



COURT FILE NUMBER 1801 - 10477
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
IN THE MATTER OF THE RECEIVERSHIP OF HATSIZE LEARNING CORPORATION
PLAINTIFF BANK OF MONTREAL
DEFENDANTS HATSIZE LEARNING CORPORATION
DOCUMENT **FIRST REPORT OF DELOITTE RESTRUCTURING INC. AS THE COURT-APPOINTED RECEIVER AND MANAGER OF HATSIZE LEARNING CORPORATION**

DATED SEPTEMBER 14, 2018

PREPARED BY DELOITTE RESTRUCTURING INC.

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

Receiver
DELOITTE RESTRUCTURING INC.
Suite 700, 850 - 2nd Street SW
Calgary, AB T2P 0R8

Attention: Ryan Adlington / Cassie Poon
Tel: 403-261-8135/ 403-267-1817
Email: radlington@deloitte.ca / caspoon@deloitte.ca

Legal Counsel
DENTONS CANADA LLP
Suite 1500, 850 - 2nd Street SW
Calgary, AB T2P 0R8

Attention: Derek Pontin / John Regush
Tel: 403-268-6301/ 403-268-7086
Email: derek.pontin@dentons.com / john.regush@dentons.com

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Introduction and background

1. Hatsize Learning Corporation ("**Hatsize**", the "**Company**", or the "**Debtor**") is a private company that was incorporated in the Province of Alberta on September 13, 2000. The Company is an e-learning software company that provides cloud-based training labs to domestic and foreign customers. The Company's principal assets include accounts receivable, intellectual property relating to Hatsize's proprietary cloud-based training lab platform and certain capital assets.
2. Hatsize's corporate head office is located in leased premises at 555, 11 Avenue SW, Calgary, Alberta (the "**Leased Premises**"). The Company uses colocation services from four data centres that store the Company's data, servers, and equipment in Lethbridge, Alberta, Toronto, Ontario, Frankfurt, Germany, and Singapore. At the time of Receivership, Hatsize had approximately 17 employees.
3. The Company's primary secured lender is the Bank of Montreal ("**BMO**") which was owed approximately \$1.2 million from the Debtor at the date of Receivership (defined later in this First Report). BMO holds various registered security over the Property of the Debtor along with partial guarantees from Export Development Canada (collectively, the "**BMO Security**").
4. Due to increased competition over the last several years, Hatsize lost significant customer contracts resulting in a decrease in annual revenue from \$6.2 million to approximately \$2.5 million and was unable generate sufficient revenue to fund ongoing costs.
5. The Company was experiencing financial difficulties on or around December 2017, and as a result, engaged a third party financial advisor (the "**Third Party Advisor**") to run a sales process for Hatsize's equity or Property (defined later in this First Report); as further described herein.
6. On April 20, 2018, BMO sent a letter to Hatsize (the "**Default Letter**") to notify the Company it was in default of its financial covenants, in particular, in respect of the financing period ending January 31, 2018.
7. Notwithstanding BMO's right to terminate and demand immediate repayment, BMO agreed to continue to make accommodation available under the loans subject to the satisfaction and compliance with certain obligations set out in the Default Letter, including closing of a proposed sale of the business no later than June 30, 2018.
8. On or around June 8, 2018, the Company advised BMO that there were no potential purchasers.
9. On June 13, 2018, BMO demanded repayment of the loans and issued a notice of intention to enforce security pursuant to section 244(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended.
10. On June 27, 2018, Hatsize and BMO entered into a forbearance agreement that was ultimately extended until July 31, 2018, in order to give the Company time to provide a plan to restructure its business and financial affairs in a form satisfactory to BMO, which it could ultimately not provide.
11. On July 12, 2018, the Company's Chief Executive Officer was terminated.
12. On August 3, 2018, the Court of Queen's Bench of Alberta (the "**Court**") issued an order (the "**Receivership Order**") appointing Deloitte Restructuring Inc. ("**Deloitte**") as receiver and manager (the "**Receiver**") of all of the current and future assets, undertakings and properties (the "**Property**") of Hatsize (the "**Receivership**"), a copy of which is attached hereto as **Appendix "A"**.

13. The Receivership Order, together with related Court documents and the notices sent to the creditors of the Companies have been posted on the Receiver's website (the "**Receiver's Website**") at <http://www.insolvencies.deloitte.ca/en-ca/Pages/Hatsize-Learning-Corporation.aspx>. This first report of the Receiver (the "**First Report**") will also be posted on the Receiver's Website after it has been filed with the Court.
14. The Receiver's independent legal counsel, Dentons Canada LLP ("**Dentons**") will conduct an independent review and opine on the validity, enforceability and priority of the BMO Security in due course.
15. In preparing this First Report, the Receiver has relied upon unaudited financial information prepared by the Debtor's management ("**Management**"), the Debtor's books and records and discussions with Management. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of the information.
16. All dollar amounts in this Report are in Canadian dollars, unless otherwise indicated.

Purpose

17. The purpose of this First Report is to:

- a. Provide the Court with additional information in respect of the Property;
- b. Provide an update on the administration of the receivership since the date of Receivership; and
- c. Respectfully recommend that this Honourable Court make orders:
 - i. Approving the Sale Process (defined later in this First Report) and actions taken by the Receiver as outlined in this First Report;
 - ii. Approving and directing the Receiver carry out the terms of the asset purchase agreement (the "**APA**") dated September 13, 2018, together with any amendments thereto, including continuing certain operations of the Company, completing the sale of certain of the Property as described in the APA (the "**Sold Assets**") and vesting title of the Sold Assets free and clear of all liens, charges, security interests and other encumbrances in and to the proposed purchaser (the "**Purchaser**") upon delivery of the Receiver's Certificate;
 - iii. Sealing the Confidential Appendices, which include an letter of intent analysis (as defined later in this First Report) and a copy of the APA, until the Receiver's Certificate is filed in respect of the closing of the transactions contemplated in the APA;
 - iv. Authorizing the Receiver, in its discretion, to assign the Company into bankruptcy to aid in the effective administration of the estate; and
 - v. Providing such further or other relief that the Court considers just and warranted in the circumstances.

Receiver's activities

18. The Receiver has undertaken the following activities:

- a. Attended at the Leased Premises of Hatsize and had taken possession and control of the Property located on site;
- b. Terminated all Hatsize employees effective August 3, 2018;
- c. Arranged to retain key employees on contract to continue certain of the Company's operations, maintain the software platform, and to assist with administrative duties, financial reporting and securing the Hatsize Property;
- d. Coordinated final payroll calculations to the date of Receivership and the delivery of records of employment and T4 slips for the purposes of administering amounts due to the employees under the *Wage Earner Protection Program Act* ("**WEPPA**");
- e. Secured the manual and electronic books and records of the Company;
- f. Arranged for the electronic data from the computers located at the Leased Premises to be secured and updated security settings to restrict remote access;
- g. Ensured continued effectiveness of Hatsize's electronic data security policy and safeguarding of all confidential information;
- h. Arranged continued insurance coverage over the Company's Property and the addition of the Receiver as a loss payee on the existing insurance policy;
- i. Arranged for continued service of critical utilities and leased equipment;
- j. Issued a statutory Notice and Statement of the Receiver to all known creditors of the Company (the "**Notice to Creditors**") pursuant to subsections 245(1) and 246(1) of the *Bankruptcy and Insolvency Act* (Canada); a copy of the Notice to Creditors is attached hereto as **Appendix "B"**;
- k. Informed the Canada Revenue Agency ("**CRA**") of the receivership and requested new tax accounts for the post-receivership period;
- l. Requested a pre-receivership audit be conducted on the Company's Goods and Services Tax ("**GST**") and payroll accounts by CRA.
- m. Opened new trust accounts in the name of the receivership estate to facilitate future receipts and disbursements;
- n. Arranged for the continued occupation of the Leased Premises;
- o. Informed the Company's customers of the receivership and issued collection letters for the outstanding accounts receivable;
- p. Arranged for the collapse and return of virtual machines owned by certain Hatsize customers;
- q. Conducted a marketing and sales process described in more detail later in this First Report;

- r. Undertook extensive discussions with the Purchaser and its counsel to negotiate terms of the letter of intent and APA;
- s. Prepared a detailed cash flow budget from the date of Receivership up to and including the projected closing date for the sale as contemplated in the APA; and
- t. Corresponded with Dentons on various legal matters relating to the receivership;
- u. Corresponded with creditors, key employees, and other stakeholders;
- v. Addressed additional matters as they arose from time to time.

Primary assets

The Company's primary assets as at the date of Receivership are described below:

Accounts receivable

19. At the date of Receivership, the Receiver obtained a copy of Hatsize's accounts receivable sub-ledger and access to the Company's cloud-based accounting software, which indicated that Hatsize was owed approximately \$423,000 from various customers.
20. As at the date of this First Report, Hatsize has remaining accounts receivable balances of approximately \$160,000. The Receiver is taking steps to pursue collection on these remaining balances that are outstanding.

Software/Intellectual property

21. The Hatsize software is a proprietary code, which allows customers to run cloud-based virtual lab solutions. The Company provides the platform for administering the customers' courses or training programs, and the customers are responsible for providing the content.
22. The Company's most recent financial statements do not show a book value for the software/intellectual property.

Hardware and servers

23. The hardware and servers of Hatsize (the "**Hardware and Servers**") were in various locations including Alberta, Ontario, Frankfurt, and Singapore at the date of Receivership. The majority of the leased Hardware and Servers are in Alberta and Ontario, while the owned Hardware and Servers are located overseas. The book value of the owned Hardware and Servers is approximately \$245,000 and the book value of the leased Hardware and Servers is approximately \$158,000.

Scientific Research and Experimental Development ("SR&ED") claim

24. Hatsize appears to have a SR&ED claim with CRA for research and development activities conducted from the beginning of fiscal year 2018 up to the date of Receivership. The Receiver is working to quantify and understand any potential value to of the SR&ED claim to the receivership estate. The Receiver has been advised that the claim may be as much as approximately \$130,000.
25. The Receiver is taking steps to calculate Hatsize's SR&ED expenditures and gather supporting documentation.

Primary liabilities

Summary of Primary Liabilities

CAD \$ thousands	Ref.	
Secured creditors		
BMO	26	\$ 1,159
Capital Lease	27	136
Total secured creditors		1,295
Unsecured creditors		
Unsecured trade creditors	28	230
Preferred shares	30	3,727
Director loans		122
Total unsecured creditors		4,079
Total liabilities		\$ 5,374

26. As at the date of Receivership and as noted previously, BMO is the principal secured creditor of the Company and is owed approximately \$1.2 million. The validity, enforceability, and priority of BMO's security is currently being reviewed by the Receiver's legal counsel.
27. Other secured creditors include several leasing companies who hold specific security over certain Hardware and Servers. As applicable, the Receiver's counsel will review the security agreements in place between Hatsize and the secured creditors and assess the priority claims against the receivership estate.
28. Hatsize has approximately 30 unsecured trade creditors with claims of approximately \$230,000.
29. Ryan Hault, former CEO of Hatsize, initiated litigation against the Company and its board of directors for wrongful dismissal. The Statement of Claim of approximately \$981,000 was filed on August 3, 2018, during the stay of proceedings and in violation of the Receivership Order. Consequently, the Receiver has not accepted service of the Statement of Claim on behalf of Hatsize and does not intend to take any further action regarding this matter.
30. The Company's records indicate that preferred shares were issued to various investors between 2010 to 2012; to date there is a liability of approximately \$3.7 million in connection with these preferred shares.

Operations

31. In an effort to maximize realizations, it was determined that the Receiver would continue to operate Hatsize for a short period with a view to selling the Company as a going concern. If services to customers were discontinued, the Property (in particular the intellectual property) would depreciate in value rapidly. Historically, Hatsize's business has been seasonal with increased customer usage when schools and universities are in session. Accordingly, any discontinuation of services would cause significant business interruption for certain of Hatsize's customers during this busy time, and impair the Receiver's ability to collect on accounts receivable.
32. Hatsize is currently operating at a reduced capacity to maintain services for its current customers. The Receiver is no longer pursuing any ongoing research and development initiatives. As a result of reduction of ongoing operations, the Receiver has facilitated the collapse and return of certain customer property (the virtual machines).
33. Due to the unique nature of technology companies, and despite the Receiver's efforts to reduce costs as much as possible, continuing to operate Hatsize is costly, including requiring around the clock staffing to provide support services and maintain the integrity of the platform. To date, the Receiver has paid operating costs of approximately \$171,000.
34. Based on the Receiver's discussions with BMO, the Receiver understands that BMO is not prepared to fund ongoing operations.

Marketing and sales process for the assets of Hatsize

Pre-Receivership sale process

35. On or about December 2017, the Company engaged the Third Party Advisor to undertake a sales process for Hatsize. The Third Party Advisor developed a teaser and Confidential Information Memorandum (the "CIM") (the "Third Party Sale Process").
36. Commencing in January 2018, the Receiver has been advised that a teaser was sent to a group of targeted potential purchasers. Any party expressing an interest was required to sign a Confidentiality Agreement ("CA"), subsequently to which the parties received the CIM.
37. According to Management, the Third Party Sale Process resulted in the following:
 - a. 98 potential purchasers contacted and provided a two page teaser document;
 - b. Eight interested parties executed the CA and received the CIM;
 - c. Two interested parties submitted LOIs and one party submitted an informal offer;
 - d. One party was provided exclusive access and requested management presentations; and
 - e. After the presentations, the one party continued to request further detailed information over the ensuing weeks, but no transaction ever materialized.
38. The result of the Third Party Sales Process was the receipt of one offer that included minimal cash up front and an earn-out over more than two years. The Receiver has been advised by former management and BMO that the ultimate value of this offer was determined to be negligible and the offer was rejected accordingly.

Post-Receivership sale process

39. The Receiver understood that the marketing and sale of the Property would be complicated by the following:
 - a. The necessity to continue operations in the short term to preserve value of the Property;
 - b. Uncertainty around the value of the Property, in particular the intellectual property;
 - c. Business interruption concerns raised by Hatsize's customers, specifically back-to-school seasonality; and
 - d. A condensed Sale Process timeline due to high operating costs.
40. The Receiver considered the best way to obtain timely expressions of interest from potential purchasers, allowing the Receiver to understand the valuation of the Property, and determine quickly whether the value of the Property would be in excess of the necessary operating costs. Absent a viable offer in the near-term, it would not make economic sense for the Receiver to continue funding operating costs, which would erode BMO's security position.
41. The Receiver reviewed information available, and determined that the Third Party Sale Process conducted prior to the Receivership was fulsome and the Third Party Advisor sufficiently canvassed the market. The

Receiver determined that a short and focussed sale process targeting strategic parties (competitors, customers, and parties that had previously expressed interest) would be the most efficient and economical option to market the Property in the circumstances.

42. The Receiver initiated a marketing and sale process shortly after its appointment and circulated a request for letters of intent ("**LOIs**") to potential purchasers. A copy of the request for LOIs was also posted onto the Receiver's Website. The marketing and sale process was designed to solicit LOIs on a condensed timeline. The noteworthy terms of the request for LOIs are as follows:
 - a. The Property was offered for sale on an "as is, where is" basis;
 - b. The sale of the Property would be subject to Court approval;
 - c. The Receiver would exercise its discretion and would not be obligated to accept the highest offer, or any offer; and
 - d. Offers were to be submitted by August 24, 2018 at 5 p.m. MST (the "**Initial Offer Deadline**").
43. Approximately 25 parties were solicited including parties that had expressed interest in the Third Party Sales Process. Five parties requested and were provided CAs, and four returned executed CAs to the Receiver. The Receiver established an electronic data room and granted access to those parties that executed CAs.
44. The Receiver participated in various calls with interested purchasers and their counsel, as applicable. Discussions were ongoing shortly prior to the Initial Offer Deadline and the Receiver extended the Initial Offer Deadline by one week, to August 31, 2018, sending notice to the interested potential purchasers of the extension.
45. Three LOIs were submitted to the Receiver on or before the extended LOI deadline. An analysis of the LOIs is attached as **Confidential Appendix "1"**. The Receiver reviewed all the offers and determined one of the offers received was superior (the "**Qualifying Offer**").
46. On September 7, 2018, after extensive negotiation, an LOI was executed by the Receiver and the successful offeror. The Qualifying Offer was the most favourable, in the Receiver's opinion, in terms of price, conditionality, timing, provision for operating expenses, and the expectation of a smooth transition of operations to the Purchaser, who is a significant stakeholder in the estate.
47. On September 13, 2018, following further extensive negotiation, an APA was executed by the Receiver and the Purchaser, a copy of which is attached as **Confidential Appendix "2"**.
48. The Purchaser is Ascend Learning, LLC ("**Ascend**" or the "**Purchaser**"). Ascend is headquartered in suburban Boston and is a leader in online educational content, software, and analytics. Ascend serves institutions, students, and employers in healthcare and other high-growth, licensure-driven professions. The Purchaser's products and services include thousands of online tools, assessment solutions, courses, and publications in healthcare, public safety, and higher education markets as well as more than 15 nationally recognised professional certifications. Ascend is backed by affiliates of the Blackstone Group LP and Canada Pension Plan Investment Board, two of the world's largest asset managers and providers of private equity capital.
49. The APA is subject to, among other things, the Court issuing an Approval and Vesting Order that approves the APA and vests in and to the Purchaser, all of the Debtor's right, title and interest in and to the purchased assets free and clear of all encumbrances on and subject to the terms and conditions set out in the APA, in the form to be agreed to between the Purchaser and Receiver, acting reasonably.

50. Based on the Receiver's experience, the nature of the Company, the uncertainty around the value of the Property, and the previous Third Party Sale Process, the Receiver is of the view that the APA contain commercially reasonable terms and will maximize the available recovery for the estate. Additional support is included in the Confidential Appendices and, accordingly, the Receiver is requesting the Court's approval for the issuance of the Approval and Vesting Order.
51. Upon the closing of the sale, the Receiver anticipates that there will be no funds available for distribution to any unsecured creditors, after settlement of outstanding operating expenses, direct disbursements, and secured creditor's claims.

Interim statement of receipts and disbursements

52. The interim Statement of Receipts and Disbursements reflecting the administration of the receivership for the period from August 3, 2018 to September 7, 2018 is below.

Hatsize Learning Corporation - In receivership
Statement of Receipts and Disbursements
For the period August 3, 2018 to September 11, 2018

Description	Amount
Receipts	
Accounts receivable*	\$ 385,565
Cash at bank	22,390
Pre-receivership payroll funding from BMO	25,000
IRAP	22,315
Miscellaneous refunds	245
Total receipts	455,515
Disbursements	
Contract services and expenses	83,658
Operating expenses	49,686
Payroll	16,217
Lease payments	15,790
Insurance	3,672
GST paid on disbursements	2,261
Filing fees	70
Total disbursements	171,354
Excess of receipts over disbursements	\$ 284,161

Note: Accounts receivable receipts includes USD receipts not yet converted into CAD. The above balance assumes the USD funds are converted to CAD at a rate of \$1.32 CAD per \$1 USD.

53. As at the date of this First Report, the Receiver has realized sufficient funds from the collection of accounts receivable to meet all operating expenses without having to draw on the Court authorized borrowing facility to fund the receivership proceedings.

Conclusions and recommendations

54. Based on the foregoing, the Receiver respectfully requests the Court grant an Order:

- a. Approving all of the actions of the Receiver and its legal counsel to date, including the Sale Process and all other steps as outlined in this First Report;
- b. Authorizing and directing the Receiver to carry out the terms of the APA, as it may be amended, and complete the sale of the Sold Assets to the Purchaser, as described in the APA, vesting title of the Sold Assets free and clear of all liens, charges, security interests and other encumbrances in and to the Purchaser upon delivery of the Receiver's Certificate;
- c. Sealing the Confidential Appendices, which includes the Receiver's LOI analysis and APA, until a Receiver's certificate is filed in respect of the closing of the transaction pursuant to the APA;
- d. Authorizing the Receiver, in its discretion, to assign the Company into bankruptcy to aid in the effective administration of the estate; and
- e. Providing such further and other relief as the Receiver's counsel may request and the Court considers just and warranted in the circumstances.

* * *

All of which is respectfully submitted at Calgary, Alberta this 14th day of September 2018.

DELOITTE RESTRUCTURING INC.,
solely in its capacity as Receiver and
Manager of Hatsize Learning Corporation,
and not in its personal or corporate capacity

Per:



Ryan Adlington, CPA, CA, CIRP, LIT
Senior Vice-President

Appendix "A" – Consent Receivership Order dated August 3, 2018



COURT FILE NUMBER: 1801-10477
COURT: COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE: CALGARY

IN THE MATTER OF AN APPLICATION UNDER SECTION
243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, RSC
1985, c. B-3, AS AMENDED

APPLICANT: BANK OF MONTREAL
RESPONDENT: HATSIZE LEARNING CORPORATION

DOCUMENT CONSENT RECEIVERSHIP ORDER

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Gowling WLG (Canada) LLP
1600, 421 - 7th Avenue S.W.
Calgary, AB T2P 4K9

Telephone (403) 298-1938
Facsimile (403) 695-3538

File No. A158943

Attention: Tom Cumming

I hereby certify this to be a true copy of
the original Order
dated the 3 day of Aug, 2018
[Signature]
Clerk of the Court

DATE ON WHICH ORDER WAS PRONOUNCED: August 3, 2018

NAME OF JUDGE WHO MADE THIS ORDER: The Honourable Madam. Justice K.M. Eidsvik

LOCATION OF HEARING: Calgary, Alberta

UPON the application of Bank of Montreal (the "Lender") in respect of Hatsize Learning Corporation (the "Debtor"); AND UPON having read the Application, the Affidavit of Trevor Bauer, sworn July 25, 2018, filed; and the Affidavit of Service of Ingrid Fitzner, sworn, July 31, 2018, filed; AND UPON reading the consent of Deloitte Restructuring Inc. ("Deloitte") to act as receiver and manager (the "Receiver") of the Property (as defined below) of the Debtor, filed; AND UPON noting the consent endorsed hereon of the Debtor; AND UPON hearing

filed; AND UPON noting the consent endorsed hereon of the Debtor; AND UPON hearing counsel for the Lender; IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. The time for service of the notice of application for this order is hereby abridged and service thereof is deemed good and sufficient.

APPOINTMENT

2. Pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 ("BIA"), Deloitte is hereby appointed Receiver, without security, of all of the Debtor's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "Property").

RECEIVER'S POWERS

3. 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 other 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 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 or by the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to undertake environmental or workers' health and safety assessments of the Property and operations of the Debtor;
- (j) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding, and provided further that nothing in this Order shall authorize the Receiver to defend or settle the action in which this Order is made unless otherwise directed by this Court.
- (k) to market any or all the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (l) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,

- (i) without the approval of this Court in respect of any transaction not exceeding \$25,000.00, provided that the aggregate consideration for all such transactions does not exceed \$200,000.00; 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 60(8) of the *Personal Property Security Act*, R.S.A. 2000, c. P-7 shall not be required;

- (m) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (n) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (o) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (p) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (q) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without 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. (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 (excluding Property subject to liens the validity of which is dependant on maintaining possession) to the Receiver upon the Receiver's request.
5. 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 documents prepared in contemplation of litigation or due to statutory provisions prohibiting such disclosure.
6. If any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons

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

NO PROCEEDINGS AGAINST THE RECEIVER

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

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

8. No Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court, provided, however, that nothing in this Order shall: (i) prevent any Person from commencing a proceeding regarding a claim that might otherwise become barred by statute or an existing agreement if such proceeding is not commenced before the expiration of the stay provided by this paragraph 8; and (ii) affect a Regulatory Body's investigation in respect of the debtor or an action, suit or proceeding that is taken in respect of the debtor by or before the Regulatory Body, other than the enforcement of a payment order by the Regulatory Body or the Court. "Regulatory Body" means a person or body that has

powers, duties or functions relating to the enforcement or administration of an Act of Parliament or of the legislature of a province.

NO EXERCISE OF RIGHTS OF REMEDIES

9. All rights and remedies (including, without limitation, set-off rights) against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

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

CONTINUATION OF SERVICES

11. 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 this Court directs that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed

upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

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

EMPLOYEES

13. Subject to employees' rights to terminate their employment, all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, 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*, S.C. 2005, c.47 ("WEPPA").
14. Pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c. 5, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if

it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

15. (a) Notwithstanding anything in any federal or provincial law, the Receiver is not personally liable in that position for any environmental condition that arose or environmental damage that occurred:
 - (i) before the Receiver's appointment; or
 - (ii) after the Receiver's appointment unless it is established that the condition arose or the damage occurred as a result of the Receiver's gross negligence or wilful misconduct.
- (b) Nothing in sub-paragraph (a) exempts a Receiver from any duty to report or make disclosure imposed by a law referred to in that sub-paragraph.
- (c) Notwithstanding anything in any federal or provincial law, but subject to sub-paragraph (a) hereof, where an order is made which has the effect of requiring the Receiver to remedy any environmental condition or environmental damage affecting the Property, the Receiver is not personally liable for failure to comply with the order, and is not personally liable for any costs that are or would be incurred by any person in carrying out the terms of the order,
 - (i) if, within such time as is specified in the order, within 10 days after the order is made if no time is so specified, within 10 days after the

appointment of the Receiver, if the order is in effect when the Receiver is appointed, or during the period of the stay referred to in clause (ii) below, the Receiver:

- A. complies with the order, or
 - B. on notice to the person who issued the order, abandons, disposes of or otherwise releases any interest in any real property affected by the condition or damage;
- (ii) during the period of a stay of the order granted, on application made within the time specified in the order referred to in clause (i) above, within 10 days after the order is made or within 10 days after the appointment of the Receiver, if the order is in effect when the Receiver is appointed, by,
- A. the court or body having jurisdiction under the law pursuant to which the order was made to enable the Receiver to contest the order; or
 - B. the court having jurisdiction in bankruptcy for the purposes of assessing the economic viability of complying with the order; or
- (iii) if the Receiver had, before the order was made, abandoned or renounced or been divested of any interest in any real property affected by the condition or damage.

LIMITATION ON THE RECEIVER'S LIABILITY

16. Except for gross negligence or wilful misconduct, as a result of its appointment or carrying out the provisions of this Order the Receiver shall incur no liability or obligation that exceeds an amount for which it may obtain full indemnity from the Property. Nothing in this Order shall derogate from any limitation on liability or other protection afforded to the Receiver under any applicable law, including, without limitation, Section 14.06, 81.4(5) or 81.6(3) of the BIA.

RECEIVER'S ACCOUNTS

17. The Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case, incurred at their standard rates and charges. 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, incurred both before and after the making of this Order in respect of these proceedings, and 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 section 14.06(7), 81.4(4) and 81.6(2) of the BIA.
18. The Receiver and its legal counsel shall pass their accounts from time to time.
19. 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 the legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

20. 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 \$150,000.00 (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 set out in sections 14.06(7), 81.4(4) and 81.6(2) of the BIA.

21. Neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.
22. The Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.
23. 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.

ALLOCATION

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

GENERAL

25. The Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.
26. Notwithstanding Rule 6.11 of the *Alberta Rules of Court*, unless otherwise ordered by this Court, the Receiver will report to the Court from time to time, which reporting is not required to be in affidavit form and shall be considered by this Court as evidence.
27. Nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

28. 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.
29. 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.
30. The Plaintiff shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Plaintiff's security or, if not so provided by the Plaintiff'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.
31. Any interested party may apply to this Court to vary or amend this Order on not less than 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.

FILING

32. This Order is issued and shall be filed in Court of Queen's Bench Action No. 1801-10477.
33. The Receiver shall establish and maintain a website in respect of these proceedings at <http://www.insolvencies.deloitte.ca/en-ca/Pages/HatsizeLearningCorporation.aspx> and shall post there as soon as practicable:
 - (a) all materials prescribed by statute or regulation to be made publically available;and

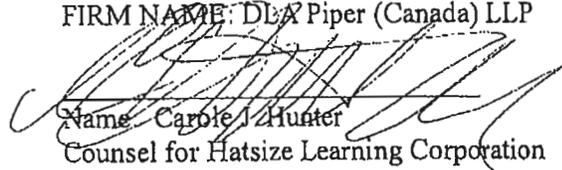
- (b) all applications, reports, affidavits, orders and other materials filed in these proceedings by or on behalf of the Receiver, or served upon it, except such materials as are confidential and the subject of a sealing order or pending application for a sealing order.



Justice of the Court of Queen's Bench of Alberta

CONSENTED TO this 12th day of July, 2018.

FIRM NAME: DLA Piper (Canada) LLP


Name: Carole Hunter
Counsel for Hatsize Learning Corporation

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that Deloitte Restructuring Inc., the receiver and manager (the "Receiver") of all of the assets, undertakings and properties of Hatsize Learning Corporation appointed by Order of the Court of Queen's Bench of Alberta and Court of Queen's Bench of Alberta in Bankruptcy and Insolvency (collectively, the "Court") dated the ____ day of _____, _____ (the "Order") made in action numbers _____, 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 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 ●.
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 (as defined in the Order), and not in its personal capacity

Per: _____

Name:

Title:

Appendix "B" – Notice and Statement of Receiver

District of: Alberta
Division No. 02
Court No. 1801 - 10477
Estate No.

**FORM 87
NOTICE AND STATEMENT OF THE RECEIVER
(Subsections 245(1) and 246(1) of the Act)**

**In the Matter of the Receivership of Hatsize Learning Corporation
of the City of Calgary
in the Province of Alberta**

The receiver gives notice and declares that:

1. On the August 3, 2018, Deloitte Restructuring Inc. ("Deloitte"), was appointed by the Court of Queen's Bench of Alberta, Judicial District of Calgary (the "Receivership Order") as the receiver and manager (the "Receiver") of the property of Hatsize Learning Corporation (the "Company") including, without limitation, of all of the Company's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situated, including all proceeds thereof (the "Property"), as described below:

Description	Book Value (*)
Accounts Receivable	\$423,199
Prepaid Deposits	41,528
SRED Receivable	179,640
Data Centre Hardware (HPFS)	157,650
Data Centre Hardware (Owned)	244,553
Leasehold Improvements	6,327
Office Computer Equipment	22,625
Office Equipment	13,215
Office Furniture	16,923
Total	\$1,105,660

(*) – All book values of the Property are based on preliminary financial information prepared by the Company. The net realizable value of the assets will be significantly lower than the aggregate of the above book value. Deloitte has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information, and accordingly, expresses no opinion or other form of assurance on the information contained herein.

2. As noted above, Deloitte became the Receiver by virtue of the Receivership Order, a copy of which is attached to this Notice as **Schedule "A"**.
3. The Receiver took possession and control of the Property described above on August 3, 2018.

4. The following information relates to the receivership:

- (a) Mailing address: 555 11 Ave SW, Calgary, AB T2R 1P6
(b) Principal line of business: Software developer
(c) Location of business: 555 11 Ave SW, Calgary, AB T2R 1P6
(d) Amount owed to each creditor who holds security on the Property described above:

Creditor	Book Value (**)
Bank of Montreal	\$1,158,937
Blue Chip Leasing Corporation	39,396
National Leasing Group Inc.	94,991
RCAP Leasing Inc.	1,891
Total Secured Creditors	\$1,295,215

(**) – All known liability amounts are based on information provided by the Company as at August 3, 2018.

- (e) A list of unsecured creditors based on the Company's books and records is attached to this Notice as **Schedule "B"**.
(f) The Receiver's intended plan of action during the receivership is to secure and manage the Property and proceed to realize on the Property and optimize realizations.
(g) Contact person for the Receiver:

Mr. Luke Alliband
Deloitte Restructuring Inc.
700, 850 – 2nd street S.W.
Calgary, AB T2P 0R8
Phone: 1-587-293-3227
Email: lualliband@deloitte.ca

Dated at the City of Calgary in the Province of Alberta, this 10th day of August, 2018.

DELOITTE RESTRUCTURING INC.

In its capacity as the Court-appointed Receiver and Manager
of Hatsize Learning Corporation
and not in its personal or corporate capacity



Ryan I Adlington CPA, CA, CIRP, LIT
Senior Vice-President
700 Bankers Court, 850 - 2nd Street SW
Calgary AB T2P 0R8
Phone: (403) 261-8135 Fax: (403) 718-3681

SCHEDULE "A"

RECEIVERSHIP ORDER



COURT FILE NUMBER: 1801-10477

COURT: COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE: CALGARY

IN THE MATTER OF AN APPLICATION UNDER SECTION
243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, RSC
1985, c. B-3, AS AMENDED

APPLICANT: BANK OF MONTREAL

RESPONDENT: HATSIZE LEARNING CORPORATION

DOCUMENT CONSENT RECEIVERSHIP ORDER

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Gowling WLG (Canada) LLP
1600, 421 - 7th Avenue S.W.
Calgary, AB T2P 4K9

Telephone (403) 298-1938
Facsimile (403) 695-3538

File No. A158943

I hereby certify that the foregoing is a true and correct copy of the original Order
dated this 3rd day of Aug. 2018
R. Salgueiro

Attention: Tom Cumming

DATE ON WHICH ORDER WAS PRONOUNCED: August 3, 2018

NAME OF JUDGE WHO MADE THIS ORDER: The Honourable Madam Justice K.M. Eidsvik

LOCATION OF HEARING: Calgary, Alberta

UPON the application of Bank of Montreal (the "Lender") in respect of Hatsize Learning Corporation (the "Debtor"); AND UPON having read the Application, the Affidavit of Trevor Bauer, sworn July 25, 2018, filed; and the Affidavit of Service of Ingrid Fitzner, sworn, July 31, 2018, filed; AND UPON reading the consent of Deloitte Restructuring Inc. ("Deloitte") to act as receiver and manager (the "Receiver") of the Property (as defined below) of the Debtor, filed; AND UPON noting the consent endorsed hereon of the Debtor; AND UPON hearing

filed; AND UPON noting the consent endorsed hereon of the Debtor; AND UPON hearing counsel for the Lender; IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. The time for service of the notice of application for this order is hereby abridged and service thereof is deemed good and sufficient.

APPOINTMENT

2. Pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 ("BIA"), Deloitte is hereby appointed Receiver, without security, of all of the Debtor's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "Property").

RECEIVER'S POWERS

3. 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 other 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 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 or by the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to undertake environmental or workers' health and safety assessments of the Property and operations of the Debtor;
- (j) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding, and provided further that nothing in this Order shall authorize the Receiver to defend or settle the action in which this Order is made unless otherwise directed by this Court.
- (k) to market any or all the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (l) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,

- (i) without the approval of this Court in respect of any transaction not exceeding \$25,000.00, provided that the aggregate consideration for all such transactions does not exceed \$200,000.00; 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 60(8) of the *Personal Property Security Act*, R.S.A. 2000, c. P-7 shall not be required;

- (m) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (n) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (o) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (p) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (q) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without 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. (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 (excluding Property subject to liens the validity of which is dependant on maintaining possession) to the Receiver upon the Receiver's request.
5. 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 documents prepared in contemplation of litigation or due to statutory provisions prohibiting such disclosure.
6. If any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons

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

NO PROCEEDINGS AGAINST THE RECEIVER

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

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

8. No Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court, provided, however, that nothing in this Order shall: (i) prevent any Person from commencing a proceeding regarding a claim that might otherwise become barred by statute or an existing agreement if such proceeding is not commenced before the expiration of the stay provided by this paragraph 8; and (ii) affect a Regulatory Body's investigation in respect of the debtor or an action, suit or proceeding that is taken in respect of the debtor by or before the Regulatory Body, other than the enforcement of a payment order by the Regulatory Body or the Court. **"Regulatory Body"** means a person or body that has

powers, duties or functions relating to the enforcement or administration of an Act of Parliament or of the legislature of a province.

NO EXERCISE OF RIGHTS OF REMEDIES

9. All rights and remedies (including, without limitation, set-off rights) against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

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

CONTINUATION OF SERVICES

11. 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 this Court directs that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed

upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

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

EMPLOYEES

13. Subject to employees' rights to terminate their employment, all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, 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*, S.C. 2005, c.47 ("**WEPPA**").
14. Pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c. 5, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if

it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

15. (a) Notwithstanding anything in any federal or provincial law, the Receiver is not personally liable in that position for any environmental condition that arose or environmental damage that occurred:
- (i) before the Receiver's appointment; or
 - (ii) after the Receiver's appointment unless it is established that the condition arose or the damage occurred as a result of the Receiver's gross negligence or wilful misconduct.
- (b) Nothing in sub-paragraph **Error! Reference source not found.** exempts a Receiver from any duty to report or make disclosure imposed by a law referred to in that sub-paragraph.
- (c) Notwithstanding anything in any federal or provincial law, but subject to sub-paragraph **Error! Reference source not found.** hereof, where an order is made which has the effect of requiring the Receiver to remedy any environmental condition or environmental damage affecting the Property, the Receiver is not personally liable for failure to comply with the order, and is not personally liable for any costs that are or would be incurred by any person in carrying out the terms of the order,
- (i) if, within such time as is specified in the order, within 10 days after the order is made if no time is so specified, within 10 days after the

appointment of the Receiver, if the order is in effect when the Receiver is appointed, or during the period of the stay referred to in clause (ii) below, the Receiver:

- A. complies with the order, or
 - B. on notice to the person who issued the order, abandons, disposes of or otherwise releases any interest in any real property affected by the condition or damage;
- (ii) during the period of a stay of the order granted, on application made within the time specified in the order referred to in clause (i) above, within 10 days after the order is made or within 10 days after the appointment of the Receiver, if the order is in effect when the Receiver is appointed, by,
- A. the court or body having jurisdiction under the law pursuant to which the order was made to enable the Receiver to contest the order; or
 - B. the court having jurisdiction in bankruptcy for the purposes of assessing the economic viability of complying with the order; or
- (iii) if the Receiver had, before the order was made, abandoned or renounced or been divested of any interest in any real property affected by the condition or damage.

LIMITATION ON THE RECEIVER'S LIABILITY

16. Except for gross negligence or wilful misconduct, as a result of its appointment or carrying out the provisions of this Order the Receiver shall incur no liability or obligation that exceeds an amount for which it may obtain full indemnity from the Property. Nothing in this Order shall derogate from any limitation on liability or other protection afforded to the Receiver under any applicable law, including, without limitation, Section 14.06, 81.4(5) or 81.6(3) of the BIA.

RECEIVER'S ACCOUNTS

17. The Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case, incurred at their standard rates and charges. 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, incurred both before and after the making of this Order in respect of these proceedings, and 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 section 14.06(7), 81.4(4) and 81.6(2) of the BIA.
18. The Receiver and its legal counsel shall pass their accounts from time to time.
19. 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 the legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

20. 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 \$150,000.00 (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 set out in sections 14.06(7), 81.4(4) and 81.6(2) of the BIA.

21. Neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.
22. The Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.
23. 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.

ALLOCATION

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

GENERAL

25. The Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.
26. Notwithstanding Rule 6.11 of the *Alberta Rules of Court*, unless otherwise ordered by this Court, the Receiver will report to the Court from time to time, which reporting is not required to be in affidavit form and shall be considered by this Court as evidence.
27. Nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

28. 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.
29. 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.
30. The Plaintiff shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Plaintiff's security or, if not so provided by the Plaintiff'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.
31. Any interested party may apply to this Court to vary or amend this Order on not less than 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.

FILING

32. This Order is issued and shall be filed in Court of Queen's Bench Action No. 1801-10477.
33. The Receiver shall establish and maintain a website in respect of these proceedings at <http://www.insolvencies.deloitte.ca/en-ca/Pages/HatsizeLearningCorporation.aspx> and shall post there as soon as practicable:
 - (a) all materials prescribed by statute or regulation to be made publically available;and

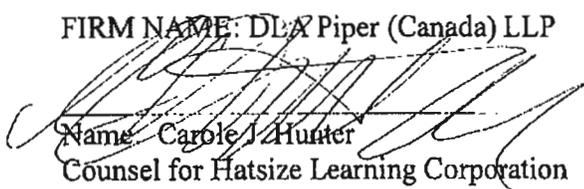
- (b) all applications, reports, affidavits, orders and other materials filed in these proceedings by or on behalf of the Receiver, or served upon it, except such materials as are confidential and the subject of a sealing order or pending application for a sealing order.



Justice of the Court of Queen's Bench of Alberta

CONSENTED TO this 12th day of July, 2018.

FIRM NAME: DLX Piper (Canada) LLP


Name: Carole J. Hunter
Counsel for Hatsize Learning Corporation

SCHEDULE "A"
RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that Deloitte Restructuring Inc., the receiver and manager (the "Receiver") of all of the assets, undertakings and properties of Hatsize Learning Corporation appointed by Order of the Court of Queen's Bench of Alberta and Court of Queen's Bench of Alberta in Bankruptcy and Insolvency (collectively, the "Court") dated the ____ day of _____, _____ (the "Order") made in action numbers _____, 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 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 ●.
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 (as defined in the Order), and not in its personal capacity

Per: _____
Name:
Title:

SCHEDULE "B"

PREFERRED AND UNSECURED CREDITORS

Preferred and Unsecured Creditors**Amount (\$)**

Arndt, Austin	1.00
Burton, Alexa	1.00
C.C.D. Cogent Communications Deutschland GmbH	1,250.75
Canada Revenue Agency	1.00
Caravel Law	7,326.40
Donaldson, Garret	1.00
Dunne, Eoin	1.00
Equinix (Germany) GmbH	7,020.60
Equinix Singapore Pte. Ltd.	11,425.34
Flather, Janet	1.00
Froese, Corin	1.00
Google	217.73
Graycon Calgary	14,437.50
Hook, Wyatt	1.00
Huang, Ming	1.00
JMS Consulting Services	3,381.20
Kenway Mack Slusarchuk Stewart LLP	31,500.00
Marcoux, Genevieve	1.00
Marjorie Minasalvas	960.00
McCreadie, Alexander	1.00
McFarlane, Jesse	1.00
Priority Leasing	1,018.16
Schlueter, Christian	1.00
Scott, Leslie	1.00
Shaw Cable	163.70
Tarjan Enterprises Ltd.	24,179.56
Toole, Robert	1.00
Vandoremalen, Kyle	1.00
WhipCord Ltd.	110,970.72
Williams, Owen	1.00
Young, Stephen	1.00

Total Unsecured Creditors

213,869.66

Confidential Appendix "1" – Letters of Intent offer analysis

REDACTED

Confidential Appendix "2" – Asset Purchase Agreement dated
September 13, 2018

REDACTED

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