY INDICATE THAT THERE ARE SOME REGISTRATIONS  
WHICH SET OUT A BUSINESS DEBTOR NAME WHICH IS SIMILAR TO THE NAME  
IN WHICH YOUR ENQUIRY WAS MADE. IF YOU DETERMINE THAT THERE ARE  
OTHER SIMILAR BUSINESS DEBTOR NAMES, YOU MAY REQUEST THAT  
ADDITIONAL ENQUIRIES BE MADE AGAINST THOSE NAMES.

THE ABOVE REPORT HAS BEEN CREATED BASED ON THE DATA PROVIDED BY  
THE PERSONAL PROPERTY REGISTRATION BRANCH, MINISTRY OF CONSUMER  
AND BUSINESS SERVICES, GOVERNMENT OF ONTARIO. NO LIABILITY IS  
UNDERTAKEN REGARDING ITS CORRECTNESS, COMPLETENESS, OR THE  
INTERPRETATION AND USE THAT ARE MADE OF IT.

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 1 OF 10 ENQUIRY PAGE : 1 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.

00 FILE NUMBER : 625656042 EXPIRY DATE : 31MAY 2026 STATUS :  
01 CAUTION FILING : PAGE : 001 OF 1 MV SCHEDULE ATTACHED :  
REG NUM : 20060531 1056 1793 4638 REG TYP: P PPSA REG PERIOD: 5  
02 IND DOB : IND NAME:  
03 BUS NAME: 2SOURCE MANUFACTURING INC.  
OCN :  
04 ADDRESS : 5261 BRADCO BOULEVARD  
CITY : MISSISSAUGA PROV: ON POSTAL CODE: L4W2A6  
05 IND DOB : IND NAME:  
06 BUS NAME:  
OCN :  
07 ADDRESS :  
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :  
HSBC BANK CANADA  
09 ADDRESS : 70 YORK STREET, 2ND FLOOR  
CITY : TORONTO PROV: ON POSTAL CODE: M5J1S9  
CONS. MV DATE OF OR NO FIXED  
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
10 X X X X X  
YEAR MAKE MODEL V.I.N.

11  
12  
GENERAL COLLATERAL DESCRIPTION

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14  
15  
16 AGENT: FOGLER RUBINOFF LLP  
17 ADDRESS : 1200 - 95 WELLINGTON STREET, W  
CITY : TORONTO PROV: ON POSTAL CODE: M5J2Z9

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 1 OF 10 ENQUIRY PAGE : 2 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.  
FILE NUMBER 625656042

PAGE TOT REGISTRATION NUM REG TYPE  
01 CAUTION : 01 OF 001 MV SCHED: 20110516 1453 1530 3674  
21 REFERENCE FILE NUMBER : 625656042  
22 AMEND PAGE: NO PAGE: X CHANGE: B RENEWAL REN YEARS: 5 CORR PER:  
23 REFERENCE DEBTOR/ IND NAME:  
24 TRANSFEROR: BUS NAME: 2SOURCE MANUFACTURING INC.

25 OTHER CHANGE:

26 REASON:

27 /DESCR:

28 :

02/05 IND/TRANSFEE:

03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS:

CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :

CITY : PROV : POSTAL CODE :  
CONS. MV DATE OF NO FIXED  
GOODS INVTRY EQUIP ACCTS OTHER INCL AMOUNT MATURITY OR MAT DATE

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16 NAME : CANADIAN SECURITIES REGISTRATION SYSTEMS

17 ADDRESS : 4126 NORLAND AVENUE

CITY : BURNABY PROV : BC POSTAL CODE : V5G 3S8

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 1 OF 10 ENQUIRY PAGE : 3 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.  
FILE NUMBER 625656042

PAGE TOT REGISTRATION NUM REG TYPE  
01 CAUTION : 01 OF 001 MV SCHED: 20160427 1438 1530 6624  
21 REFERENCE FILE NUMBER : 625656042  
22 AMEND PAGE: NO PAGE: X CHANGE: B RENEWAL REN YEARS: 10 CORR PER:  
23 REFERENCE DEBTOR/ IND NAME:  
24 TRANSFEROR: BUS NAME: 2SOURCE MANUFACTURING INC.

25 OTHER CHANGE:

26 REASON:

27 /DESCR:

28 :

02/05 IND/TRANSFEE:

03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS:

CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :

CITY : PROV : POSTAL CODE :  
CONS. MV DATE OF NO FIXED  
GOODS INVTRY EQUIP ACCTS OTHER INCL AMOUNT MATURITY OR MAT DATE

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16 NAME : CANADIAN SECURITIES REGISTRATION SYSTEMS

17 ADDRESS : 4126 NORLAND AVENUE

CITY : BURNABY PROV : BC POSTAL CODE : V5G 3S8

END OF FAMILY

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 2 OF 10 ENQUIRY PAGE : 4 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.

00 FILE NUMBER : 646074027 EXPIRY DATE : 13JUN 2018 STATUS :  
01 CAUTION FILING : PAGE : 001 OF 2 MV SCHEDULE ATTACHED :  
REG NUM : 20080613 1326 1590 2471 REG TYP: P PPSA REG PERIOD: 5  
02 IND DOB : IND NAME:  
03 BUS NAME: 2SOURCE MANUFACTURING INC.  
OCN :  
04 ADDRESS : 161 BAY STREET, 27TH FLOOR, BCE PLACE,  
CITY : TORONTO PROV: ON POSTAL CODE: M5J 2S1  
05 IND DOB : IND NAME:  
06 BUS NAME:  
OCN :  
07 ADDRESS :  
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :  
2006905 ONTARIO INC.  
09 ADDRESS : 62 BEL AIR DRIVE  
CITY : OAKVILLE PROV: ON POSTAL CODE: L6J 7N1  
CONS. MV DATE OF OR NO FIXED  
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
10 X X X X X  
YEAR MAKE MODEL V.I.N.

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13 GENERAL COLLATERAL DESCRIPTION

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15  
16 AGENT: STIKEMAN ELLIOTT LLP  
17 ADDRESS : 5300 COMMERCE COURT WEST  
CITY : TORONTO PROV: ON POSTAL CODE: M5L 1B9

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 2 OF 10 ENQUIRY PAGE : 5 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.

00 FILE NUMBER : 646074027 EXPIRY DATE : 13JUN 2018 STATUS :  
01 CAUTION FILING : PAGE : 002 OF 2 MV SCHEDULE ATTACHED :  
REG NUM : 20080613 1326 1590 2471 REG TYP: REG PERIOD:  
02 IND DOB : IND NAME:  
03 BUS NAME:  
OCN :  
04 ADDRESS : CANADA TRUST TOWER  
CITY : PROV: POSTAL CODE:  
05 IND DOB : IND NAME:  
06 BUS NAME:  
OCN :  
07 ADDRESS :  
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :  
CITY : PROV: POSTAL CODE:  
CONS. MV DATE OF OR NO FIXED  
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
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YEAR MAKE MODEL V.I.N.  
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12  
GENERAL COLLATERAL DESCRIPTION  
13  
14  
15  
16 AGENT:  
17 ADDRESS :  
CITY : PROV: POSTAL CODE:

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 2 OF 10 ENQUIRY PAGE : 6 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.  
FILE NUMBER 646074027

PAGE TOT REGISTRATION NUM REG TYPE  
01 CAUTION : 01 OF 001 MV SCHED: 20130612 1734 1590 2330  
21 REFERENCE FILE NUMBER : 646074027  
22 AMEND PAGE: NO PAGE: CHANGE: B RENEWAL REN YEARS: 5 CORR PER:  
23 REFERENCE DEBTOR/ IND NAME:  
24 TRANSFEROR: BUS NAME: 2SOURCE MANUFACTURING INC.

25 OTHER CHANGE:

26 REASON:

27 /DESCR:

28 :

02/05 IND/TRANSFEE:

03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS:

CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :

CITY : PROV : POSTAL CODE :  
CONS. MV DATE OF NO FIXED  
GOODS INVTRY EQUIP ACCTS OTHER INCL AMOUNT MATURITY OR MAT DATE

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16 NAME : O'CONNOR MACLEOD HANNA LLP [TAL]

17 ADDRESS : 700 KERR STREET

CITY : OAKVILLE PROV : ON POSTAL CODE : L6K 3W5

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 2 OF 10 ENQUIRY PAGE : 7 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.  
FILE NUMBER 646074027

PAGE TOT REGISTRATION NUM REG TYPE  
01 CAUTION : 001 OF 1 MV SCHED: 20130614 1642 2278 0004  
21 REFERENCE FILE NUMBER : 646074027  
22 AMEND PAGE: NO PAGE: CHANGE: A AMNDMNT REN YEARS: CORR PER:  
23 REFERENCE DEBTOR/ IND NAME:  
24 TRANSFEROR: BUS NAME: 2SOURCE MANUFACTURING INC.

25 OTHER CHANGE:

26 REASON: TO REFLECT THE CHANGE OF ADDRESS OF THE DEBTOR

27 /DESCR:

28 :

02/05 IND/TRANSFEE:

03/06 BUS NAME/TRFEE: 2SOURCE MANUFACTURING INC.

OCN:

04/07 ADDRESS: 5261 BRADCO BOULEVARD

CITY: MISSISSAUGA PROV: ON POSTAL CODE: L4W 2A6

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :

CITY :	PROV :	POSTAL CODE :	DATE OF	NO FIXED
CONS.	MV		MATURITY OR	MAT DATE
GOODS	INCL	AMOUNT		

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16 NAME : O'CONNOR MACLEOD HANNA LLP [TAL]

17 ADDRESS : 700 KERR STREET

CITY : OAKVILLE PROV : ON POSTAL CODE : L6K 3W5

END OF FAMILY

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*



MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 3 OF 10 ENQUIRY PAGE : 8 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.

00 FILE NUMBER : 650628522 EXPIRY DATE : 18DEC 2018 STATUS :  
01 CAUTION FILING : PAGE : 01 OF 001 MV SCHEDULE ATTACHED :  
REG NUM : 20081218 1441 1862 6324 REG TYP: P PPSA REG PERIOD: 10  
02 IND DOB : IND NAME:  
03 BUS NAME: 2SOURCE MANUFACTURING INC.  
OCN :  
04 ADDRESS : 5261 BRADCO BLVD  
CITY : MISSISSAUGA PROV: ON POSTAL CODE: L4W 2A6  
05 IND DOB : IND NAME:  
06 BUS NAME:  
OCN :  
07 ADDRESS :  
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :  
ONTARIO DEVELOPMENT CORPORATION  
09 ADDRESS : 56 WELLESLEY STREET WEST, 5TH FLOOR  
CITY : TORONTO PROV: ON POSTAL CODE: M7A 2E7  
CONS. MV DATE OF OR NO FIXED  
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
10 X X  
YEAR MAKE MODEL V.I.N.

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GENERAL COLLATERAL DESCRIPTION  
13 SECURITY AGREEMENT

14  
15  
16 AGENT: ONTARIO DEVELOPMENT CORPORATION  
17 ADDRESS : 56 WELLESLEY STREET WEST, 5TH FLOOR  
CITY : TORONTO PROV: ON POSTAL CODE: M7A 2E7

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 3 OF 10 ENQUIRY PAGE : 9 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.  
FILE NUMBER 650628522

PAGE TOT REGISTRATION NUM REG TYPE  
01 CAUTION : 001 OF 002 MV SCHED: 20120315 1651 1862 4175  
21 REFERENCE FILE NUMBER : 650628522  
22 AMEND PAGE: NO PAGE: X CHANGE: A AMNDMNT REN YEARS: CORR PER:  
23 REFERENCE DEBTOR/ IND NAME:  
24 TRANSFEROR: BUS NAME: 2SOURCE MANUFACTURING INC.

25 OTHER CHANGE:

26 REASON: TO CHANGE THE SECURED PARTY TO HER MAJESTY THE QUEEN IN RIGHT OF THE  
27 /DESCR: PROVINCE OF ONTARIO, AS REPRESENTED BY THE MINISTER OF ECONOMIC  
28 : DEVELOPMENT AND INNOVATION AND TO CHANGE THE AGENT TO LEGAL SERVICES  
02/05 IND/TRANSFEREE:  
03/06 BUS NAME/TRFEE: 2SOURCE MANUFACTURING INC.  
OCN:  
04/07 ADDRESS: 5261 BRADCO BLVD  
CITY: MISSISSAUGA PROV: ON POSTAL CODE: L4W 2A6

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :  
HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF ONTARIO, AS  
09 ADDRESS : 900 BAY STREET, 3RD FLOOR, HEARST BLOCK  
CITY : TORONTO PROV : ON POSTAL CODE : M7A 2E1  
CONS. MV DATE OF NO FIXED  
GOODS INVTRY EQUIP ACCTS OTHER INCL AMOUNT MATURITY OR MAT DATE  
10 X X  
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13 SECURITY AGREEMENT  
14  
15  
16 NAME : LEGAL SERVICES BRANCH, MEDI  
17 ADDRESS : 56 WELLESLEY STREET WEST, 5TH FLOOR  
CITY : TORONTO PROV : ON POSTAL CODE : M7A 2E7

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 3 OF 10 ENQUIRY PAGE : 10 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.  
FILE NUMBER 650628522

PAGE TOT REGISTRATION NUM REG TYPE  
01 CAUTION : 002 OF 002 MV SCHED: 20120315 1651 1862 4175  
21 REFERENCE FILE NUMBER : 650628522  
22 AMEND PAGE: NO PAGE: CHANGE: REN YEARS: CORR PER:  
23 REFERENCE DEBTOR/ IND NAME:  
24 TRANSFEROR: BUS NAME:

25 OTHER CHANGE:  
26 REASON: BRANCH, MEDI  
27 /DESCR:  
28 :  
02/05 IND/TRANSFEE:  
03/06 BUS NAME/TRFEE:  
OCN:  
04/07 ADDRESS:  
CITY:

PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :  
REPRESENTED BY THE MINISTER OF ECONOMIC DEVELOPMENT AND INNOVATION  
09 ADDRESS :

CITY : PROV : POSTAL CODE :  
CONS. MV DATE OF NO FIXED  
GOODS INVTRY EQUIP ACCTS OTHER INCL AMOUNT MATURITY OR MAT DATE  
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16 NAME :  
17 ADDRESS :  
CITY : PROV : POSTAL CODE :

END OF FAMILY

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 4 OF 10 ENQUIRY PAGE : 11 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.

00 FILE NUMBER : 665326134 EXPIRY DATE : 08NOV 2016 STATUS : D DISCHARGED  
01 CAUTION FILING : PAGE : 01 OF 001 MV SCHEDULE ATTACHED :  
REG NUM : 20101021 1944 1531 1710 REG TYP: P PPSA REG PERIOD: 6  
02 IND DOB : IND NAME:  
03 BUS NAME: 2SOURCE MANUFACTURING INC.  
OCN :  
04 ADDRESS : 5261 BRADCO BLVD.  
CITY : MISSISSAUGA PROV: ON POSTAL CODE: L4W 2A6  
05 IND DOB : IND NAME:  
06 BUS NAME:  
OCN :  
07 ADDRESS :  
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :  
HSBC BANK CANADA  
09 ADDRESS : 70 YORK STREET 7TH FLOOR  
CITY : TORONTO PROV: ON POSTAL CODE: M5J 1S9  
CONS. MV DATE OF OR NO FIXED  
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
10 X X  
YEAR MAKE MODEL V.I.N.

11  
12  
GENERAL COLLATERAL DESCRIPTION  
13 ONE [1] NAKAMURA-TOME SC300IIM/BB CNC TURNING CENTER, S/N S310802 W/  
14 FANUC 21IT-B CONTROL W/ ACCESSORIES, ALL OTHER EQUIPMENT LEASED  
15 UNDER LEASE SCHEDULE NO. 231564.24  
16 AGENT: CANADIAN SECURITIES REGISTRATION SYSTEMS  
17 ADDRESS : SUITE 200, 4126 NORLAND AVENUE  
CITY : BURNABY PROV: BC POSTAL CODE: V5G 3S8

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 4 OF 10 ENQUIRY PAGE : 12 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.  
FILE NUMBER 665326134

PAGE TOT REGISTRATION NUM REG TYPE  
01 CAUTION : 01 OF 001 MV SCHED: 20101022 1944 1531 2991  
21 REFERENCE FILE NUMBER : 665326134  
22 AMEND PAGE: NO PAGE: X CHANGE: A AMNDMNT REN YEARS: CORR PER:  
23 REFERENCE DEBTOR/ IND NAME:  
24 TRANSFEROR: BUS NAME: 2SOURCE MANUFACTURING INC.

25 OTHER CHANGE:  
26 REASON: DELETE CLAUSE "ALL OTHER EQUIPMENT LEASED UNDER LEASE SCHEDULE NO.  
27 /DESCR: 231564.24" FROM GENERAL COLLATERAL  
28 :  
02/05 IND/TRANSFEE:  
03/06 BUS NAME/TRFEE:  
OCN:  
04/07 ADDRESS:  
CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :  
CITY : PROV : POSTAL CODE :  
CONS. MV DATE OF NO FIXED  
GOODS INVTRY EQUIP ACCTS OTHER INCL AMOUNT MATURITY OR MAT DATE

10  
11  
12  
13 DELETE CLAUSE "ALL OTHER EQUIPMENT LEASED UNDER LEASE SCHEDULE NO.  
14 231564.24"

15  
16 NAME : CANADIAN SECURITIES REGISTRATION SYSTEMS  
17 ADDRESS : 4126 NORLAND AVENUE  
CITY : BURNABY PROV : BC POSTAL CODE : V5G 3S8

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 4 OF 10 ENQUIRY PAGE : 13 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.  
FILE NUMBER 665326134

PAGE TOT REGISTRATION NUM REG TYPE  
01 CAUTION : 01 OF 001 MV SCHED: 20151216 1443 1530 4054  
21 REFERENCE FILE NUMBER : 665326134  
22 AMEND PAGE: NO PAGE: X CHANGE: B RENEWAL REN YEARS: 1 CORR PER:  
23 REFERENCE DEBTOR/ IND NAME:  
24 TRANSFEROR: BUS NAME: 2SOURCE MANUFACTURING INC.

25 OTHER CHANGE:

26 REASON:

27 /DESCR:

28 :

02/05 IND/TRANSFEE:

03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS:

CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :

CITY : PROV : POSTAL CODE :  
CONS. MV DATE OF NO FIXED  
GOODS INVTRY EQUIP ACCTS OTHER INCL AMOUNT MATURITY OR MAT DATE

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16 NAME : CANADIAN SECURITIES REGISTRATION SYSTEMS

17 ADDRESS : 4126 NORLAND AVENUE

CITY : BURNABY PROV : BC POSTAL CODE : V5G 3S8

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 4 OF 10 ENQUIRY PAGE : 14 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.  
FILE NUMBER 665326134

PAGE TOT REGISTRATION NUM REG TYPE  
01 CAUTION : 01 OF 001 MV SCHED: 20161108 1936 1531 7928  
21 REFERENCE FILE NUMBER : 665326134  
22 AMEND PAGE: NO PAGE: X CHANGE: C DISCHRG REN YEARS: CORR PER:  
23 REFERENCE DEBTOR/ IND NAME:  
24 TRANSFEROR: BUS NAME: 2SOURCE MANUFACTURING INC.

25 OTHER CHANGE:

26 REASON:

27 /DESCR:

28 :

02/05 IND/TRANSFEE:

03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS:

CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :

CITY : PROV : POSTAL CODE :  
CONS. MV DATE OF NO FIXED  
GOODS INVTRY EQUIP ACCTS OTHER INCL AMOUNT MATURITY OR MAT DATE

10

11

12

13

14

15

16 NAME : CANADIAN SECURITIES REGISTRATION SYSTEMS

17 ADDRESS : 4126 NORLAND AVENUE

CITY : BURNABY PROV : BC POSTAL CODE : V5G 3S8

END OF FAMILY

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 5 OF 10 ENQUIRY PAGE : 15 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.

00 FILE NUMBER : 665350533 EXPIRY DATE : 08NOV 2016 STATUS : D DISCHARGED  
01 CAUTION FILING : PAGE : 01 OF 008 MV SCHEDULE ATTACHED :  
REG NUM : 20101022 1453 1530 1664 REG TYP: P PPSA REG PERIOD: 6  
02 IND DOB : IND NAME:  
03 BUS NAME: 2SOURCE MANUFACTURING INC.  
OCN :  
04 ADDRESS : 5261 BRADCO BLVD.  
CITY : MISSISSAUGA PROV: ON POSTAL CODE: L4W 2A6  
05 IND DOB : IND NAME:  
06 BUS NAME:  
OCN :  
07 ADDRESS :  
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :  
HSBC BANK CANADA  
09 ADDRESS : 70 YORK STREET 7TH FLOOR  
CITY : TORONTO PROV: ON POSTAL CODE: M5J 1S9  
CONS. MV DATE OF OR NO FIXED  
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
10 X X  
YEAR MAKE MODEL V.I.N.

11  
12  
GENERAL COLLATERAL DESCRIPTION  
13 3 UNITS HP PROCURVE SWITCH 2510G-48  
14 4 UNITS HP PROCURVE GIGABIT-SX-LC MINI-GBIC - SFP [MINI-GBIC]  
15 TRANSCEIVER MODULE  
16 AGENT: CANADIAN SECURITIES REGISTRATION SYSTEMS  
17 ADDRESS : SUITE 200, 4126 NORLAND AVENUE  
CITY : BURNABY PROV: BC POSTAL CODE: V5G 3S8

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*



MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 5 OF 10 ENQUIRY PAGE : 16 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.

00 FILE NUMBER : 665350533 EXPIRY DATE : 08NOV 2016 STATUS : D DISCHARGED  
01 CAUTION FILING : PAGE : 02 OF 008 MV SCHEDULE ATTACHED :  
REG NUM : 20101022 1453 1530 1664 REG TYP: REG PERIOD:  
02 IND DOB : IND NAME:  
03 BUS NAME:  
OCN :  
04 ADDRESS :  
CITY : PROV: POSTAL CODE:  
05 IND DOB : IND NAME:  
06 BUS NAME:  
OCN :  
07 ADDRESS :  
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :  
CITY : PROV: POSTAL CODE:  
CONS. MV DATE OF OR NO FIXED  
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
10  
YEAR MAKE MODEL V.I.N.  
11  
12  
GENERAL COLLATERAL DESCRIPTION  
13 4 UNITS 24 PORT PATCH FIBRE PANEL  
14 4 UNITS SC TO COUPLER  
15 1 UNIT FORTIGATES  
16 AGENT:  
17 ADDRESS :  
CITY : PROV: POSTAL CODE:

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 5 OF 10 ENQUIRY PAGE : 17 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.

00 FILE NUMBER : 665350533 EXPIRY DATE : 08NOV 2016 STATUS : D DISCHARGED  
01 CAUTION FILING : PAGE : 03 OF 008 MV SCHEDULE ATTACHED :  
REG NUM : 20101022 1453 1530 1664 REG TYP: REG PERIOD:  
02 IND DOB : IND NAME:  
03 BUS NAME:  
OCN :  
04 ADDRESS :  
CITY : PROV: POSTAL CODE:  
05 IND DOB : IND NAME:  
06 BUS NAME:  
OCN :  
07 ADDRESS :  
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :  
CITY : PROV: POSTAL CODE:  
CONS. MV DATE OF OR NO FIXED  
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
10  
YEAR MAKE MODEL V.I.N.

11  
12  
GENERAL COLLATERAL DESCRIPTION  
13 4 UNITS 4TH HDD FOR SERVERS FOR HOT SPARE  
14 4 UNITS LENOVO PC  
15 5 UNITS 46" DISPLAY - DIGITAL SIGNAGE  
16 AGENT:  
17 ADDRESS :  
CITY : PROV: POSTAL CODE:

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 5 OF 10 ENQUIRY PAGE : 18 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.

00 FILE NUMBER : 665350533 EXPIRY DATE : 08NOV 2016 STATUS : D DISCHARGED  
01 CAUTION FILING : PAGE : 04 OF 008 MV SCHEDULE ATTACHED :  
REG NUM : 20101022 1453 1530 1664 REG TYP: REG PERIOD:  
02 IND DOB : IND NAME:  
03 BUS NAME:  
OCN :  
04 ADDRESS :  
CITY : PROV: POSTAL CODE:  
05 IND DOB : IND NAME:  
06 BUS NAME:  
OCN :  
07 ADDRESS :  
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :  
CITY : PROV: POSTAL CODE:  
CONS. MV DATE OF OR NO FIXED  
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
10  
YEAR MAKE MODEL V.I.N.

11  
12  
GENERAL COLLATERAL DESCRIPTION  
13 5 UNITS 60" DISPLAY - DIGITAL SIGNAGE  
14 1 UNIT SERVER FOR DIGITAL SIGNAGE  
15 1 UNIT THINKSTATION FOR CATIA USER  
16 AGENT:  
17 ADDRESS :  
CITY : PROV: POSTAL CODE:

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 5 OF 10 ENQUIRY PAGE : 19 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.

00 FILE NUMBER : 665350533 EXPIRY DATE : 08NOV 2016 STATUS : D DISCHARGED  
01 CAUTION FILING : PAGE : 05 OF 008 MV SCHEDULE ATTACHED :  
REG NUM : 20101022 1453 1530 1664 REG TYP: REG PERIOD:  
02 IND DOB : IND NAME:  
03 BUS NAME:  
OCN :  
04 ADDRESS :  
CITY : PROV: POSTAL CODE:  
05 IND DOB : IND NAME:  
06 BUS NAME:  
OCN :  
07 ADDRESS :  
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :  
CITY : PROV: POSTAL CODE:  
CONS. MV DATE OF OR NO FIXED  
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
10  
YEAR MAKE MODEL V.I.N.

11  
12  
GENERAL COLLATERAL DESCRIPTION  
13 2 UNITS 22" MONITORS FOR CATIA USER  
14 1 UNIT MATROX TRIPLE HEAD TO GO FOR CATIA USER  
15 3 UNITS 32 INCH MONITOR - ONE EXTRA  
16 AGENT:  
17 ADDRESS :  
CITY : PROV: POSTAL CODE:

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 5 OF 10 ENQUIRY PAGE : 20 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.

00 FILE NUMBER : 665350533 EXPIRY DATE : 08NOV 2016 STATUS : D DISCHARGED  
01 CAUTION FILING : PAGE : 06 OF 008 MV SCHEDULE ATTACHED :  
REG NUM : 20101022 1453 1530 1664 REG TYP: REG PERIOD:  
02 IND DOB : IND NAME:  
03 BUS NAME:  
OCN :  
04 ADDRESS :  
CITY : PROV: POSTAL CODE:  
05 IND DOB : IND NAME:  
06 BUS NAME:  
OCN :  
07 ADDRESS :  
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :  
CITY : PROV: POSTAL CODE:  
CONS. MV DATE OF OR NO FIXED  
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
10  
YEAR MAKE MODEL V.I.N.  
11  
12  
GENERAL COLLATERAL DESCRIPTION  
13 3 UNITS 19 INCH MONITOR - EXTRA  
14 1 UNIT ERGOTRON STAND  
15 5 UNITS THINKPAD WITH WINDOWS7 64 BIT - 4G 3YEARS ONSITE  
16 AGENT:  
17 ADDRESS :  
CITY : PROV: POSTAL CODE:

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 5 OF 10 ENQUIRY PAGE : 21 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.

00 FILE NUMBER : 665350533 EXPIRY DATE : 08NOV 2016 STATUS : D DISCHARGED  
01 CAUTION FILING : PAGE : 07 OF 008 MV SCHEDULE ATTACHED :  
REG NUM : 20101022 1453 1530 1664 REG TYP: REG PERIOD:  
02 IND DOB : IND NAME:  
03 BUS NAME:  
OCN :  
04 ADDRESS :  
CITY : PROV: POSTAL CODE:  
05 IND DOB : IND NAME:  
06 BUS NAME:  
OCN :  
07 ADDRESS :  
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :  
CITY : PROV: POSTAL CODE:  
CONS. MV DATE OF OR NO FIXED  
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
10  
YEAR MAKE MODEL V.I.N.

11  
12

GENERAL COLLATERAL DESCRIPTION

13 1 UNIT HP CARE PACK-STORAGE WORKS  
14 1 UNIT IP KVM SWITCH  
15 2 UNITS FIREBOX 5510, 15 INCH LCD TOUCH SCREEN MONITOR

16 AGENT:

17 ADDRESS :

CITY : PROV: POSTAL CODE:

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 5 OF 10 ENQUIRY PAGE : 22 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.

00 FILE NUMBER : 665350533 EXPIRY DATE : 08NOV 2016 STATUS : D DISCHARGED  
01 CAUTION FILING : PAGE : 08 OF 008 MV SCHEDULE ATTACHED :  
REG NUM : 20101022 1453 1530 1664 REG TYP: REG PERIOD:  
02 IND DOB : IND NAME:  
03 BUS NAME:  
OCN :  
04 ADDRESS :  
CITY : PROV: POSTAL CODE:  
05 IND DOB : IND NAME:  
06 BUS NAME:  
OCN :  
07 ADDRESS :  
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :  
CITY : PROV: POSTAL CODE:  
CONS. MV DATE OF OR NO FIXED  
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
10  
YEAR MAKE MODEL V.I.N.  
11  
12  
GENERAL COLLATERAL DESCRIPTION  
13 1 UNIT SERVER FOR SCHEDULER  
14 2 UNITS 1U RACKMOUNT POWER SWITCH 8 OUTLET 15 PDU  
15  
16 AGENT:  
17 ADDRESS :  
CITY : PROV: POSTAL CODE:

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 5 OF 10 ENQUIRY PAGE : 23 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.  
FILE NUMBER 665350533

PAGE TOT REGISTRATION NUM REG TYPE  
01 CAUTION : 01 OF 001 MV SCHED: 20151216 1443 1530 4055  
21 REFERENCE FILE NUMBER : 665350533  
22 AMEND PAGE: NO PAGE: X CHANGE: B RENEWAL REN YEARS: 1 CORR PER:  
23 REFERENCE DEBTOR/ IND NAME:  
24 TRANSFEROR: BUS NAME: 2SOURCE MANUFACTURING INC.

25 OTHER CHANGE:

26 REASON:

27 /DESCR:

28 :

02/05 IND/TRANSFEE:

03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS:

CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :

CITY : PROV : POSTAL CODE :  
CONS. MV DATE OF NO FIXED  
GOODS INVTRY EQUIP ACCTS OTHER INCL AMOUNT MATURITY OR MAT DATE

10

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12

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14

15

16 NAME : CANADIAN SECURITIES REGISTRATION SYSTEMS

17 ADDRESS : 4126 NORLAND AVENUE

CITY : BURNABY PROV : BC POSTAL CODE : V5G 3S8

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*



MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 5 OF 10 ENQUIRY PAGE : 24 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.  
FILE NUMBER 665350533

PAGE TOT REGISTRATION NUM REG TYPE  
01 CAUTION : 01 OF 001 MV SCHED: 20161108 1936 1531 7929  
21 REFERENCE FILE NUMBER : 665350533  
22 AMEND PAGE: NO PAGE: X CHANGE: C DISCHRG REN YEARS: CORR PER:  
23 REFERENCE DEBTOR/ IND NAME:  
24 TRANSFEROR: BUS NAME: 2SOURCE MANUFACTURING INC.

25 OTHER CHANGE:

26 REASON:

27 /DESCR:

28 :

02/05 IND/TRANSFEE:

03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS:

CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :

CITY : PROV : POSTAL CODE :  
CONS. MV DATE OF NO FIXED  
GOODS INVTRY EQUIP ACCTS OTHER INCL AMOUNT MATURITY OR MAT DATE

10

11

12

13

14

15

16 NAME : CANADIAN SECURITIES REGISTRATION SYSTEMS

17 ADDRESS : 4126 NORLAND AVENUE

CITY : BURNABY PROV : BC POSTAL CODE : V5G 3S8

END OF FAMILY

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 6 OF 10 ENQUIRY PAGE : 25 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.

00 FILE NUMBER : 686140857 EXPIRY DATE : 17APR 2018 STATUS :  
01 CAUTION FILING : PAGE : 01 OF 001 MV SCHEDULE ATTACHED :  
REG NUM : 20130417 0850 9221 3945 REG TYP: P PPSA REG PERIOD: 5  
02 IND DOB : IND NAME:  
03 BUS NAME: 2SOURCE MANUFACTURING INC  
OCN :  
04 ADDRESS : 5261 BRADCO BLVD  
CITY : MISSISSAUGA PROV: ON POSTAL CODE: L4W2A6  
05 IND DOB : IND NAME:  
06 BUS NAME:  
OCN :  
07 ADDRESS :  
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :  
HONDA CANADA FINANCE INC.  
09 ADDRESS : 180 HONDA BLVD  
CITY : MARKHAM PROV: ON POSTAL CODE: L6C0H9  
CONS. MV DATE OF OR NO FIXED  
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
10 X X X 59466 13APR2018  
YEAR MAKE MODEL V.I.N.  
11 2013 ACURA MDX 2HNYD2H80DH000864  
12  
GENERAL COLLATERAL DESCRIPTION  
13 00000160526657  
14  
15  
16 AGENT: SECUREFACT TRANSACTION SERVICES, INC.  
17 ADDRESS : 300 - 350 BAY STREET  
CITY : TORONTO PROV: ON POSTAL CODE: M5H2S6

END OF FAMILY

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 7 OF 10 ENQUIRY PAGE : 26 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.

00 FILE NUMBER : 693436581 EXPIRY DATE : 28JAN 2018 STATUS :  
01 CAUTION FILING : PAGE : 001 OF 2 MV SCHEDULE ATTACHED :  
REG NUM : 20140128 1614 6005 1433 REG TYP: P PPSA REG PERIOD: 04  
02 IND DOB : IND NAME:  
03 BUS NAME: 2SOURCE MANUFACTURING INC  
OCN :  
04 ADDRESS : 5261 BRADCO BOULEVARD  
CITY : MISSISSAUGA PROV: ON POSTAL CODE: L4W 2A6  
05 IND DOB : IND NAME:  
06 BUS NAME:  
OCN :  
07 ADDRESS :  
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :  
NATIONAL LEASING GROUP INC.  
09 ADDRESS : 1525 BUFFALO PLACE [2654707]  
CITY : WINNIPEG PROV: MB POSTAL CODE: R3T 1L9  
CONS. MV DATE OF OR NO FIXED  
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
10 X  
11 YEAR MAKE MODEL V.I.N.  
12

GENERAL COLLATERAL DESCRIPTION

13 ALL COMPUTER SOFTWARE AND LICENSES OF EVERY NATURE OR KIND DESCRIBED  
14 IN LEASE NUMBER 2654707 BETWEEN QUESTOR FINANCIAL CORP., AS ORIGINAL  
15 LESSOR AND THE DEBTOR, AS LESSEE, WHICH LEASE WAS ASSIGNED BY THE  
16 AGENT:  
17 ADDRESS :  
CITY : PROV: POSTAL CODE:

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 7 OF 10 ENQUIRY PAGE : 27 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.

00 FILE NUMBER : 693436581 EXPIRY DATE : 28JAN 2018 STATUS :  
01 CAUTION FILING : PAGE : 002 OF 2 MV SCHEDULE ATTACHED :  
REG NUM : 20140128 1614 6005 1433 REG TYP: REG PERIOD:  
02 IND DOB : IND NAME:  
03 BUS NAME:  
OCN :  
04 ADDRESS :  
CITY : PROV: POSTAL CODE:  
05 IND DOB : IND NAME:  
06 BUS NAME:  
OCN :  
07 ADDRESS :  
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :  
CITY : PROV: POSTAL CODE:  
CONS. MV DATE OF OR NO FIXED  
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
10  
YEAR MAKE MODEL V.I.N.

11  
12  
GENERAL COLLATERAL DESCRIPTION  
13 ORIGINAL LESSOR TO THE SECURED PARTY, AS AMENDED FROM TIME TO TIME,  
14 TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES AND SUBSTITUTIONS.

15  
16 AGENT:  
17 ADDRESS :  
CITY : PROV: POSTAL CODE:

END OF FAMILY

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 8 OF 10 ENQUIRY PAGE : 28 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.

00 FILE NUMBER : 693443718 EXPIRY DATE : 28JAN 2017 STATUS :  
01 CAUTION FILING : PAGE : 01 OF 002 MV SCHEDULE ATTACHED :  
REG NUM : 20140128 1938 1531 2250 REG TYP: P PPSA REG PERIOD: 3  
02 IND DOB : IND NAME:  
03 BUS NAME: 2SOURCE MANUFACTURING INC.  
OCN :  
04 ADDRESS : 5261 BRADCO BOULEVARD  
CITY : MISSISSAUGA PROV: ON POSTAL CODE: L4W 2A6  
05 IND DOB : IND NAME:  
06 BUS NAME:  
OCN :  
07 ADDRESS :  
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :  
CISCO SYSTEMS CAPITAL CANADA CO.  
09 ADDRESS : 3450 SUPERIOR COURT UNIT 1  
CITY : OAKVILLE PROV: ON POSTAL CODE: L6L 0C4  
CONS. MV DATE OF OR NO FIXED  
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
10 X X X  
YEAR MAKE MODEL V.I.N.

11  
12  
GENERAL COLLATERAL DESCRIPTION  
13 ALL PERSONAL PROPERTY OF THE DEBTOR FINANCED BY THE SECURED PARTY,  
14 WHEREVER SITUATED, CONSISTING OF TELECOMMUNICATION SYSTEM, TOGETHER  
15 WITH ALL PARTS AND ACCESSORIES RELATING THERETO, ALL ATTACHMENTS,  
16 AGENT: D+H LIMITED PARTNERSHIP  
17 ADDRESS : SUITE 200, 4126 NORLAND AVENUE  
CITY : BURNABY PROV: BC POSTAL CODE: V5G 3S8

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 8 OF 10 ENQUIRY PAGE : 29 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.

00 FILE NUMBER : 693443718 EXPIRY DATE : 28JAN 2017 STATUS :  
01 CAUTION FILING : PAGE : 02 OF 002 MV SCHEDULE ATTACHED :  
REG NUM : 20140128 1938 1531 2250 REG TYP: REG PERIOD:  
02 IND DOB : IND NAME:  
03 BUS NAME:  
OCN :  
04 ADDRESS :  
CITY : PROV: POSTAL CODE:  
05 IND DOB : IND NAME:  
06 BUS NAME:  
OCN :  
07 ADDRESS :  
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :  
CITY : PROV: POSTAL CODE:  
CONS. MV DATE OF OR NO FIXED  
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
10  
YEAR MAKE MODEL V.I.N.

11  
12  
GENERAL COLLATERAL DESCRIPTION  
13 ACCESSORIES AND ACCESSIONS THERETO OR THEREON, ALL REPLACEMENTS,  
14 SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS OF ALL OR ANY PART OF THE  
15 FOREGOING AND ALL PROCEEDS IN ANY FORM DERIVED THEREFROM.  
16 AGENT:  
17 ADDRESS :  
CITY : PROV: POSTAL CODE:

END OF FAMILY

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 9 OF 10 ENQUIRY PAGE : 30 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.

00 FILE NUMBER : 698399001 EXPIRY DATE : 28JUL 2018 STATUS :  
01 CAUTION FILING : PAGE : 001 OF 3 MV SCHEDULE ATTACHED :  
REG NUM : 20140728 1525 1902 7234 REG TYP: P PPSA REG PERIOD: 04  
02 IND DOB : IND NAME:  
03 BUS NAME: 2SOURCE MANUFACTURING INC.  
OCN :  
04 ADDRESS : 5261 BRADCO BLVD  
CITY : MISSISSAUGA PROV: ON POSTAL CODE: L4W 2A6  
05 IND DOB : IND NAME:  
06 BUS NAME:  
OCN :  
07 ADDRESS :  
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :  
ROYNAT INC.  
09 ADDRESS : SUITE 1500, 4710 KINGSWAY ST.  
CITY : BURNABY PROV: BC POSTAL CODE: V5H 4M2  
CONS. MV DATE OF OR NO FIXED  
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
10 X X  
YEAR MAKE MODEL V.I.N.

11  
12  
GENERAL COLLATERAL DESCRIPTION  
13 MARKER[S], LASER MARKER[S], LASER SYSTEM[S], MARKING ENCLOSURE[S],  
14 LEN[S], ENCLOSURE[S], DOOR[S], CONTROL[S], WINDOW[S], AXIS[S],  
15 CHUCK[S] TOGETHER WITH ALL ATTACHMENTS ACCESSORIES ACCESSIONS  
16 AGENT: AVS SYSTEMS INC.  
17 ADDRESS : 201 - 1325 POLSON DR.  
CITY : VERNON PROV: BC POSTAL CODE: V1T 8H2

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 9 OF 10 ENQUIRY PAGE : 31 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.

00 FILE NUMBER : 698399001 EXPIRY DATE : 28JUL 2018 STATUS :  
01 CAUTION FILING : PAGE : 002 OF 3 MV SCHEDULE ATTACHED :  
REG NUM : 20140728 1525 1902 7234 REG TYP: REG PERIOD:  
02 IND DOB : IND NAME:  
03 BUS NAME:  
OCN :  
04 ADDRESS :  
CITY : PROV: POSTAL CODE:  
05 IND DOB : IND NAME:  
06 BUS NAME:  
OCN :  
07 ADDRESS :  
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :  
CITY : PROV: POSTAL CODE:  
CONS. MV DATE OF OR NO FIXED  
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
10  
YEAR MAKE MODEL V.I.N.

11  
12  
GENERAL COLLATERAL DESCRIPTION  
13 REPLACEMENTS SUBSTITUTIONS ADDITIONS AND IMPROVEMENTS THERETO AND ALL  
14 PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY SALE  
15 AND OR DEALINGS WITH THE COLLATERAL AND A RIGHT TO AN INSURANCE  
16 AGENT:  
17 ADDRESS :  
CITY : PROV: POSTAL CODE:

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*



MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 9 OF 10 ENQUIRY PAGE : 32 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.

00 FILE NUMBER : 698399001 EXPIRY DATE : 28JUL 2018 STATUS :  
01 CAUTION FILING : PAGE : 003 OF 3 MV SCHEDULE ATTACHED :  
REG NUM : 20140728 1525 1902 7234 REG TYP: REG PERIOD:  
02 IND DOB : IND NAME:  
03 BUS NAME:  
OCN :  
04 ADDRESS :  
CITY : PROV: POSTAL CODE:  
05 IND DOB : IND NAME:  
06 BUS NAME:  
OCN :  
07 ADDRESS :  
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :  
CITY : PROV: POSTAL CODE:  
CONS. MV DATE OF OR NO FIXED  
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
10  
YEAR MAKE MODEL V.I.N.

11  
12  
GENERAL COLLATERAL DESCRIPTION  
13 PAYMENT OR OTHER PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR  
14 DAMAGE TO THE COLLATERAL OR PROCEEDS OF THE COLLATERAL  
15  
16 AGENT:  
17 ADDRESS :  
CITY : PROV: POSTAL CODE:

END OF FAMILY

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR  
CONDUCTED ON: 2SOURCE MANUFACTURING INC.  
FILE CURRENCY: January 2, 2017

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 10 OF 10 ENQUIRY PAGE : 33 OF 33

SEARCH : BD : 2SOURCE MANUFACTURING INC.

00 FILE NUMBER : 712088955 EXPIRY DATE : 25NOV 2020 STATUS :  
01 CAUTION FILING : PAGE : 001 OF 001 MV SCHEDULE ATTACHED :  
REG NUM : 20151125 1529 1862 3395 REG TYP: P PPSA REG PERIOD: 5  
02 IND DOB : IND NAME:  
03 BUS NAME: 2SOURCE MANUFACTURING INC.  
OCN : 2017215  
04 ADDRESS : 5261 BRADCO BOULEVARD  
CITY : MISSISSAUGA PROV: ON POSTAL CODE: L4W 2A6  
05 IND DOB : IND NAME:  
06 BUS NAME:  
OCN :  
07 ADDRESS :  
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :  
ELLIOTT-MATSUURA CANADA INC.  
09 ADDRESS : 2120 BUCKINGHAM ROAD  
CITY : OAKVILLE PROV: ON POSTAL CODE: L6H 5X2  
CONS. MV DATE OF OR NO FIXED  
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
10 X X  
YEAR MAKE MODEL V.I.N.

11  
12  
13 GENERAL COLLATERAL DESCRIPTION

14  
15  
16 AGENT: DIAB DECOSIMO [JFD]  
17 ADDRESS : 2401 BRISTOL CIRCLE, SUITE C201  
CITY : OAKVILLE PROV: ON POSTAL CODE: L6H 5S9  
LAST SCREEN

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

**TAB L**

Exhibit "L" to the Affidavit of Stephen G. Wayland,  
sworn before me this 23<sup>rd</sup> day of January, 2017



---

Commissioner for Taking Affidavits, etc.



Precision Aircraft Bushings

2Source Manufacturing Inc.  
5261 Bradco Blvd.  
Mississauga, Ontario  
Canada L4W 2A6  
Toll Free: 1.866.361.9997  
Tel: 905.361.9998  
Fax: 905.282.9924  
www.2Source.com

**2Source Manufacturing Inc.**  
**Balance Sheet**  
**As at Oct 27, 2016 (Unaudited)**  
In CDN Dollars

**Assets**

**Current Assets**

Cash	\$	-
Accounts Receivable Trade	\$	1,277,958
Accounts Receivable Other	\$	284,233
Inventory, net	\$	5,287,440
Prepaid Expenses	\$	66,189
Deposits	\$	24,534
Deferred Interest	\$	-
<b>Total Current Assets</b>	<b>\$</b>	<b>6,940,354</b>

<b>Capital Assets, Net</b>	<b>\$</b>	<b>5,383,795</b>
SRED Tax Benefit	\$	958,191
<b>Total Assets</b>	<b>\$</b>	<b>13,282,341</b>

**Liabilities and Shareholder's Equity**

**Current Liabilities**

Bank Borrowings - Operating Line of Credit	\$	3,652,232
Outstanding Cheques	\$	376,008
Accounts Payable Trade	\$	1,335,137
Accrued Liabilities	\$	516,595
Bank Lease - Short Term	\$	2,206
AMIS Government Loan - Short Term	\$	525,148
Other Equipment Financing - Short Term	\$	49,989
Share Redemption Liability - Short Term	\$	137,184
<b>Total Current Liabilities</b>	<b>\$</b>	<b>6,594,499</b>

**Financed by:**

Bank Leases - Long Term	\$	-
AMIS Government Loan - Long Term	\$	976,288
Other Equipment Financing - Long Term	\$	415,997
Share Redemption Liability - Long Term	\$	3,765
<b>Total Long Term Liabilities</b>	<b>\$</b>	<b>1,396,050</b>

**Retained Earnings, Owner's Equity and Shareholder's Loan**

Owner's Equity & Shareholder's Loan	\$	4,136,639
Share Capital	\$	39,159
Retained Earnings	\$	1,897,725
Current Year Income (Loss)	\$	(781,732)
<b>Total Equity</b>	<b>\$</b>	<b>5,291,791</b>
<b>Total Liabilities, Owners' Equity and Shareholder Loans</b>	<b>\$</b>	<b>13,282,341</b>



Precision Aircraft Bushings

**2Source Manufacturing Inc.**  
 5261 Bradco Blvd.  
 Mississauga, Ontario  
 Canada L4W 2A6  
 Toll Free: 1.866.361.9997  
 Tel: 905.361.9998  
 Fax: 905.282.9924  
 www.2Source.com

2Source Manufacturing Inc.  
 Income Statement (Unaudited)  
 For the Month of Oct 2016  
 In CDN Dollars

Income Statement

	<u>Month ended</u> 27-Oct-16	<u>Year-to-Date</u> 27-Oct-16
Gross Sales	\$ 688,228	\$ 11,791,827
Discounts/Commissions	\$ (5,623)	\$ (114,694)
Net Sales	\$ 682,605	\$ 11,677,133
Cost of Sales	\$ 556,868	\$ 9,069,769
% of Net Sales	81.6%	77.7%
Gross Margin	\$ 125,737	\$ 2,607,364
% of Net Sales	18.4%	22.3%
SG&A	\$ 262,390	\$ 2,452,218
% of Net Sales	38.4%	21.0%
Interest & Bank Charges	\$ 59,071	\$ 490,699
% of Net Sales	8.7%	4.2%
Income From Operations	\$ (195,724)	\$ (335,554)
% of Net Sales	-28.7%	-2.9%
Non-Operating Costs	\$ -	\$ 25,843
% of Net Sales	0.0%	0.2%
Unrealized Fix (Gain) / Loss on Net Assets	\$ 88,978	\$ 169,828
Realized (Gain) / Loss on Hedges	\$ 35,250	\$ 250,508
Net FIX Impact	\$ 124,228	\$ 420,336
% of Net Sales	18.2%	3.6%
Pre-Tax Income	\$ (319,952)	\$ (781,732)
% of Net Sales	-46.9%	-6.7%
Profit Share - n/a incl with SG&A	\$ -	\$ -
% of Net Sales	0.0%	0.0%
Income Tax Expense	\$ -	\$ -
% of Net Sales	0.0%	0.0%
After Tax Income	\$ (319,952)	\$ (781,732)
% of Net Sales	-46.9%	-6.7%
EBITDA	\$ (204,334)	\$ 311,897
% of Net Sales	-29.9%	2.7%

Oct-16  
 Vs. Fcst (In 000's)  
 Better / (Worse)

\$ (589) (\$570K) Sales Volume variance / (\$29K) Fx Rate variance (1.34 Fcst vs. 1.33 Actual)

\$ (265) Cont'n Margin loss due to Sales Gap

\$ -

\$ (89) (\$56K) Unrealized Loss on B/S Revaluation & (\$33K) Inventory FIX Revaluation.- Not budgeted for.

\$ (23) (\$35K) Actual Loss vs. (\$12K) Fcst (1.3256 Fcst vs. Actual 1.3231 vs. 1.2727 Hedged )

\$ (377) (\$377K) Worse than Forecasted Pre-Tax Income of \$57K, mostly driven by Cont'n Margin Loss due to Sales Gap

\$ (377) (\$377K) Worse than Forecasted After-Tax Income of \$57K, mostly driven by Cont'n Margin Loss due to Sales Gap

\$ (364) (\$364K) Worse than Forecasted EBITDA of \$160

*Handwritten signature and date: 1/19/17*

**TAB M**

Exhibit "M" to the Affidavit of Stephen G. Wayland,  
sworn before me this 23<sup>rd</sup> day of January, 2017



---

Commissioner for Taking Affidavits, etc.



January 6, 2017

**DELIVERED**

2Source Manufacturing Inc.  
5261 Bradco Blvd.  
Mississauga, ON  
L4W 2A6

Attention: Mr. Robert Glegg, President

Dear Sirs/Mesdames:

Re: Indebtedness and Liability owing by 2Source Manufacturing Inc. to HSBC Bank Canada

We are the solicitors for HSBC Bank Canada (the "Bank") in connection with the indebtedness and liability owing by 2Source Manufacturing Inc. (the "Debtor") to the Bank. The records of the Bank indicate that the Debtor is indebted and liable to the Bank as of January 5, 2017 in the following amounts: (a) in the principal amount of Cdn. \$2,906,254.73, plus accrued and unpaid interest of Cdn. \$532.62 pursuant to an operating facility; (b) in the principal amount of U.S. \$806,674.02, plus accrued and unpaid interest of U.S. \$229.38 pursuant to an operating facility; and (c) in the amount of U.S. \$2,800,000.00 pursuant to a foreign exchange hedging facility, all pursuant to a demand facility letter dated March 15, 2016 (the "Facility Letter").

The Bank hereby demands payment of all indebtedness and liability owing by the Debtor to the Bank.

Interest shall continue to accrue on the Debtor's indebtedness to the Bank at the rate or rates applicable thereto as set out in the Facility Letter. The Debtor shall also be liable to the Bank for all costs (including all legal fees and disbursements) incurred by the Bank in collecting the indebtedness owing by the Debtor to the Bank and realizing on the Bank's security.

Yours truly,

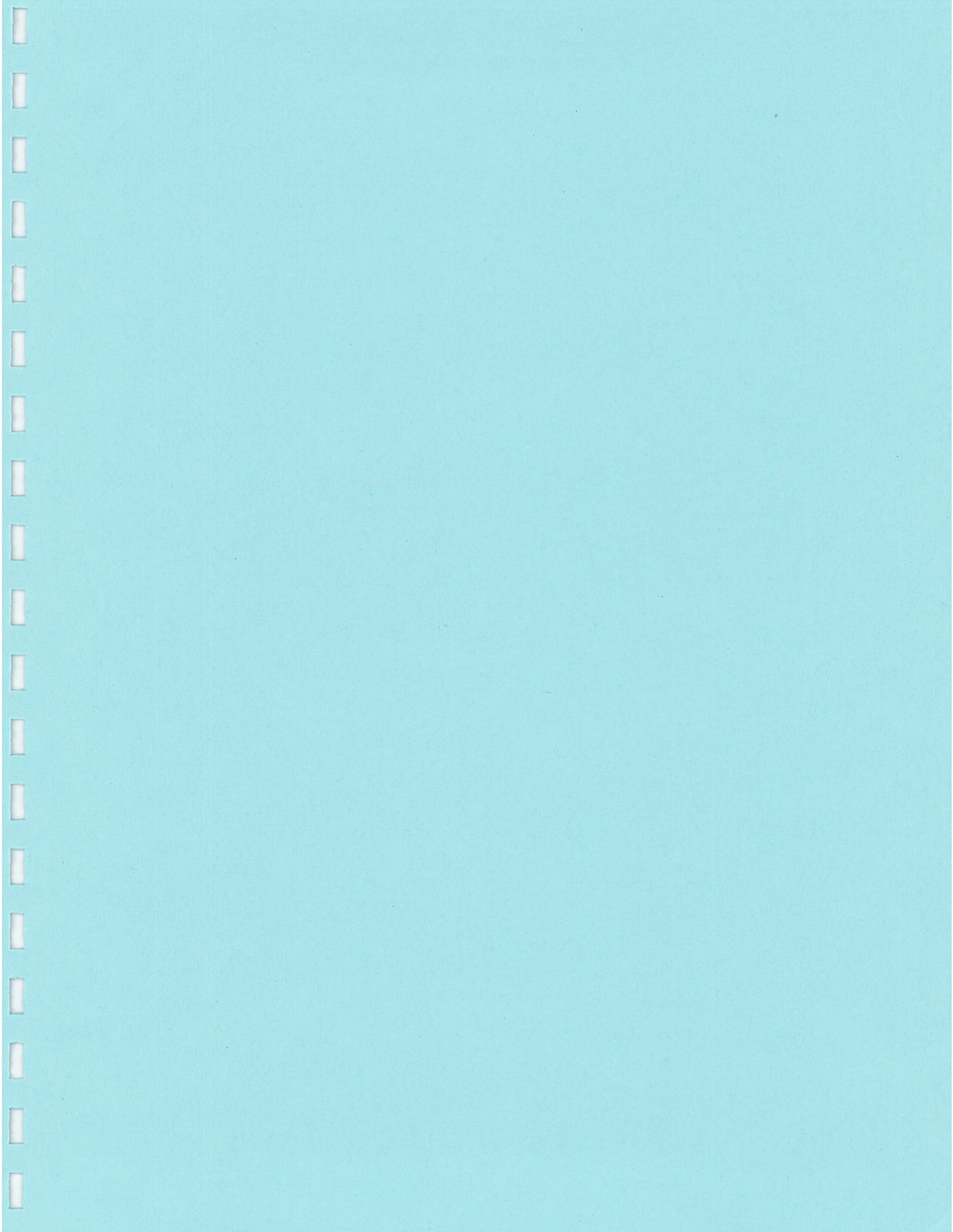
DENTONS CANADA LLP



Per: Dennis R. Wiebe

Dentons Canada LLP  
77 King Street West, Suite 400  
Toronto-Dominion Centre  
Toronto, ON M5K 0A1  
(416) 863-4475

cc: Brian Pettit



**NOTICE OF INTENTION TO ENFORCE SECURITY  
UNDER THE BANKRUPTCY AND INSOLVENCY ACT  
(Subsection 244(1))**

To: **2SOURCE MANUFACTURING INC. (the "Debtor")**, an insolvent person

**Take notice that:**

1. HSBC Bank Canada ("**HSBC**"), a secured creditor, intends to enforce its security on the Debtor's property described below:

The Debtor's personal property, assets and undertakings now owned or hereinafter acquired, including, without limitation, all of the Debtor's existing and after-acquired goods, accounts, chattel paper, documents, documents of title, equipment, instruments, intangibles, money, investment property, contractual rights, insurance claims, patents, trademarks, copyrights, goodwill and leases and all proceeds thereof.

2. The security that is to be enforced includes a General Security Agreement dated the 5<sup>th</sup> day of June, 2006 made by the Debtor in favour of HSBC (the "**Security**").
3. The total amount of indebtedness secured by the Security as at January 5, 2017 (a) in the principal amount of Cdn. \$2,906,254.73, plus accrued and unpaid interest of Cdn. \$532.62 pursuant to an operating facility; (b) in the principal amount of U.S. \$806,674.02, plus accrued and unpaid interest of U.S. \$229.38 pursuant to an operating facility; and (c) in the amount of U.S. \$2,800,000.00 pursuant to a foreign exchange hedging facility, all pursuant to a demand facility letter dated March 15, 2016 (the "**Facility Letter**"), plus interest accruing until the date of payment at the applicable rates as set out in the Facility Letter (as such term is defined in the demand letter dated January 6, 2017 sent by HSBC to the Debtor).
4. The secured creditor will not have the right to enforce the Security until after the expiry of the 10-day period following the sending of this notice, unless the insolvent person consents to an earlier enforcement.
5. Dated at Toronto, this 6th day of January, 2017.

**HSBC BANK CANADA**  
a secured creditor by its solicitors  
**DENTONS CANADA LLP**



Cc: Brian Pettit, HSBC Bank Canada

**TAB N**

Exhibit "N" to the Affidavit of Stephen G. Wayland,  
sworn before me this 23<sup>rd</sup> day of January, 2017



---

Commissioner for Taking Affidavits, etc.

January 10, 2017

**HAND DELIVERED, FAX AND EMAIL**

2Source Manufacturing Inc.  
5261 Bradco Blvd.  
Mississauga, ON  
L4W 2A6

Attention: Mr. Robert Glegg, President

Dear Sirs/Mesdames:

**Re: Indebtedness and Liability owing by 2Source Manufacturing Inc. to HSBC Bank Canada**

As you are aware, we are the solicitors for HSBC Bank Canada (the "Bank") in connection with the indebtedness and liability owing by 2Source Manufacturing Inc. (the "Debtor") to the Bank.

As you are also aware, the Bank issued to the Debtor a demand letter dated January 6, 2017 along with a Notice of Intention to Enforce Security ("NITES") issued pursuant to Section 244 of the *Bankruptcy and Insolvency Act* (Canada) (the "BIA").

In an email time stamped at 1:25 a.m. on Tuesday, January 10, 2017, you requested that the Bank re-issue the demand letter and the NITES reflecting an updated amount owing in respect of the foreign exchange hedging facility ("FX Facility") in order that the applicable 10-day BIA enforcement period commences from and after today's date. To that end, the Bank provides this amended demand letter and attached amended NITES.

The records of the Bank indicate that the Debtor is indebted and liable to the Bank as of January 9, 2017 in the following amounts: (a) in the principal amount of Cdn. \$2,907,466.08, plus accrued and unpaid interest of Cdn. \$1,907.59 pursuant to an operating facility; (b) in the principal amount of U.S. \$817,045.55, plus accrued and unpaid interest of U.S. \$795.33 pursuant to an operating facility; and (c)

in the amount of U.S. \$90,992.70 in respect of the FX Facility, all pursuant to a demand facility letter dated March 15, 2016 (the "Facility Letter").


The Bank hereby demands payment of all indebtedness and liability owing by the Debtor to the Bank.

Interest shall continue to accrue on the Debtor's indebtedness to the Bank until payment in full thereof at the rate or rates applicable thereto as set out in the Facility Letter. The Debtor shall also be liable to the Bank for all costs (including all legal fees and disbursements) incurred by the Bank in collecting the indebtedness owing by the Debtor to the Bank and realizing on the Bank's security.

The Bank reserves its rights in connection with the Facility Letter and the accompanying Bank security.

Yours truly,

**DENTONS CANADA LLP**



Per: Dennis R. Wiebe

Dentons Canada LLP  
77 King Street West, Suite 400  
Toronto-Dominion Centre  
Toronto, ON M5K 0A1  
(416) 863-4475

cc: Brian Pettit





**NOTICE OF INTENTION TO ENFORCE SECURITY  
UNDER THE BANKRUPTCY AND INSOLVENCY ACT  
(Subsection 244(1))**

**To: 2SOURCE MANUFACTURING INC. (the "Debtor"), an insolvent person**

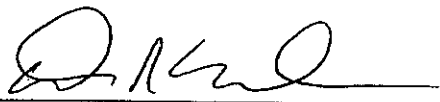
**Take notice that:**

1. HSBC Bank Canada ("HSBC"), a secured creditor, intends to enforce its security on the Debtor's property described below:

The Debtor's personal property, assets and undertakings now owned or hereinafter acquired, including, without limitation, all of the Debtor's existing and after-acquired goods, accounts, chattel paper, documents, documents of title, equipment, instruments, intangibles, money, investment property, contractual rights, insurance claims, patents, trademarks, copyrights, goodwill and leases and all proceeds thereof.

2. The security that is to be enforced includes a General Security Agreement dated the 5<sup>th</sup> day of June, 2006 made by the Debtor in favour of HSBC (the "Security").
3. The total amount of indebtedness secured by the Security as at January 9, 2017 (a) in the principal amount of Cdn. \$2,907,466.08, plus accrued and unpaid interest of Cdn. \$1,907.59 pursuant to an operating facility; (b) in the principal amount of U.S. \$817,045.55, plus accrued and unpaid interest of U.S. \$795.33 pursuant to an operating facility; and (c) in the amount of U.S. \$90,992.70 pursuant to a foreign exchange hedging facility, all pursuant to a demand facility letter dated March 15, 2016 (the "Facility Letter"), plus interest accruing until the date of payment at the applicable rates as set out in the Facility Letter.
4. The secured creditor will not have the right to enforce the Security until after the expiry of the 10-day period following the sending of this notice, unless the insolvent person consents to an earlier enforcement.
5. Dated at Toronto, this 10th day of January, 2017.

**HSBC BANK CANADA**  
a secured creditor by its solicitors  
**DENTONS CANADA LLP**

  
\_\_\_\_\_

Cc: Brian Pettit, HSBC Bank Canada

**TAB O**

Exhibit "O" to the Affidavit of Stephen G. Wayland,  
sworn before me this 23<sup>rd</sup> day of January, 2017



---

Commissioner for Taking Affidavits, etc.

Court File No.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**HSBC BANK CANADA**

Applicant

- and -

**2SOURCE MANUFACTURING INC.**

Respondents

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


**CONSENT TO ACT AS RECEIVER**

Deloitte Restructuring Inc., of 22 Adelaide Street West, 2nd floor, Toronto, Ontario, hereby consents to act as the Receiver of 2Source Manufacturing Inc. if so appointed by this Honourable Court.

DATED at the City of Toronto, in the Province of Ontario, this 20th day of January, 2017.

**DELOITTE RESTRUCTURING INC.**  
(solely in its capacity as proposed Court-appointed  
Receiver of 2Source Manufacturing Inc. and not in  
its personal or corporate capacity)

Per:

  
\_\_\_\_\_  
Paul M. Casey, CPA, CA, FCIRP, LIT  
Senior Vice-President

**TAB 3**

Court File No.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE )  
JUSTICE )

MONDAY, THE 23<sup>RD</sup>  
DAY OF JANUARY, 2017

BETWEEN:

**HSBC BANK CANADA**

Applicant

- and -

**2SOURCE MANUFACTURING INC.**

Respondent

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

**ORDER  
(appointing Receiver)**

THIS APPLICATION made by the 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 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the “**CJA**”) appointing Deloitte Restructuring Inc. (“**Deloitte**”) as receiver (in such capacity, the “**Receiver**”) without security, of all of the assets, undertakings and properties of 2Source Manufacturing Inc. (the “**Debtor**”) acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Stephen G. Wayland sworn January 23, 2017 and the Exhibits thereto and on hearing the submissions of counsel for the Applicant, and those other parties present, no other parties appearing for the other parties, although duly served with the

unsworn Application Record on January 21, 2017, as appears from the affidavit of service of Vanja Ginic sworn January 22, 2017, and with the Application Record filed with this Court on January 23, 2017, and on reading the consent of Deloitte to act as the Receiver.

**SERVICE**

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

**APPOINTMENT**

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

**RECEIVER’S POWERS**

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

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;



- (c) to manage, operate, and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (g) to settle, extend or compromise any indebtedness owing to the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;

- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
  - (i) without the approval of this Court in respect of any transaction not exceeding \$250,000, provided that the aggregate consideration for all such transactions does not exceed \$500,000; and
  - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.
- (l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and

on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;

- (p) to negotiate the termination of any interests encumbering the Property and undertake such actions necessary to maximize the value of the Debtor's assets;
- (q) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
- (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**

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

5. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting

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

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

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

upon application by the Receiver on at least two (2) days' notice to such landlord and any such secured creditors.

**NO PROCEEDINGS AGAINST THE RECEIVER**

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

**NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY**

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

**NO EXERCISE OF RIGHTS OR REMEDIES**

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

**NO INTERFERENCE WITH THE RECEIVER**

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

**CONTINUATION OF SERVICES**

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

**RECEIVER TO HOLD FUNDS**

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

**EMPLOYEES**

14. THIS COURT ORDERS that the employment of all of the employees of the Debtor shall be terminated as of the effective time of this Order. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in

writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

15. The Receiver may retain the necessary personnel of the Debtor to prepare and issue Records of Employment for the terminated employees as soon as practicable and provide the terminated employees with such other documentation as may be required to enable the terminated employees to apply for employment insurance benefits and apply for payment under the *Wage Earner Protection Program Act*.

#### **PIPEDA**

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

#### **LIMITATION ON ENVIRONMENTAL LIABILITIES**

17. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, “**Possession**”) of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the

*Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the “**Environmental Legislation**”), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

#### **LIMITATION ON THE RECEIVER'S LIABILITY**

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

#### **RECEIVER'S ACCOUNTS**

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

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



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

#### **FUNDING OF THE RECEIVERSHIP**

22. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$250,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the “**Receiver's Borrowings Charge**”) as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver’s Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

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

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

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

## **SERVICE AND NOTICE**

26. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL [www.insolvencies.deloitte.ca/en-ca/2Source](http://www.insolvencies.deloitte.ca/en-ca/2Source).

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

## **GENERAL**

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

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

30. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this

Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

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

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

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

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SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. \_\_\_\_\_

AMOUNT \$ \_\_\_\_\_

1. THIS IS TO CERTIFY that Deloitte Restructuring Inc., the receiver (the "Receiver") of the assets, undertakings and properties 2Source Manufacturing Inc. acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the 23<sup>rd</sup> day of January, 2017 (the "Order") made in an action having Court file number \_\_\_-CL-\_\_\_\_\_, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$ \_\_\_\_\_, being part of the total principal sum of \$ \_\_\_\_\_ which the Receiver is authorized to borrow under and pursuant to the Order.

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

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

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

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

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

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

DATED the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

DELOITTE RESTRUCTURING INC., solely in its capacity as Receiver of the Property, and not in its personal or corporate capacity

Per: \_\_\_\_\_

Name:

Title:

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

**HSBC BANK CANADA**  
Applicant

-and-

**2SOURCE MANUFACTURING INC.**  
Defendant

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
Proceeding commenced at TORONTO

**ORDER**  
**(APPOINTING RECEIVER)**

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*Lawyers for HSBC Bank Canada*

**TAB 4**

Revised: January 21, 2014  
s.243(1) BIA (National Receiver) and s. 101 CJA (Ontario) Receiver

Court File No. \_\_\_\_\_

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE \_\_\_\_\_ )  
JUSTICE \_\_\_\_\_ )  
WEEKDAY MONDAY, THE # 23<sup>RD</sup>  
DAY OF MONTH JANUARY, 20<sup>YR</sup> 2017

**PLAINTIFF<sup>1</sup>**

Plaintiff

**BETWEEN:**

**HSBC BANK CANADA**

Applicant

- and -

**DEFENDANT**

Defendant

**2SOURCE MANUFACTURING INC.**

Respondent

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

**ORDER  
(appointing Receiver)**

<sup>1</sup> The Model Order Subcommittee notes that a receivership proceeding may be commenced by action or by application.  
This model order is drafted on the basis that the receivership proceeding is commenced by way of an action.



THIS MOTIONAPPLICATION made by the Plaintiff<sup>2</sup> 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 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") appointing [RECEIVER'S NAME] Deloitte Restructuring Inc. ("Deloitte") as receiver [and manager] (in such capacitiescapacity, the "Receiver") without security, of all of the assets, undertakings and properties of [DEBTOR'S NAME] Source Manufacturing Inc. (the "Debtor") acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of [NAME] Stephen G. Wayland sworn [DATE] January 23, 2017 and the Exhibits thereto and on hearing the submissions of counsel for [NAMES], ~~no one the Applicant, and those other parties present, no other parties~~ appearing for [NAME] the other parties, although duly served with the unsworn Application Record on January 21, 2017, as appears from the affidavit of service of [NAME] sworn [DATE] Vanja Ginic sworn January 22, 2017, and with the Application Record filed with this Court on January 23, 2017, and on reading the consent of [RECEIVER'S NAME] Deloitte to act as the Receiver,<sup>3</sup>

### SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of MotionApplication and the MotionApplication is hereby abridged and validated<sup>3</sup> so that this motionapplication is properly returnable today and hereby dispenses with further service thereof.

### APPOINTMENT

2. THIS COURT ORDERS that pursuant to sectionssubsection 243(1) of the BIA and section 101 of the CJA, [RECEIVER'S NAME] Deloitte is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the "Property").

<sup>2</sup> Section 243(1) of the BIA provides that the Court may appoint a receiver "on application by a secured creditor".

<sup>3</sup> If service is effected in a manner other than as authorized by the Ontario *Rules of Civil Procedure*, an order validating irregular service is required pursuant to Rule 16.08 of the *Rules of Civil Procedure* and may be granted in appropriate circumstances.

**RECEIVER'S POWERS**

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

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

collecting such monies, including, without limitation, to enforce any security held by the Debtor;

- (g) to settle, extend or compromise any indebtedness owing to the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings.<sup>4</sup> The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
  - (i) without the approval of this Court in respect of any transaction not exceeding \$          ,250,000, provided that the aggregate consideration for all such transactions does not exceed \$          ,500,000; and
  - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

<sup>4</sup> ~~This model order does not include specific authority permitting the Receiver to either file an assignment in bankruptcy on behalf of the Debtor, or to consent to the making of a bankruptcy order against the Debtor. A bankruptcy may have the effect of altering the priorities among creditors, and therefore the specific authority of the Court should be sought if the Receiver wishes to take one of these steps.~~

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, [~~or section 31 of the Ontario *Mortgages Act*, as the case may be,~~]<sup>5</sup> shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

- (l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (p) to negotiate the termination of any interests encumbering the Property and undertake such actions necessary to maximize the value of the Debtor's assets;
- (q) ~~(p)~~ to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;

<sup>5</sup> ~~If the Receiver will be dealing with assets in other provinces, consider adding references to applicable statutes in other provinces. If this is done, those statutes must be reviewed to ensure that the Receiver is exempt from or can be exempted from such notice periods, and further that the Ontario Court has the jurisdiction to grant such an exemption.~~

- (r) ~~(q)~~ to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (s) ~~(r)~~ to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

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

#### **DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER**

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

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

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

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

**NO PROCEEDINGS AGAINST THE RECEIVER**

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

**NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY**

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

**NO EXERCISE OF RIGHTS OR REMEDIES**

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

**NO INTERFERENCE WITH THE RECEIVER**

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

**CONTINUATION OF SERVICES**

12. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's current

telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

### **RECEIVER TO HOLD FUNDS**

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

### **EMPLOYEES**

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

15. The Receiver may retain the necessary personnel of the Debtor to prepare and issue Records of Employment for the terminated employees as soon as practicable and provide the terminated employees with such other documentation as may be required to enable the terminated employees to apply for employment insurance benefits and apply for payment under the Wage Earner Protection Program Act.



**PIPEDA**

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

**LIMITATION ON ENVIRONMENTAL LIABILITIES**

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

### **LIMITATION ON THE RECEIVER'S LIABILITY**

18. ~~17-~~ THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

### **RECEIVER'S ACCOUNTS**

19. ~~18-~~ THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.<sup>6</sup>

20. ~~19-~~ THIS COURT ORDERS that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

21. ~~20-~~ THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

### **FUNDING OF THE RECEIVERSHIP**

<sup>6</sup> Note that subsection 243(6) of the BIA provides that the Court may not make such an order "unless it is satisfied that the secured creditors who would be materially affected by the order were given reasonable notice and an opportunity to make representations".

22. ~~21.~~ THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$~~\_\_\_\_\_~~250,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the **"Receiver's Borrowings Charge"**) as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

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

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

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

#### **SERVICE AND NOTICE**

26. ~~25.~~ THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the **"Protocol"**) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be

valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL [www.insolvencies.deloitte.ca/en-ca/2Source](http://www.insolvencies.deloitte.ca/en-ca/2Source).

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

#### **GENERAL**

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

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

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

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

32. ~~31.~~ THIS COURT ORDERS that the PlaintiffApplicant shall have its costs of this ~~motion~~application, up to and including entry and service of this Order, provided for by the terms of the PlaintiffApplicant's security or, if not so provided by the PlaintiffApplicant'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.

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

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**SCHEDULE "A"**  
**RECEIVER CERTIFICATE**

CERTIFICATE NO. \_\_\_\_\_

AMOUNT \$ \_\_\_\_\_

1. THIS IS TO CERTIFY that ~~[RECEIVER'S NAME]~~ Deloitte Restructuring Inc., the receiver (the "Receiver") of the assets, undertakings and properties ~~[DEBTOR'S NAME]~~ Source Manufacturing Inc., acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the 23<sup>rd</sup> day of January, 2017 (the "Order") made in an action having Court file number -CL-, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$ \_\_\_\_\_, being part of the total principal sum of \$ \_\_\_\_\_ which the Receiver is authorized to borrow under and pursuant to the Order.

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

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

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

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

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

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

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

DATED the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

[RECEIVER'S NAME]DELOITTE  
RESTRUCTURING INC., solely in its capacity  
as Receiver of the Property, and not in its  
personal or corporate capacity

Per: \_\_\_\_\_

Name:

Title:

Court File No. \_\_\_\_\_

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

**HSBC BANK CANADA**  
Applicant

**-and-**

**2SOURCE MANUFACTURING INC.**  
Defendant

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**

Proceeding commenced at TORONTO

**ORDER**  
**(APPOINTING RECEIVER)**

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Court File No.

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**HSBC BANK CANADA**  
Applicant

-and-

**2SOURCE MANUFACTURING INC.**  
Defendant

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**

Proceeding commenced at TORONTO

**APPLICATION RECORD**

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