



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

SECOND REPORT OF DELOITTE RESTRUCTURING INC. AS THE COURT-APPOINTED RECEIVER AND MANAGER OF HATSIZE LEARNING CORPORATION

DATED DECEMBER 3, 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
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Legal Counsel
DENTONS CANADA LLP
Suite 1500, 850 - 2nd Street SW
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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 (defined later in this Second Report), 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 report). BMO holds various registered security over the Property (defined later in this report) of the Debtor along with partial guarantees from Export Development Canada (collectively, the "**BMO Security**").
4. 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**".
5. The Receiver initiated a marketing and sale process shortly after its appointment and circulated a request for letters of intent to potential purchasers. After extensive negotiations, a letter of intent and subsequently an asset purchase agreement ("**APA**") was executed by the Receiver and Ascend Learning, LLC ("**Ascend**") on September 7, 2018 and September 13, 2018 respectively (the "**Ascend Transaction**").
6. The APA contemplated the sale and purchase of certain of the Hatsize Property including: specific contracts, documentation, software, hardware and servers situated in Lethbridge and Toronto, the website, social media, domain names, and intellectual property (the "**Purchased Assets**").
7. Further background to these receivership proceedings, including a summary of assets and primary liabilities, as well as full details of the marketing and sales process was previously provided in the first report of the Receiver dated September 14, 2018 (the "**First Report**").
8. On September 18, 2018, the Court granted three Orders:
 - a. A Sealing Order to keep Appendix 1 and Appendix 2 of the First Report confidential until the filing of the Receiver's Certificate or until otherwise ordered by Court;
 - b. An Approval and Vesting Order approving the sale transaction and vesting the Purchased Assets; and
 - c. An Order providing the Receiver with authority to assign the Debtor into bankruptcy.
9. The Approval and Vesting Order authorized the Receiver and Ascend to make minor amendments to the APA, and on October 1, 2018, after further negotiations, an amending agreement was executed by the Receiver and Ascend. The amending agreement is attached to this second report of the Receiver (the "**Second Report**") as Appendix "**B**".

10. The Receiver undertook extensive pre-closing activities related to the Ascend Transaction including but not limited to: data scrub of confidential customer information, coordinating assignment of select contracts, and negotiating retention agreements with the independent contractors.
11. The sale of the Purchased Assets to Ascend closed on October 2, 2018 (the "**Closing Date**").
12. Prior to closing, the Receiver was also involved in discussions with Ascend and its counsel to negotiate terms of the transition services agreement which is attached as Appendix "**C**". The Transition Services Agreement has been completed and the Receiver has no further obligations to Ascend thereunder.
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>. The Second Report will also be posted on the Receiver's Website after it has been filed with the Court.
14. In preparing this Second 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.
15. All dollar amounts in this Report are in Canadian dollars, unless otherwise indicated.

Purpose

16. The purpose of this Second Report is to:

- a. Provide an update on the administration of the receivership since the First Report; and
- b. Respectfully recommend that this Honourable Court make orders:
 - i. Approving the actions taken by the Receiver since the date of the First Report;
 - ii. Approving the Receiver's combined actual and estimated statement of receipts and disbursements;
 - iii. Approving the professional fees and disbursements of the Receiver and its legal counsel from July 24, 2018 to the Receiver's date of discharge;
 - iv. Approving the distribution of funds to BMO as the senior secured creditor of Hatsize further to the BMO Security;
 - v. Approving the Receiver's discharge, subject to the filing of a final Certificate of the Receiver confirming all funds held by the Receiver have been distributed and all administrative matters have been concluded, including with respect to the filing of the final income tax return, submission of a final statutory report to the Office of the Superintendent of Bankruptcy pursuant to subsection 246(3) of the *Bankruptcy and Insolvency Act*, and performing a final reconciliation of the Receiver's estate bank account; and
 - vi. Providing such further or other relief that the Court considers just and warranted in the circumstances.

Receiver's activities

17. Since the filing of the First Report, the Receiver has undertaken the following activities:

- a. Continued operating Hatsize at a reduced capacity until the Closing Date and termination of the Transition Services Agreement;
- b. Ensured continued effectiveness of Hatsize's electronic data security policy and safeguarding of all confidential information;
- c. Undertook extensive discussions with Ascend and its counsel to negotiate terms of the amended APA;
- d. Coordinated the assignment/buyout of certain equipment lease agreements from the Company to Ascend;
- e. Undertook discussions with a critical vendor to negotiate assignment of a key contract to Ascend;
- f. Delivered customer data relating to Project Lead the Way and John Brown College to Ascend;
- g. Arranged for the collapse and return of virtual machines owned by certain Hatsize customers;
- h. Updated the detailed cash flow budget and conducted a cash flow to budget variance analysis;
- i. Supervised and directed the independent contractors;
- j. Negotiated retention strategies for the key independent contractors;
- k. Issued invoices for post-receivership services provided to the Hatsize customers;
- l. Undertook collection efforts for outstanding accounts receivable;
- m. Reviewed disbursements and arranged for payment, including payment of the independent contractors;
- n. Negotiated temporary occupation of the Leased Premises as needed;
- o. Terminated the lease and exited the Leased Premises;
- p. Administered the Wage Earner Protection Program and corresponded with former employees in regards to same;
- q. Undertook discussions with Ascend and its counsel to negotiate the terms of the transition services agreement;
- r. Closed the sale transaction with Ascend;
- s. Prepared for and met with Canada Revenue Agency (the "**CRA**") to conduct the pre-receivership audit of the Company's Goods and Services Tax ("**GST**") and payroll accounts, and responded to all subsequent queries from CRA;

- t. Engaged an independent contractor to assist with preparation of supporting documentation to support the Scientific Research and Experimental Development ("**SR&ED**") claim;
- u. Prepared the corporate income tax return to pursue the potential SR&ED claim;
- v. Dealt with GST matters and the pursuit of post-receivership GST refunds;
- w. Deleted or destroyed customer information residing on any of the Purchased Assets and the Overseas Assets (defined later in this Second Report);
- x. Disclaimed interest in the remaining Property and notified the Hatsize directors of same;
- y. Updated the Secured Lender on a regular basis with respect to the status of the Receivership proceedings;
- z. Drafted, reviewed, and finalized this Second Report along with the final statement of receipts and disbursements; and
 - aa. Corresponded with Dentons on various legal matters relating to the receivership;
 - bb. Corresponded with creditors, independent contractors, and other stakeholders;
 - cc. Addressed additional matters as they arose from time to time.

Remaining assets

Accounts receivable

18. As at the date of Receivership, the Company's books and records indicated that Hatsize was owed approximately \$428,000 from various customers.
19. The Receiver continued operations in a reduced capacity after its appointment and continued to provide services to the Hatsize customers up to and including September 30, 2018. The Receiver invoiced the Hatsize customers approximately \$289,000 for post receivership e-learning services.
20. As at the date of this Second Report, the Receiver has collected approximately 91% of the pre-receivership accounts receivable and approximately 83% post receivership accounts receivable. The combined pre and post accounts receivable collected by the Receiver is approximately \$625,000.
21. The Receiver intends to engage an agent to collect on the remaining accounts receivable. Fees in connection with the collection activities will be paid on a contingency basis on all recoveries made by the agent.

Hardware and servers

22. The Company's hardware and servers (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.
23. The Hardware and Servers located in Alberta and Ontario were included in the Purchased Assets sold to Ascend. The Receiver chose not to take possession of any Hardware and Servers located in Singapore and Frankfurt (the "**Overseas Assets**") and the Overseas Assets were accordingly excluded from the sale to Ascend.
24. The Receiver conducted a high-level cost benefit analysis of realizing on the Overseas Assets. The Receiver concluded that the costs and risks involved to realize upon the Overseas Assets outweighed any potential recovery. During its review, the Receiver took into consideration key potential realization costs including: shipping costs, travel costs, datacentre costs, professional fees, and independent contractor costs.
25. After the Closing Date, the Receiver undertook commercially reasonable steps to permanently and securely delete and/or destroy any information contained in the Overseas Assets. This consisted of a remote wipe and zero-filling of all storage media.
26. On October 10, 2018, the Receiver notified Ascend of its efforts and intention to disclaim the Overseas Assets. On October 22, 2018, the Receiver notified the directors of Hatsize that it was disclaiming any interest in the Overseas Assets and responsibility for the Overseas Assets remained with the Company.

SR&ED claim

27. Hatsize appears to have a SR&ED claim for research and development activities conducted from the beginning of the fiscal year 2018 up to the date of Receivership. The Receiver has been advised that the claim may be as much as approximately \$160,000.

28. SR&ED is administered by the CRA. In order to make a SR&ED claim, a prescribed expenditures claim form must be filed in conjunction with an income tax return.
29. Since the date of the First Report, the Receiver engaged a independent SR&ED consultant to assist with preparing documentation to support the Hatsize SR&ED claim. The Receiver is also working with Deloitte tax professionals to prepare and file the fiscal year 2018 income tax return.
30. The income tax return has been drafted and is currently undergoing review. As at the date of this Second Report, the income tax return has not been filed with CRA.

Fees and disbursements of the Receiver and its legal counsel

31. The Receiver's professional fees and disbursements invoiced for the period July 24, 2018 to September 30, 2017 total \$220,000 (excluding GST). The Receiver's counsel's fees and disbursements invoiced for the period July 31, 2018 to August 31, 2018 total \$18,757 (excluding GST), and for September 1, 2018 to November 30, 2018 total \$78,000 (excluding GST). Attached as Appendix "D" is a summary of the invoices of the Receiver and its legal counsel for fees and disbursements incurred over the course of the receivership proceeding.
32. The Receiver has incurred approximately \$32,000 for the period October 1, 2018 to date and estimates additional fees of \$10,000 to complete the administration of the receivership. The Receiver estimates additional legal costs, from and after November 30, 2018, to be no more than \$10,000.
33. After payment of the Receiver's fees and disbursements and those of its legal counsel described in paragraph 31 hereof, the Receiver is of the view that a general holdback of \$50,000 should be held to offset estimated professional fees and disbursements incurred and not yet invoiced and as will be required to complete the administration, including the current motion for distribution and discharge and for completing certain statutory tax filings (GST and corporate tax filings) (the "**Holdback**").
34. The fees charged by the Receiver are based on the amount of professional time required at standard hourly billing rates, which vary depending upon the level of experience of the professionals involved. The average blended hour rate charged by the Receiver in these proceedings for invoices issued to date is approximately \$400 per hour. The rates charged by the Receiver are comparable to the rates charged for the provision of services by other professional firms providing specialized financial advisory and restructuring services.
35. In the Receiver's view, the services rendered in respect of its fees and disbursements have been duly rendered in response to the required and necessary duties of the Receiver, and are reasonable in the circumstances.
36. The Receiver has reviewed the invoices rendered by its legal counsel and finds them to be reasonable and validly incurred in accordance with the provisions of the Receivership Order.

Final statement of actual and estimated receipts and disbursements

37. The final statement of actual and estimated receipts and disbursements reflecting actual receipts and disbursements for the period August 3, 2018 to December 3, 2018, and estimated receipts and disbursements for the period December 4, 2018 to the proposed date of discharge is attached below.

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

Description	Actual Aug 3, 2018 to Dec 3, 2018	Estimated Dec 4, 2018 to discharge	Total
Receipts			
Pre-receivership accounts receivable	441,841	-	\$ 441,841
Post-receivership accounts receivable	128,202	-	128,163
Sale of Assets	500,000	-	500,000
Pre-receivership payroll funding from BMO	25,000	-	25,000
Funding from purchaser	209,938	-	209,938
SRED receivable	-	160,000	160,000
Interest	866	-	866
Misc. refunds	245	-	245
Total receipts	\$ 1,306,092	\$ 160,000	\$ 1,466,053
Disbursements			
Contract services and expenses	230,563	-	230,563
Operating expenses	124,879	325	125,025
Payroll	16,217	-	16,217
Lease payments	69,802	-	69,802
Tax services – excl. GST	12,354	20,000	32,354
Insurance	5,544	-	5,544
Receiver’s fees – excl. GST	-	242,272	242,272
Receiver’s legal fees – excl. GST	-	106,757	106,757
GST paid on disbursements	34,000	-	34,000
Filing fees	70	-	70
Total disbursements	\$ 493,429	\$ 369,354	\$862,783
Plus: Funds held by BMO	91,116	-	91,116
Excess of receipts over disbursements	\$903,778	\$(209,354)	\$ 694,424

38. The Receiver estimates that it will collect \$160,000 in SR&ED. After payment of professional fees and accounting services described above, the Receiver estimates additional disbursements of approximately \$325 to conclude the receivership administration.
39. The Receiver has obtained a legal opinion from its independent legal counsel opining on the validity and priority of the BMO security. The Receiver intends make distribution of the residual amount of proceeds to BMO after all estate expenditures have been paid, subject only to the Holdback. As the indebtedness to BMO exceeds the funds available to the estate, the Receiver anticipates there will be no distributions available for subordinate creditors.
40. As at the date of this Second 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

41. Based on the foregoing, the Receiver respectfully requests the Court grant an Order:
- a. Approving all of the actions taken by the Receiver as described in this Second Report;
 - b. Approving the Receiver's combined actual and estimated statement of receipts and disbursements;
 - c. Approving the Receiver's professional fees and disbursements and those of its legal counsel from and after July 24, 2018 to the Receiver's proposed date of discharge;
 - d. Approving the Receiver's proposed distribution to BMO of all residual funds in the estate, after payment of professional fees.
 - e. Approving the Receiver's discharge after disbursements of all funds held and concluding administrative matters with respect to the filing of the final income tax return, submission of a final statutory report to the Office of the Superintendent of Bankruptcy pursuant to subsection 246(3) of the *Bankruptcy and Insolvency Act*, and performing a final reconciliation of the Receiver's estate bank account; and
 - f. Providing such further or other relief that the Court considers just and warranted in the circumstances.

* * *

All of which is respectfully submitted at Calgary, Alberta this 3rd day of December, 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:



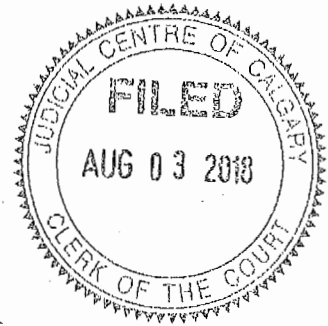
Ryan Adlington, CPA, CA, CIRP, LIT
Senior Vice-President

Per:



Cassie Poon, CIRP, LIT
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 this 3 day of Aug 2018
R. Salguero
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

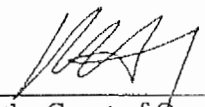
25. The Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.
26. Notwithstanding Rule 6.11 of the *Alberta Rules of Court*, unless otherwise ordered by this Court, the Receiver will report to the Court from time to time, which 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

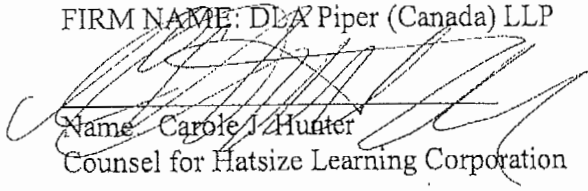
- (b) all applications, reports, affidavits, orders and other materials filed in these proceedings by or on behalf of the Receiver, or served upon it, except such materials as are confidential and the subject of a sealing order or pending application for a sealing order.



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 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:

Appendix "B" – Amended Asset Purchase Agreement

AMENDING AGREEMENT

THIS AMENDING AGREEMENT ("**Agreement**") is made as of the 1st day of October, 2018

B E T W E E N:

DELOITTE RESTRUCTURING INC., in its capacity as
court-appointed receiver and manager of Hatsize Learning Corporation,
and not in its personal or corporate capacity

(the "**Vendor**")

- and -

ASCEND LEARNING, LLC

(the "**Purchaser**")

RECITALS:

A. The Vendor was appointed receiver and manager of Hatsize, pursuant to and in accordance with the terms of the order of the Court of Queen's Bench of Alberta (the "**Court**") made August 3, 2018 in Action No. 1801-10477 appointing the Deloitte Restructuring Inc. as the Court-appointed receiver manager of Hatsize Learning Corporation ("**Hatsize**") and all of its assets, property and undertakings (the "**Receivership Order**");

B. Pursuant to the Receivership Order, the Vendor has possession or control of certain assets that are available for sale and has authorization under the Receivership Order to sell and assign such assets;

C. The Vendor and the Purchaser entered into an asset purchase agreement dated September, 13, 2018 whereby the Purchaser agreed to purchase certain of Hatsize's assets (the "**Purchase Agreement**");

D. The Purchase Agreement was approved by the Court pursuant to an Order dated September 18, 2018 (the "**Approval and Vesting Order**");

E. Paragraph 2 of the Approval and Vesting Order authorizes the parties to make minor amendments to the Purchase Agreement; and

F. The Vendor and the Purchaser are entering into this Agreement to make certain amendments to the Purchase Agreement.

THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Capitalized Terms

All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Purchase Agreement.

ARTICLE 2 AMENDMENTS

2.1 Section 3.11

Section 3.11 of the Purchase Agreement is amended such that the reference to "\$9,833" in the eighth line of the provision is hereby deleted and replaced with "\$9,086.99, plus premises insurance in the amount of \$1,871,23".

2.2 Subsection 12.3(b)

Subsection 12.3(b) of the Purchase Agreement is deleted in its entirety and replaced with the following:

"(b) Prior to Closing, the Vendor shall undertake commercially reasonable efforts to permanently and securely delete or destroy any information about an identifiable individual ("**Personal Information**") residing on any of the Purchased Assets in a manner satisfactory to the Purchaser, except for any Personal Information (i) required by the Purchaser in order to make use of the Purchased Assets, and (ii) where agreed by the Parties, related to third-party operations where the consent of such third-party has been obtained."

2.3 Schedule of Purchased Assets

Schedule B (Purchased Assets) of the Purchase Agreement is deleted in its entirety and replaced with the revised Schedule B (Purchased Assets) appended hereto.

2.4 Schedule of Account Information

Schedule D (Account Information) of the Purchase Agreement is deleted in its entirety and replaced with the revised Schedule D (Account Information) appended hereto.

2.5 Schedule of Allocation of Purchase Price

Schedule E (Allocation of Purchase Price) of the Purchase Agreement is deleted in its entirety and replaced with the revised Schedule E (Allocation of Purchase Price) appended hereto.

ARTICLE 3 GENERAL

3.1 No Other Amendment

Except as specifically amended by this Agreement, the Purchaser Agreement shall remain in full force and effect and is hereby ratified and confirmed.

3.2 Entire Agreement

This Agreement and the Purchase Agreement constitute the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations

and discussions, whether oral or written, save and except for the Purchase Agreement solely as between the Purchaser and Vendor. There are no representations, warranties, covenants, conditions or other agreements, legal or conventional, express or implied, collateral, statutory or otherwise, between the Parties in connection with the subject matter of this Agreement, except as specifically set forth in this Agreement and the Purchase Agreement. The Parties have not relied and are not relying on any other information, discussion or understanding in entering into and completing the transactions contemplated by this Agreement and the Purchase Agreement.

3.3 Governing Law

This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Alberta is located and the federal laws of Canada applicable therein.

3.4 Headings

The division of this Agreement into sections, the insertion of headings is for convenience of reference only and are not to be considered in, and shall not affect, the construction or interpretation of any provision of this Agreement.

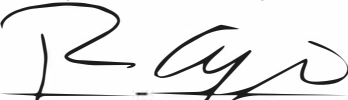
3.5 Counterparts and Delivery

All Parties agree that this Agreement may be executed in counterpart and transmitted by facsimile or e-mail (PDF) and that the reproduction of signatures in counterpart by way of facsimile or e-mail (PDF) will be treated as though such reproduction were executed originals.

[Signature pages follow.]

IN WITNESS WHEREOF the Vendor has executed this Agreement.

**DELOITTE RESTRUCTURING INC., in its capacity
as court-appointed receiver and manager of
Hatsize Learning Corporation,
and not in its personal or corporate capacity**

By: 
Name: Ryan Adlington
Title: Vice President
AT SENIOR

IN WITNESS WHEREOF the Purchaser has executed this Agreement.

ASCEND LEARNING, LLC

By: Jeffrey Scott Jones
Name: Jeffrey Scott Jones
Title: SVP, Corporate Development &
Strategy

[Signature page to APA Amending Agreement]

SCHEDULE B PURCHASED ASSETS

- I. All assets owned, used or licensed by Hatsize in the business necessary for the Purchaser to substantially perform (or have performed on its behalf) and receive the benefit of the services and provided under the MSA, including, but not limited to:

1. Assigned Contracts

- Whipcord Agreement. Master Service Agreement No. BNC00073 between Hatsize Learning Corporation and Blackbridge Networks Ltd. dated November 20, 2013 (a/k/a Master Services Agreement No. MSA-BNA00910-1 between Hatsize Learning Corporation and Whipcord Ltd. f/k/a BlackRidge Networks Ltd.), as amended, including Service Schedule A-3 and Service Schedule E-2.
- AWS;
- Zendesk;
- Atlassian/Jira;
- Atlassian/Confluence;
- Resilo – Btsync;
- Microsoft Agreement;
- VMware, VSphere/ESC Vcenter. VMware Embedded Software OEM Agreement between VMware, Inc. and Hatsize Learning Corporation dated June 30, 2016.
- Insight Canada.
- BlueChip 51153. Lease Contract between Hatsize Learning Corporation and Priority Leasing Inc., dated November 4, 2015, as assigned to Blue Chip Leasing Corporation pursuant to a Master Assignment of Leases or Security Agreements dated September 4, 2015.

2. Documentation

Documentation, including:

- User Guides;
- Build and Deployment Instructions;
- Architectural documentation;
- Technical Specifications, including APIs;
- Source code documentation;
- Software development processes;
- Bug lists and Features Requests Lists; and
- Product Requirements Documents, Marketing Requirements Documents.

3. Software

Software and related tools, databases, and resource files, including, but not limited to:

- All source code, including but not limited to, Hatsize's cloud-based virtual labs solution in source code form, and all software made available within Hatsize's internal SVN server;
- Build tools, including compilers, debuggers and configuration files;
- Test tools, including test scripts, build scripts, deployment scripts and related documentation;

- Images and containers, including scripts and to assemble and deploy such images and containers; and
- Databases, including data base content and scheme, and media files.

4. Hardware and Servers

- All items in Lethbridge colocation center; All items in Toronto colocation center;
- All spare parts and hot swap inventory; and
- All on-premise computers, hardware, networking equipment and servers.

5. Website, Social Media, Domain Names

All: (i) websites and social media accounts owned, maintained or operated by or on behalf of Hatsize; (ii) all names (including domain names) and handles associated with such websites and accounts; and (iii) all content of such websites and accounts, including:

- www.hatsize.com;
- learningseries.com;
- learningseries.ca;
- learningseries.org.

6. Intellectual Property

All other intellectual property and related rights, including: (i) patents; (ii) copyrights; (iii) trademarks; and (iv) trade secrets and know-how, and any applications or registrations in connection with the foregoing, including:

- Administration passwords and other credentials;
- Network components, including firewalls, load balancers, switches;
- Applications, including SVN.

7. Other

Assets acquired by the Vendor, on behalf of Hatsize, in connection with the exercise of the purchase options contained in, or similar pay-out arrangements relating to, the following lease agreements:

- BlueChip 41398. Lease Contract between Hatsize Learning Corporation and Priority Leasing Inc., as assigned to Blue Chip Leasing Corporation pursuant to a Master Assignment of Leases or Security Agreements dated September 4, 2015.
- CWB 1-1. Lease Contract between Hatsize Learning Corporation and Priority Leasing Inc. (Lease No. 2844428).
- CWB 1-2. Lease Contract between Hatsize Learning Corporation and Priority Leasing Inc. (Lease No. 2832917).
- RCAP. Lease Contract between Hatsize Learning Corporation and Priority Leasing Inc. (Lease No. 423249-299570).

II. Any and all Hatsize developed training courses.

**SCHEDULE D
ACCOUNT INFORMATION**

Beneficiary Name:	Versa Bank 950 - 410 - 22nd Street E Saskatoon, SK S7K 5T6
Beneficiary Account No.	003 07378 1001718 For further credit to: Deloitte Restructuring Inc. ITF Hatsize Learning Corporation (3rd Party Deposit) Account No. 7710275
Transit No.	07378
Institution No.	003
Swift Code:	ROYCCAT2
Beneficiary Bank Name:	RBC Royal Bank of Canada Main Saskatoon 154 1st Ave S Saskatoon, SK S7K 1K2

**SCHEDULE E
PURCHASE PRICE ALLOCATION**

Equipment	CAD\$1,000.00
Intangibles	CAD\$499,000.00

Appendix "C" – Transition Services Agreement

TRANSITION SERVICES AGREEMENT

THIS TRANSITION SERVICES AGREEMENT (“Agreement”) is dated as of the 1st day of October, 2018

BETWEEN:

ASCEND LEARNING, LLC

(“Purchaser”)

- AND –

DELOITTE RESTRUCTURING INC., in its capacity
as court-appointed receiver and manager of Hatsize Learning Corporation,
and not in its personal or corporate capacity

(“Vendor”)

WHEREAS:

- A. The Vendor was appointed as receiver and manager of Hatsize Learning Corporation (“**Hatsize**”) and all of its assets, property and undertakings pursuant to and in accordance with the terms of the Consent Receivership Order of the Court of Queen’s Bench of Alberta (the “**Court**”) made August 3, 2018 in Action No. 1801-10477;
- B. Purchaser and Vendor entered into an Asset Purchase Agreement dated September 13, 2018 (the “**Asset Purchase Agreement**”) for the purchase from Vendor of certain of Hatsize’s assets;
- C. the Asset Purchase Agreement was approved by Order of the Court made September 18, 2018;
- D. the Asset Purchase Agreement was amended by an Amending Agreement entered into by the Vendor and Purchaser dated October 1, 2018;
- E. the Asset Purchase Agreement requires, as a condition to closing of the transaction contemplated by the Asset Purchase Agreement (“**Closing**”), that the Purchaser and the Vendor enter into a transition services agreement setting out the terms and conditions on which the Vendor will provide Purchaser with access to the Purchased Assets (as defined in the Asset Purchase Agreement) on and after Closing for a one month period (unless otherwise extended by the Parties) to facilitate the delivery of Purchased Assets *in situ* to the Purchaser in a manner that shall minimize disruption to the Services (as defined in the Asset Purchase Agreement) (the “**Purpose**”); and
- F. Capitalized terms used in this Agreement that are not otherwise defined herein have the meanings ascribed to such terms in the Asset Purchase Agreement.

NOW, THEREFORE, in consideration of the mutual agreements set forth herein, and for other good and valuable consideration (including pursuant to the Asset Purchase Agreement), the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

1. **Statements of Work.**

- (a) Vendor will provide Purchaser with the services described on the initial Statement of Work appended hereto as Schedule A (the “**Initial SOW**”) and any other services documented by way of subsequent Statement of Work (“**Subsequent SOW**”, and the Initial SOW or any Subsequent SOW, a “**SOW**”) executed by both Parties (collectively, the “**Services**”).
- (b) Each SOW entered into pursuant to this Agreement shall be governed by and construed in accordance with the terms and conditions of this Agreement, and each SOW shall be deemed to incorporate the terms and conditions of this Agreement.
- (c) A SOW may contain additional terms and conditions which are applicable solely to such SOW.
- (d) To the extent of any conflict or inconsistency between the terms and conditions of a SOW and the terms and conditions of this Agreement, the terms and conditions of this Agreement shall govern.
- (e) If, following execution of this Agreement, the Purchaser identifies to Vendor in writing a service or access to system or facility that the Purchaser reasonably requires in furtherance of the Purpose and such service or access to such system or facility is not included in the Initial SOW, then Vendor and Purchaser agree to cooperate in good faith to include such services or access, in such scope and for such charges and duration as the Parties may mutually agree, in a Subsequent SOW.
- (f) Vendor agrees to use commercially reasonable efforts to provide the Services, however, in no event shall Vendor be obligated to: (i) guarantee that any specific employee or consultant will not resign or quit prior to the expiration of the termination of this Agreement; (ii) hire additional employees or consultants; (iii) purchase, lease or license any additional equipment (including computer equipment, furniture, furnishings, fixtures, machinery, vehicles, tools and other tangible personal property) or software; (iv) make modifications to its existing systems or software; or (vi) pay any costs related to the transfer of data to Purchaser.
- (g) Purchaser acknowledges that Vendor is not in the business of providing the Services and that Vendor is providing the Services as an accommodation to Purchaser following the consummation of the transaction contemplated in the Asset Purchase Agreement. The Services to be provided under this Agreement are furnished without warranty of merchantability or fitness for any particular purpose.
- (h) Except as otherwise specified in this Agreement, no Party shall have the right, power or authority to create any obligations or commitments or incur any liabilities or debts, express or implied, on behalf of any other Party.
- (i) Purchaser shall provide all reasonable assistance to, and fully co-operate in good faith with, Vendor to the extent reasonably necessary to allow Vendor to provide the Services in accordance with this Agreement.
- (j) In the event of an emergency, Vendor has the right to take any independent action it sees fit without notice to or direction from Purchaser to the extent necessary to mitigate or resolve such emergency. In the event of an emergency, Vendor may incur, or at its discretion, reasonable costs to mitigate or resolve the emergency or to ensure continuation of the Services. Purchaser shall reimburse Vendor for such reasonable costs.
- (k) During the term of this Agreement, Purchaser shall provide and maintain the necessary precautions and safeguards for the safety of all Persons performing the Services and, at the location where those Persons providing the Services are located, shall not cause or permit to exist an unlawful, hazardous, unsafe, unhealthy, or environmentally unsound condition over which Purchaser has reasonable control or direction.

- (l) Notwithstanding any other provision in this Agreement, Vendor shall not be required to procure insurance for the property of Purchaser, including without limitation the Purchased Assets, or Purchaser's personnel.

2. **Term.**

- (a) The obligations of the Vendor to provide Services shall terminate with respect to each Service on the end date specified in the applicable SOW (each, an "**End Date**"). Notwithstanding the foregoing, the Parties acknowledge and agree that Purchaser may determine from time to time that it does not require all of the Services set out in one or more of the SOWs or that it does not require such Services for the entire period up to the applicable End Date. Accordingly, Purchaser may terminate any Service, in whole and not in part, upon five (5) Business Days' notification to Vendor in writing of any such determination.
- (b) This Agreement shall become effective at the Closing Time and shall expire on the latter of October 31, 2018 and the expiry of the last applicable End Date, unless otherwise agreed or extended by written agreement of the Parties.
- (c) Upon termination or expiry of any or all Services under this Agreement, or upon the termination or expiry of this Agreement, Vendor shall have no further obligation to provide the applicable terminated Services and Purchaser will have no obligation to pay any future compensation relating to such Services (other than for or in respect of Services already provided in accordance with the terms of this Agreement and received by Purchaser before such termination).

3. **Payment Terms.**

The Parties confirm that that no additional amounts will be payable by the Purchaser for the Services outlined in the as already paid for Initial SOW as the Purchaser has already paid for same on Closing. The Vendor may invoice Purchaser for, and Purchaser shall pay, all charges specified in any Subsequent SOW. Payment of such amounts shall be made within five (5) Business Days of execution of the applicable SOW. Purchaser shall be responsible for all harmonized sales, goods and services, and provincial sales taxes imposed or assessed as a result of the provision of Services by Vendor.

4. **Proprietary Materials.**

All assets that form part of the Purchased Assets, including but not limited to software, hardware, tools, applications, methodologies, and processes, that are used by Vendor in performing the Services shall, following Closing, be and remain the sole and exclusive property of Purchaser (or its licensors, as applicable).

5. **Limitation on Liability**

No Party shall be liable to the other Party for any damages, claims, losses or expenses except as may arise out of the gross negligence, fraud or willful misconduct of a Party.

6. **Confidentiality.**

The confidentiality provisions of the Asset Purchase Agreement shall apply to this Agreement, *mutatis mutandis*, and all information, data and technology, in whatever form received, that is exchanged by the Parties pursuant to or in furtherance of this Agreement during the term hereof.

7. **Further Assurances.**

Each Party covenants and agrees that, without any additional consideration, it shall execute and deliver any further legal instruments and perform any acts that are or may become necessary to effectuate this Agreement.

8. **Entire Agreement; Amendment.**

This Agreement, including any SOWs, together with the Asset Purchase Agreement, contain the entire agreement between the Parties and supersedes all previous written or oral agreements relating to its subject matter. This Agreement may not be amended or modified other than by a written agreement executed by the Parties.

9. **Assignment.**

Neither this Agreement nor any rights or obligations hereunder may be assigned by either party without the other party's prior written consent, which shall not be unreasonably withheld. Notwithstanding the foregoing, Purchaser may assign this Agreement to any affiliate without notice to or consent of the other.

10. **No Third-Party Rights.**

Each Party intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any Person other than the Parties and their successors and permitted assigns, and no Person, other than the Parties and their successors and permitted assigns, shall be entitled to rely on the provisions hereof in any action, suit, proceeding, hearing or other forum.

11. **Binding Effect.**

This Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

12. **Governing Law.**

This Agreement shall be governed by, construed and enforced in accordance with the laws of the Province of Alberta and the Parties attorn to the jurisdiction of the courts of the Province of Alberta.

13. **Severability.**

If any term, covenant or condition of this Agreement or the application thereof to any Party or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement or application of such term, covenant or condition to a Party or circumstance other than those to which it is held invalid or unenforceable shall not be affected thereby and each remaining term, covenant or condition of this Agreement shall be valid and shall be enforceable to the fullest extent permitted by law.

14. **Waiver.**

No waiver of a breach of any provision of this Agreement shall have any force or effect unless in writing, signed by a duly authorized representative of the party to be charged. No waiver of a breach of any provision of this Agreement shall be deemed to be, or shall constitute, a waiver of a breach of any other provision of this Agreement, whether or not similar, nor shall such waiver constitute a continuing waiver of such breach unless otherwise expressly provided in such waiver.

15. **Headings.**

Paragraph and section headings used herein are for convenience only and shall not be construed as controlling the scope of any provision hereof or affecting the meaning or interpretation of this Agreement.

16. **Notices.**

Any notices required or permitted under this Agreement shall be delivered in accordance with the notice provisions of the Asset Purchase Agreement.

17. **Counterparts.**

This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument. Any party may deliver an executed signature page to this Agreement by electronic transmission (including in portable document format (PDF)) and such delivery will be as effective as delivery of a manually executed copy of the letter by such party.

[Signature page follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement through their duly authorized representatives effective as of the date first above written.

ASCEND LEARNING, LLC

**DELOITTE RESTRUCTURING INC., in its
capacity as receiver and manager of
HATSIZE LEARNING CORPORATION, and
not its personal or corporate capacity**

Signature: Jeffery Scott Jones

Signature: _____

Name: Jeffery Scott Jones

Name: Ryan Adlington

Title: SVP, Corporate Development & Strategy

Title: Senior Vice President

IN WITNESS WHEREOF, the Parties have executed this Agreement through their duly authorized representatives effective as of the date first above written.

ASCEND LEARNING, LLC

DELOITTE RESTRUCTURING INC., in its capacity as receiver and manager of HATSIZE LEARNING CORPORATION, and not its personal or corporate capacity

Signature: _____

Name: Jeffery Scott Jones

Title: SVP, Corporate Development & Strategy

Signature:  _____

Name: Ryan Adlington

Title: Senior Vice President

SCHEDULE A

Initial Statement of Work

Date: October 1, 2018

Description of Service: Vendor agrees to permit Purchaser and its affiliates, employees, consultants, agents and representatives to occupy and use Hatsize's leased premises at 200, 555 – 11 Avenue SW, Calgary Alberta (the "**Premises**") in a manner consistent with the Purpose.

Vendor agrees to timely make all payments to the landlord of the Premises under the Lease Agreement dated June 1, 2015 between Tarjan Enterprises Ltd. and Hatsize Learning Corporation, as amended by an amending agreement dated July 17, 2018 (the "**Lease**"), including all payments for rent, plus operating costs and to maintain all necessary insurance required under the Lease. Vendor hereby covenants not to interfere with, and to permit the Purchaser full, complete and quiet enjoyment of possession of, the Premises in accordance with the terms and conditions of the Lease from the date of this Initial SOW until the Term Expiry Date (as defined below)

End Date: October 31, 2018 or such other date as may be agreed by the parties in writing (the "**Term Expiry Date**")

Fee: Rent, plus operating costs (\$9,086.99) and premises insurance (\$1,871.23)

Appendix "D" – Summary of Receiver's and Legal Counsel's Fees

Hatsize Learning Corporation - In receivership

Summary of Receiver fees and costs

Date	Invoice #	Fees	Disbursements	GST	Total	Hours
02-Nov-18	8000282903	220,002.50	269.55	11,013.60	231,285.65	538.70

Summary of legal fees and costs

Date	Invoice #	Fees	Disbursements	GST	Total	Hours
31-Aug-18	3372803	18,573.75	182.80	937.83	19,694.38	42.00



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