

COURT FILE NUMBER: 25-2585991
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
APPLICANT BDC CAPITAL INC.
RESPONDENT HOP COMPOST LTD.
DOCUMENT: **AFFIDAVIT (Appointment of Receiver)**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT MLT AIKINS LLP
2100, 222 - 3rd Ave SW
Calgary, AB T2P 0B4
Telephone: 403.693.5420/4347
Fax: 403.508.4349
Attention: Ryan Zahara/Catrina Webster
File: 0051046.00006

AFFIDAVIT OF ANDREW MASSE
Sworn on December 3, 2019

I, **ANDREW MASSE**, of the City of Vancouver, in the Province of British Columbia,
SWEAR AND SAY THAT:

1. I am a Business Specialist with the Business Development Bank of Canada. BDC Capital Inc. ("**BDC**") is a wholly owned subsidiary of the Business Development Bank of Canada. I have been directly involved with the accounts of Hop Compost Ltd. ("**Hop Compost**"), and have also had the opportunity to review the business records of BDC relevant to the Hop Compost account. I have personal knowledge of the matters deposed to in this Affidavit, except where stated to be based upon information, in which case I believe the same to be true.
2. I am authorized to make this Affidavit on behalf of BDC.
3. BDC advanced funds to Hop Compost pursuant to a Commitment Letter dated June 27, 2017 and executed by Hop Compost on June 29, 2017 (the "**Commitment Letter**").
4. Attached hereto and marked as **Exhibits "A"** is a copy of the Commitment Letter.

A. OVERVIEW

5. Hop Compost is a company incorporated pursuant to the laws of the Province of Alberta with its registered office in Calgary, Alberta. Hop Compost operates its business in the Provinces of British Columbia, Alberta, and Ontario.
6. Attached hereto and marked as **Exhibit "B"** is a copy of the Alberta corporate search report for Hop Compost.
7. BDC believes that the liquidation and distribution of the assets of Hop Compost will be most efficiently completed by a receiver. Accordingly, BDC has made this application to appoint MNP Ltd. ("**MNP**") as receiver over the assets, property, and undertakings of Hop Compost pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the "**BIA**").

B. THE LOANS

8. In accordance with the Commitment Letter, BDC has extended credit under certain credit facilities to Hop Compost.
9. The Hop Compost credit facilities are repayable by Hop Compost on demand from BDC.
10. As of November 13, 2019, the total indebtedness of Hop Compost to BDC pursuant to the Commitment Letter is \$1,292,624.58 (the "**Outstanding Indebtedness**") with interest accruing thereafter at the rates set out in the Commitment Letter, plus all legal and other costs and expenses incurred by BDC in respect of the Commitment Letter.

C. THE SECURITY

11. As security for all amounts owing by Hop Compost to BDC, Hop Compost entered into a General Security Agreement dated August 18, 2017 and executed by Hop Compost in favour of BDC (the "**GSA**" or the "**Security**").
12. Attached hereto and marked as **Exhibit "C"** is a copy of the GSA.

13. BDC has registered the GSA against Hop Compost at the Personal Property Registries in British Columbia, Alberta, and Ontario. Attached hereto and marked as **Exhibits "D", "E", and "F"** are copies of Personal Property Registry search reports in respect of Hop Compost for British Columbia, Alberta, and Ontario, respectively.

D. DEMAND AND WAIVER OF NOTICE OF INTENTION TO ENFORCE SECURITY

14. On November 14, 2019, BDC sent Hop Compost a demand letter and a notice of intention to enforce its security in accordance with section 244 of the BIA (collectively, the **"Hop Compost Demand"**), which required full payment of the Outstanding Indebtedness together with a form to facilitate Hop Compost's waiver (the **"Waiver"**) of the 10-day notice period under section 244(2) of the BIA. Attached hereto and marked as **Exhibit "G"** is a copy of the Hop Compost Demand.
15. Hop Compost has been and remains unable to pay the Outstanding Indebtedness that is due and owing to BDC. The failure of Hop Compost to pay amounts owed to BDC when due and owing is an Event of Default pursuant to the terms of the Commitment Letter and the Security.
16. On November 19, 2019 Hop Compost executed the Waiver and provided a copy to BDC. Attached hereto and marked as **Exhibit "H"** is an executed copy of the Waiver.
17. The ability of Hop Compost to continue as a going concern is dependent upon the ongoing support and financing from BDC and BDC is no longer prepared to extend any further credit to Hop Compost.
18. The GSA provides that, upon an Event of Default by Hop Compost, BDC is entitled to, among other things, apply for the appointment of a receiver.

19. EVENTS FOLLOWING ISSUANCE OF THE HOP COMPOST DEMAND

20. On November 20, 2019, Hop Compost filed a Notice of Intention to Make a Proposal (the **"NOI"**) under the BIA.

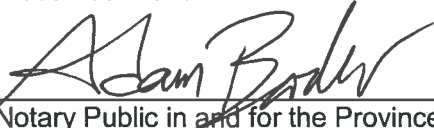
21. On November 27, 2019, the Honourable Justice K.M. Horner granted an Order for interim financing and granting security for the professional fees and disbursements for legal counsel for Hop Compost for the NOI. Attached hereto and marked as **Exhibit "I"** is a copy of the November 27, 2019 Order.
22. On December 2, 2019, MNP, the Proposal Trustee for Hop Compost, filed a Material Adverse Change report as a result of Hop Compost failing to secure interim financing sufficient to provide the necessary working capital for Hop Compost to continue its operations through the stay period granted under the NOI. Attached hereto and marked as **Exhibit "J"** is a copy of the December 2, 2019 Adverse Change Report.

E. NECESSITY OF THE APPOINTMENT OF A RECEIVER

23. Hop Compost is not able to meet its obligations generally as they become due, is no longer able to make payments to its creditors, and no longer has any liquidity.
24. As a result of the foregoing, I believe that the appointment of a receiver pursuant to section 243 of the BIA over the assets, undertakings, and properties of Hop Compost is just and convenient and necessary to protect the interests of BDC and to preserve and realize on the Security in an orderly fashion.
25. Hop Compost no longer has any credit available under the Hop Compost credit facilities and do not have any funds available to them to continue any remaining operations or pay debts generally as they become due.
26. BDC believes that any sale of the assets of Hop Compost will be more efficiently and effectively accomplished by a receiver.
27. BDC believes that the appointment of the Receiver will be the most effective and efficient way to realize on the value of the assets and minimize the costs associated with this process.
28. I believe it is appropriate in all of the circumstances that the Receiver be appointed over the assets, undertaking, and properties of Hop Compost pursuant to section 243 of the BIA.

29. I swear this Affidavit in support of BDC's Application for the appointment of MNP as Receiver in respect of Hop Compost.

SWORN BEFORE ME at the City of Vancouver,)
in the Province of British Columbia, this 3rd day)
of December 2019.)



A Notary Public in and for the Province of British)
Columbia)



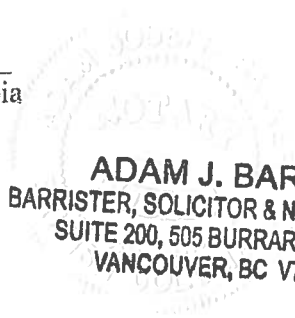
ANDREW MASSE

ADAM J. BARKER
BARRISTER, SOLICITOR & NOTARY PUBLIC
SUITE 200, 505 BARRARD STREET
VANCOUVER, BC V7X 1M3

THIS IS EXHIBIT "A" TO THE
AFFIDAVIT OF ANDREW MASSE
SWORN BEFORE ME AT Vancouver, British Columbia,
this 03rd day of December, 2019



A Notary Public in and for the Province of British Columbia



ADAM J. BARKER
BARRISTER, SOLICITOR & NOTARY PUBLIC
SUITE 200, 505 BURRARD STREET
VANCOUVER, BC V7X 1M3



June 27th, 2017

Hop Compost Ltd.
4243 17A Street SE
Calgary, AB, T2G 3X1

Attention of: Kevin Davies

Re: Letter of Offer of financing no. 124714-01 granted to Hop Compost Ltd.

Sir,

On the basis of the preliminary information obtained from the Borrower and subject to the acceptance of the present letter of offer of financing, as amended from time to time (the "Letter of Offer"), BDC Capital Inc. ("BDC Capital"), a wholly owned subsidiary of Business Development Bank of Canada (the "Bank") is prepared to grant the following financing (the "Financing").

FINANCING PURPOSE

Toronto initial HotRot unit + ancillary equipment	\$600,000
HotRot IP Acquisition	\$475,000
Toronto deposit on 2 nd HotRot unit and contingency	\$100,000
Vancouver addition of 2 nd HotRot unit	\$300,000
Green Start Acquisition (Mar. 31 st outstanding balance)	\$80,000
W/C for Growth/Market Development	\$445,000
	<hr/>
	\$2,000,000

FUNDING

BDC Capital	\$1,000,000
Equity Capital Raise	\$1,000,000
	<hr/>
	\$2,000,000

No change to the Financing purpose or funding may be made without BDC Capital's prior written consent. The proceeds of the Financing may only be used for this Financing purpose.

June 29th 2017 *KIDER #1*

The Letter of Offer is open for acceptance until June 28th, 2017 (the "Acceptance Date"). Unless the Letter of Offer executed by the Financing Parties is received by BDC Capital no later than the Acceptance Date, the Letter of Offer shall automatically become null and void.



BORROWER: Hop Compost Ltd. (the "Borrower")

GUARANTORS: Kevin Davies (the "Conditional Guarantor")
(the Conditional Guarantor is also sometimes collectively referred to herein as the "Guarantor").

FINANCING AMOUNT: \$1,000,000.00, in Canadian currency.

INTEREST RATE: The Financing and all other amounts owed by the Financing Parties pursuant to the Financing Documents for which an applicable rate is not otherwise provided for herein shall bear interest at the following rate:

Floating Rate
BDC Capital's Floating Base Rate plus a variance (the "Variance") of 2.00% per year. On the date hereof, BDC Capital's Floating Base Rate is 4.80% per year.

INTEREST CALCULATION: Interest shall be calculated daily on the outstanding principal, commencing on the date of the first disbursement, both before and after maturity, default and judgment.

Arrears of interest or interest on outstanding principal arrears shall bear interest at the higher of: i) the rate applicable to the Financing, or ii) BDC Capital's Base Rate plus 5.00%. Interest on additional return and other amounts owing by the Financing Parties pursuant to the Financing Documents shall bear interest at the higher of: i) the rate applicable to the Financing, or ii) BDC Capital's Base Rate plus 5.00%. Furthermore, interest on the annual royalty adjustment amounts will equally be charged at the higher of: i) the rate applicable to the Financing, or ii) BDC Capital's Base Rate plus 5.00%, and this when they are rescheduled rather than paid in full when due. In any event, interest on arrears shall be calculated daily and compounded monthly.

MATURITY DATE: July 15th, 2021 or the date on which the last principal payment hereunder is scheduled to be made, whichever date comes last (the "Maturity Date").

REPAYMENT: Balloon Payment
Principal of the Financing shall be payable by way of one balloon payment of \$1,000,000.00, payable on the Maturity Date.

Interest is payable monthly in arrears on the 15th day of the month (the "Payment Date") commencing on the next occurring Payment Date following the first advance on the Financing.

On the Maturity Date, all other amounts owing pursuant to the Financing Documents will become due and payable.

Excess Cash Flow Sweep
Principal of the Financing shall be reimbursed by way of annual payments representing 50% of the Excess Available Funds realized by the Borrower based upon fiscal year-end externally prepared review engagement financial statements, payable on May 31st of each year, commencing May 2020 (the "ECFS Date").



If such a payment causes the Borrower to fail to comply with debt covenants and financial requirements required by the Borrower's operating or term lender, it shall be paid only up to an amount that does not put the Borrower in default with debt covenants and financial requirements required by the Borrower's operating or term lender.

Without limiting the foregoing, and only to the extent that the Borrower is not in default, the latter will have the privilege to accumulate on each anniversary of the ECFS Date the unused portion of the Annual ECFS Limit for a given year (the "Unused Portion"). Such an Unused Portion will be added to the Annual ECFS Limit of the following year for purposes of calculating the maximum amount payable as ECFS for such a year (the "Cumulative ECFS Limit").

For example only, if for a given year the Annual ECFS Limit is \$200,000 and only \$50,000 has been collected by BDC Capital as ECFS payment from the Borrower, the following year the Cumulative ECFS Limit would be \$150,000 plus the Annual ECFS Limit for that year. Interest is payable monthly in arrears on the 15th day of the month (the "Payment Date") commencing on the next occurring Payment Date following the first advance on the Financing.

On the Maturity Date, the principal and interest balance of the Financing and all other amounts owing pursuant to the Financing Documents shall be due and payable.

PREPAYMENT:

The Borrower may prepay at any time all or part of the outstanding principal provided that the Borrower pays to BDC Capital:

- (i) the full or partial amount of the Financing, as applicable,
- (ii) all interest, any fixed component of the additional return and any other expenses then due, and
- (iii) the Prepayment Bonus.

Partial prepayments shall be applied regressively on the then last maturing instalments of principal.

The occurrence of any event of default listed in Schedule A – Section V resulting in BDC Capital demanding repayment of the Financing prior to the Maturity Date will be deemed to be a prepayment, and the Borrower will pay to BDC Capital:

- (iv) the outstanding balance of the Financing,
- (v) all interest, any fixed component of the additional return and any other expenses then due, and
- (vi) the Prepayment Bonus.

Notwithstanding any event of default or any prepayment of the Financing, in whole or in part, prior to the Maturity Date, any variable component of the additional return of the Financing (bonus, royalties or other) remains payable when due, as herein set forth, until maturity as if the Financing had not been repaid or deemed to be repaid prior to the Maturity Date and all obligations related thereto as well as any security granted in connection therewith shall remain in full force and effect until all such obligations are fully satisfied, whether such obligations arise from the present agreement or from any security granted in connection thereto.

ADDITIONAL RETURN: Bonus Equity



In addition to the other payments herein set forth, the Borrower shall pay to BDC Capital an additional compensation premium in the form of a bonus (the "Bonus Equity") which shall represent 2.8125% of the Borrower's value up to \$15,000,000 plus ~~0.9375%~~ ^{0.75%} of the Borrower's value thereafter, as defined hereunder. BDC Capital shall be entitled, in its sole discretion, to demand payment of the Bonus Equity, and the Borrower shall pay BDC Capital said Bonus Equity upon the occurrence of any of the following events of payment (a "Bonus Equity Event"):

- a) the original or amended Maturity Date or any prepayment date;
- b) an event of default by the Borrower or the Guarantors pursuant to the terms hereof or any security document related thereto executed by the Borrower or the Guarantors;
- c) the merger or amalgamation of the Borrower with a corporation, partnership or legal entity dealing at arm's length;
- d) the sale of (i) 50% or more of the issued and outstanding voting or preferred shares from the share capital of the Borrower or (ii) a substantial (50% or more of the value of the assets) part of the assets of the Borrower in favour of a third party dealing at arm's length;
- e) a Change of Control of the Borrower;
- f) the Borrower directly or indirectly becomes listed on a stock exchange.

Borrower's consolidated value means the highest value determined by BDC Capital, in its sole discretion, calculated as follows:

- a) 5.00 times the EBITDA of the Borrower for the last financial year from the Bonus Equity Event;
- b) 5.00 times the average EBITDA of the Borrower for the last two most recent years from the Bonus Equity Event;
- c) the fair market value of the Borrower calculated on the basis of the valorization used at the time of the asset or the share purchase transaction/financing of the Borrower;
- d) the market valuation as determined by an independent business valuation conducted by a national accounting firm and/or investment bank; and
- e) the market valuation at the time the Borrower directly or indirectly becomes listed on a stock exchange.

Notwithstanding any event of default or any prepayment of the Financing, in whole or in part, prior to the Maturity Date, the Bonus Equity remains payable as when due, as hereinabove set forth, as if the Financing had not been repaid or deemed to be repaid prior to the Maturity Date and all obligations related thereto as well as any security granted in connection therewith shall remain in full force and effect until six months after Maturity Date, whether such obligations arise from the present agreement or from any security granted in connection thereto.

Subject to BDC Capital's sole discretion to demand payment as at the Bonus Equity Event, the Bonus Equity will become due and payable at the Maturity Date.

In addition to the Interest Coupon and Bonus Equity payable on the Financing, the Borrower will also pay to BDC Capital accrued interest ("Payment in Kind" or "PIK") at 4.25% interest accruing monthly payable at the Interest Coupon plus PIK interest.

BDC Capital shall be entitled, in its sole discretion, to demand payment of the PIK, and the Borrower and the Corporate Guarantor shall pay BDC Capital said PIK upon the occurrence of any of the following events of payment (a "PIK Event"):



- a) the original or amended Maturity Date or any prepayment date;
- b) an event of default by the Borrower or the Guarantors pursuant to the terms hereof or any security document related thereto executed by the Borrower or the Guarantors;
- c) the merger or amalgamation of the Borrower with a corporation, partnership or legal entity dealing at arm's length;
- d) the sale of (i) 50% or more of the issued and outstanding voting or preferred shares from the share capital of the Borrower or (ii) a substantial (50% or more of the value of the assets) part of the assets of the Borrower in favour of a third party dealing at arm's length;
- e) a Change of Control of the Borrower;
- f) the Borrower directly or indirectly becomes listed on a stock exchange.

SECURITY:

As collateral security for the fulfilment of all present and future obligations of the Borrower, each Financing Parties, as applicable, shall provide BDC Capital with the following security or guarantees (collectively the "Security"), namely:

- a) A General Security Agreement, granting a general and continuing security interest in all of the Borrower's present and after acquired personal property and, without limiting the foregoing, on all present and future assets of the Borrower related to intellectual property of the Borrower including, without limitation, patents, trademarks, domain names, source codes, licences and any other forms of intellectual property including those already known (the "Intellectual Property"). This security interest shall rank in first position with respect to: 1) all present and after acquired personal property 2) Intellectual Property 3) assignment of the life insurance policy to the Corporate Guarantor. The security interest may be subordinated in rank to any other security granted as applicable, subject to entering into a Priority Agreement acceptable to BDC Capital as described herein, with respect to: i) receivables and inventory in favour of the financial institution financing the Borrower's line of credit for its daily operations, ii) specific assets previously pledged to another financial institution and iii) specific assets in connection with the financing and/or leasing of equipment needed by the Borrower and/or the Corporate Guarantor in the normal course of its business;
- b) Under terms and conditions satisfactory to BDC Capital, including but not limited to its priority on certain security as described herein, BDC Capital will agree to execute a Priority Agreement with a senior operating lender.
- c) A duly executed conditional personal guarantee of 100% of the amount due pursuant to the Financing Documents on the date BDC Capital demands payment under this guarantee from the Conditional Guarantor, in a form substantially similar to the draft conditional guarantee annexed hereto as Schedule C;
- d) Assignment to BDC Capital of a Life insurance policy owned by the Borrower on the life of Kevin Davies in the coverage amount of \$1,000,000.00 with BDC Capital also named as beneficiary thereof. Such assignment may be delivered to BDC Capital no later than 60 days following the disbursement of the Financing;
- e) A duly executed assignment, postponement and subordination agreement in favour of BDC Capital with respect to any amount of capital and interest payments from received loans or issued notes in whole or partially owed by the



Borrower to any of its shareholders or any other parties.

Notwithstanding the foregoing, the shareholder loan from Kevin Davies' in an amount not to exceed \$10,000.00 may be repaid subject to the Borrower remaining in compliance with all lending agreements, including, but not limited to, financial covenants on a current and pro forma basis. This amount will be applied to the compensation cap as described below;

- f) such other documents as BDC Capital may reasonably request in order to register and/or to perfect the Security to be granted to BDC Capital as provided hereunder.

All security documents shall be in form and substance satisfactory to BDC Capital and prepared by BDC Capital's legal counsel.

**CONDITIONS
PRECEDENT TO
DISBURSEMENT:**

Any obligation to make any advance under the Letter of Offer is subject to the following conditions being fulfilled to the entire satisfaction of BDC Capital:

Receipt by BDC Capital of:

- The Security in form and substance satisfactory to BDC Capital, registered as required to perfect and maintain the validity and rank of the Security, and such certificates, authorizations, resolutions and legal opinions as BDC Capital may reasonably require, including legal opinions on the existence and corporate capacity of the Financing Parties as well as on the validity and enforceability of the Security;
- Written evidence, including evidence of payment, attesting that the Financing Parties have obtained all the other sources of financing, as applicable, on terms acceptable to BDC Capital, acting reasonably;
- Financial and other information relating to each Financing Party and their businesses as BDC Capital may reasonably require, including, without limiting the foregoing, for any disbursement occurring more than ninety (90) days after year end, the Borrower will provide BDC Capital with review engagement annual financial statements and the certificate of conformity relating to the operating line of credit of the Borrower provided to the banker or the short-term lender.

Specific Tranche 1 Conditions (for BDC Capital Financing in the amount of \$500,000):

- i) No Material Adverse Change in the financial situation of the Financing Parties or in the risk evaluation shall have occurred as at the date of any disbursement of the Financing and the Borrower shall provide updated in-house financial statements never older than 60 days which compare favourably with budgets provided and which show no Material Adverse Change in the financial situation of the Borrower since the last review engagement] financial statements submitted to BDC Capital and the internal financial statements submitted to BDC Capital at the time of authorization.

If disbursement occurs >90 days after the Borrower's year-end, review engagement financial statements prepared by an external accounting firm together with the compliance certificate provided to the chartered bank or operating lender (if applicable) will be required.



ii) Evidence of a minimum of \$1,000,000 in cumulative net cash equity and/or assigned and postponed shareholder loans invested in fiscal 2017 (i.e. funds received from January 1, 2017 onwards) prior to/concurrent with the Financing and completion of verification of source of funds to the satisfaction of BDC Capital in its sole discretion;

Specific Tranche 2 Conditions: (for BDC Capital Financing in the amount of \$500,000):

i) Disbursement of Tranche 1;

ii) No Material Adverse Change in the financial situation of the Financing Parties or in the risk evaluation shall have occurred as at the date of any disbursement of the Financing and the Borrower shall provide updated in-house financial statements never older than 60 days which compare favourably with budgets provided and which show no Material Adverse Change in the financial situation of the Borrower since the last review engagement financial statements submitted to BDC Capital and the internal financial statements submitted to BDC Capital at the time of authorization.

If disbursement occurs >90 days after the Borrower's year-end, review engagement financial statements prepared by an external accounting firm together with the compliance certificate provided to the chartered bank or operating lender (if applicable) will be required;

iii) Evidence of a minimum of \$1,250,000.00 in cumulative net cash equity and/or assigned and postponed shareholder loans invested in fiscal 2017 (i.e. funds received from January 1, 2017 onwards) prior to/concurrent with the Financing and completion of verification of source of funds to the satisfaction of BDC Capital in its sole discretion;

iv) Satisfactory review of the HotRot intellectual property purchase and sale agreement (Definitive HotRot Agreement) by BDC Capital and its solicitors and closing of agreement prior to/concurrent with Financing. For greater clarity, Tranche 2 funds will be advanced for purposes of acquiring the HotRot intellectual property unless prior written consent is obtained from BDCC on any changes to use of funds.

Completion to the satisfaction of BDC Capital of the following events:

-Legal due diligence of the Financing Parties

All the representations and warranties made by the Borrower and its representatives shall be true and exact as at the date of any disbursement of the Financing and a certificate to that effect must be signed by the Borrower and its representatives prior to any such disbursement.

The Borrower shall have transferred in favour of BDC Capital all the rights which the Borrower holds in any all-risk insurance, including fire insurance, policies affecting its assets, BDC Capital being designated by the Borrower as loss payee on such policies for the full amount of the Financing.

The Financing Parties shall not be (i) in default pursuant to the terms of any other contract, agreement or obligation entered into or executed in favour of BDC Capital nor (ii) in default under any other agreement with any third party for the granting of a loan or other financial



assistance.

**UNDERLYING
CONDITIONS:**

So long as any amount owing pursuant to the Financing Documents remains unpaid, the following conditions shall be met:

- a) Requested documents:
 - (i) the Borrower shall remit to BDC Capital its annual review engagement financial statements, within 120 days after the end of their respective financial year jointly with the auditor's opinion on the EBITDA and the Excess Available Funds calculations;
 - (ii) the Borrower shall remit to BDC Capital its internal financial statements, on a quarterly basis, within 45 days after the end of each quarter;
 - (iii) The quarterly internal financial statements remitted to BDC Capital shall have a comparative section with the results of the corresponding period of the last financial year;
 - (iv) Each of the Financing Parties which is an individual shall remit on demand to BDC Capital an up-to-date personal net worth statement using the BDC Capital's Statement of Personal Affairs;
 - (v) Each of the Borrower shall remit further to any change in the enterprise or on demand to BDC Capital (i) a corporate ownership chart, (ii) an organizational chart and (iii) an updated list of employees reporting to the President and CEO;
 - (vi) the Borrower shall remit annually to BDC Capital a listing of all aged accounts payable and accounts receivable with a copy of the approved annual budget;

b) Each of the Financing Parties must provide BDC Capital, as quickly as possible, with the financial statements and reports and any other financial information that BDC Capital may reasonably require from time to time;

c) The Borrower agrees to maintain the present remuneration program in favor of the Kevin Davies, Meghan Perry, Jeff Howard, directors and their respective immediate family members (including salaries, dividends, bonuses and other cash advantages) at a level no higher than \$200,000 per annum collectively without prior written consent of BDC Capital. For greater clarity, this will exclude payments made under the Financing Program as relating to the Green Start Initiatives Ltd. acquisition which cannot exceed \$32,000 in residual payments (estimated as at June 15, 2017), but will include the shareholder loan payment to the Conditional Guarantor which is permitted to be paid up to a maximum of \$10,000. *RIVER. HZ*

*Insert
Plus
needed
payment
(?) limit
at risk*

100 day post close – The Borrower agrees to have BDC Capital and BDC Advisory Services meet with management and conduct a post-close update. The intent is to validate if the program is on plan, identify any challenges and see if BDC Capital can provide any additional support.

In addition, so long as any amount owing under or pursuant to this Letter of Offer or any other Financing Document remains unpaid, the financial ratios mentioned below must be met at all time by the Borrower:

- a) A minimum Quick Ratio (defined as cash and cash equivalents plus accounts



receivable divided by current liabilities excluding current portion of term debt) of 2.50:1.00.

- b) Unfunded capex may not exceed \$50,000 per annum without express consent of BDC Capital.
- c) Working Capital of at least \$350,000

The above shall be calculated on the basis of the financial statements of the Borrower and BDC Capital reserves the right to review and amend these covenants upon the disbursement of Tranche 2 and/or annually in conjunction with BDC Capital's annual review of the Borrower's account, which is subject to the receipt of the Borrower's year end Review Engagement statements, updated forecast and capital expenditure budget.

DISBURSEMENT:

Unless otherwise authorized and except for refinancing of BDC Capital loans, funds will be disbursed to BDC Capital's legal counsel who will confirm to BDC Capital the execution, delivery and registration of the security. The latter may, if they have provided their final invoicing concurrently with the above confirmation, pay it from the disbursed funds. Any subsequent fees or disbursement shall be collected directly from the Borrower.

BDC Capital may cancel any portion of the Financing which has not been disbursed after six months from June 20th, 2017 (the "Authorization Date").

FEES:

Cancellation Fee

Unless the Financing has been disbursed by June 20th, 2018 (the "Lapsing Date"), the Borrower shall pay BDC Capital a cancellation fee of \$50,000.00, provided, however, that BDC Capital shall have the right to extend the Lapsing Date in its sole and entire discretion without notice to or consent from the Borrower.

In case of partial disbursement not already provided for in this Letter of Offer, any part of the Financing that has not been disbursed by the Lapsing Date will be cancelled. If more than 50% of the Financing is cancelled, the Borrower shall pay a prorated part of the above stated cancellation fee proportionate to the percentage of the Financing cancelled. For greater clarity, if Tranche 1 funds are advanced in their entirety prior to the lapsing date, no cancellation fee will be owing.

The cancellation fee is payable on demand and is liquidated damages, not a penalty, and represents a reasonable estimate of BDC Capital's damages should the Financing be cancelled or allowed to lapse in whole or in part.

Standby Fee

Commencing 6 months after the Authorization Date, the Borrower shall pay BDC Capital a non-refundable standby fee calculated at a rate of 3% per annum on the portion of the Financing which has not been advanced. This fee shall be calculated daily and be payable in arrears commencing on the next occurring Payment Date and on each Payment Date thereafter.

Financing Management Fee

The Borrower shall pay BDC Capital a non-refundable management fee of \$100.00 per month. This management fee is payable on the date of the first Payment Date following the advance of the Financing and thereafter on each monthly anniversary of such first advance,



until the Maturity Date.

Legal Fees and Expenses

The Borrower shall pay all legal fees and expenses of BDC Capital incurred in connection with the Financing and the Financing Documents including the enforcement of the Financing and the Financing Documents. All legal fees and expenses of BDC Capital in connection with any amendment or waiver related to the foregoing shall also be for the account of the Borrower.

The Borrower's obligation to indemnify BDC Capital under this Section continues before and after default and notwithstanding repayment of the Financing or discharge of any part or all of the Security.

REPRESENTATIONS AND WARRANTIES:

The Borrower makes the representations and warranties in Schedule A – Section III. These representations and warranties shall survive the execution of the Letter of Offer and shall continue in force and effect until the full payment and performance of all obligations of the Financing Parties pursuant to the Financing Documents

COVENANTS:

So long as any amount owing pursuant to the Financing Documents remains unpaid, each Borrower shall perform the covenants set forth in Schedule "A" – Section IV.

Without limiting the above, the Borrower will notify the BDC Capital of its intent to use IFRS and acknowledges, by undertaking to sign the resulting amended forms or contracts, that there may be modifications required to the calculation of EBITDA, Excess Available Funds, required ratios and to other pertinent calculations to ensure the spirit of the underlying conditions is maintained.

EVENTS OF DEFAULT:

The occurrence of any of the events listed in Schedule A – Section V constitutes an event of default under the Letter of Offer. If a default occurs, any obligation of BDC Capital to make any advance, shall, at BDC Capital's option, terminate and BDC Capital may, at its option, demand immediate payment of the Financing and enforce any security, the whole without any prejudice to the covenants of the Financing Parties to pay the Royalties, the Bonus on Sale, the Bonus Equity or the Prepayment Bonus, as applicable, if a portion of the Financing has been disbursed before the occurrence of the default justifying the application of this paragraph.

CONFLICTS:

The Financing Documents constitute the entire agreement between BDC Capital and the Financing Parties. To the extent that any provision of the Financing Documents is inconsistent with or in conflict with the provisions of the Letter of Offer, the provisions of the Letter of Offer shall govern.

INDEMNITY:

The Borrower shall indemnify and hold BDC Capital harmless against any and all claims, damages, losses, liabilities and expenses incurred, suffered or sustained by BDC Capital by reason of or relating directly or indirectly to the Financing Documents save and except any such claim, damage, loss, liability and expense resulting from the gross negligence or willful misconduct of BDC Capital.

SCHEDULES:

All Schedules have been inserted after the signature page and form an integral part of the Letter of Offer.

DEFINITIONS:

In the Letter of Offer, capitalized terms have the meanings described in Schedule "A".



Section I or Section II or are defined elsewhere in the text of the Letter of Offer.

GOVERNING LAW: The Letter of Offer shall be governed by and construed in accordance with the laws of the province of Alberta and the laws of Canada applicable therein. Any claim or suit for any reason whatsoever under this Letter of Offer shall be brought in the judicial district of Calgary, province of Alberta, Canada, at the exclusion of any other judicial district which may have jurisdiction over such dispute as prescribed by law.

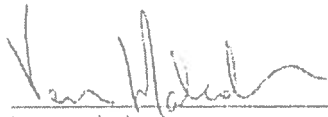
SUCCESSORS AND ASSIGNS: The Letter of Offer shall be binding on and enure to the benefit of each Financing Party and BDC Capital and their respective successors and assigns. No Financing Party shall have the right to assign, in whole or in part, its rights and obligations under or pursuant to the Financing Documents without BDC Capital's prior written consent.

ACCEPTANCE The Letter of Offer and any modification of it may be executed and delivered by original signature, fax, or any other electronic means of communication acceptable to BDC Capital and in any number of counterparts, each of which is deemed to be an original and all of which taken together shall constitute one and the same Letter of Offer.

Should you have any questions regarding the Letter of Offer, do not hesitate to communicate with Vern Malcolm at (403) 292-5865.

This _____ day of _____ 2017.

BDC CAPITAL INC.

By: 
Vern Malcolm
Director, Growth & Transition Capital

By: 
Matt Kellow
Managing Director, Growth & Transition Capital



CONSENT AND ACCEPTANCE

Each Financing Party hereby accepts the foregoing terms and conditions set forth above and in all attached Schedules.

Signed this 29 day of June 2017.

Hop Compost Ltd.

By: 
Kevin Davies

Conditional Guarantor

By: 
Kevin Davies

SCHEDULE A

SECTION I

DEFINITIONS

"Annual Gross Sales" means comprehensively (during a given financial year) the total amount of the actual selling price of the totality of the goods sold and the services rendered by a business carried on by all the companies whose annual gross sales are used for the purposes of this calculation (the "seller") regardless of the place where the goods and services are sold, notably the following amounts:

- (i) the amounts received by the seller in consideration of the sale of goods, articles and merchandise;
- (ii) the amounts received by the seller in consideration of services rendered;
- (iii) the amounts received by the seller in consideration of the sale or leasing of any property (including intellectual property) of the seller or other persons or the granting of a licence in respect of any such property;
- (iv) all the amounts received and receivable, whatever they may be; and
- (v) all the proceeds, if applicable, from insurance against operating losses and the insurance proceeds received in respect of any business of the seller

In each case, regardless of whether these sales or these amounts received are certified by a cheque, cash, a credit, a charge account, instruments or otherwise, without any deduction permitted for bank charges, bad debt accounts, remuneration of a collection agency or bad debts, but does not include:

- (i) the amount of retail sales taxes or goods and services taxes imposed by any governmental authority directly on sales and collected from customers at the point of sale by the seller acting as a representative of such authority, provided that the amount of these taxes is added to the selling price, that it is not part of the indicated price of the article or the service and that it is actually paid by the seller to such authority;
- (ii) the refunds granted in consideration of merchandise sold to the seller, to the extent that the selling price of such merchandise has previously been included in the annual gross sales; and
- (iii) any refund on merchandise obtained from suppliers and manufacturers.

"Available Funds" – has the meaning set forth in Schedule C hereof.

"Available Funds Coverage Ratio" – is calculated by dividing the Available Funds by the current portion of the long-term debt

"BDC Capital's Base Rate" - means the annual rate of interest announced by the Bank through its offices from time to time as its base rate applicable to each of BDC Capital's fixed interest rate plans then in effect for determining the fixed interest rates on Canadian dollar loans.

"BDC Capital's Floating Base Rate" - means the annual rate of interest announced by the Bank through its offices from time to time as its floating rate then in effect for determining the floating interest rates on Canadian dollar loans. The interest rate applicable to the Financing shall vary automatically without notice to the Financing Parties upon each change in BDC Capital's Floating Base Rate.

"Change of Control" – means the effective sale or transfer of or change in the Control of any Person or any written or verbal agreement pursuant to which the Control of a Person is transferred from one Person to another, or the engagement to do any of the above.

"Control" – means holding directly or indirectly more than fifty percent (50%) of the voting shares of a Person.

"Corresponding Fixed Interest Rate Plan" means, at any time in respect of a prepayment, the fixed interest rate plan then being offered by BDC Capital to its clients equal to the number of years, rounded to the nearest year (minimum of one year), from the date such prepayment is received to the earlier of (i) the next scheduled Interest Adjustment Date, or (ii) the Maturity Date.

"EBITDA" – has the meaning set forth in Schedule E hereof.

"Excess Available Funds" has the meaning set forth in Schedule E hereof.

"Financing" – shall have the meaning indicated in the preamble, or, as the context may require, at any time the unpaid principal balance of the Financing.

"Financing Documents" – means, collectively, the application for financing, the Letter of Offer, the security contemplated by the Letter of Offer and all other documents, instruments and agreements delivered in connection with the foregoing.

"Financing Party" – means either the Borrower or any of the Guarantors and "Financing Parties" means collectively each of the Borrower or Guarantors.

"IFRS" - means the International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the Accounting Standards Board as

Canadian GAAP for publicly accountable enterprises and the ones which opt to adopt such standards.

"Interest Adjustment Date" - means, in respect of any fixed interest rate plan, the day after the Interest Expiration Date of such fixed interest rate plan.

"Interest Expiration Date" - means the date on which a fixed interest rate plan expires

"Material Adverse Change" - means (i) a material adverse change in, or a material adverse effect upon, the financial condition, operations, assets, business, properties or prospects of any Financing Party, (ii) a material impairment of the ability of any Financing Party to perform any of its obligations under any Financing Document, or (iii) a material adverse effect upon any substantial portion of the assets subject to security in favour of BDC Capital or upon the legality, validity, binding effect, rank or enforceability of any Financing Document.

"Person" - includes any individual, natural person, sole proprietorship, partnership, limited partnership, unincorporated association, syndicate or organization, any trust, body corporate, government agency, and a natural person in his or her capacity as trustee, executor, administrator, or other legal representative and any other form of organization or entity whatsoever.

"Private Enterprise GAAP" means the accounting standards for private enterprises, Part II CICA Handbook.

"Tangible Equity" - means the sum of the amount of the Financing; plus the share capital (except for preferred shares that are included in long-term debt, except if they are subordinated); plus retained earnings; plus subordinated loans or advances from the shareholders in favor of BDC Capital; minus loans or advances to the shareholders, directors, related or non-related businesses other than in the normal course of business; minus non-business assets.

"Term Debt" - means the sum of the long-term debt plus the capital leases including the current portion to be paid over the next 12 months; plus the book value of preferred shares subject to a formal redemption agreement that would set out precise amounts and dates, if any.

"Term Debt to Tangible Equity Ratio" - means the ratio of the Term Debt over the Tangible Equity.

"Working Capital" - means the total current assets minus the total current liabilities (within the meaning ascribed to them by Private Enterprise GAAP, applied consistently) less future income tax expenses and less the account receivables due from related parties or outside the ordinary course of business and plus the current portion of the long-term debt due over the next twelve (12) months.

"Working Capital Ratio" - is calculated by dividing total current assets (within the meaning ascribed to them by Private Enterprise GAAP, applied consistently) less future income tax receivable, less account receivable due from related parties or outside the ordinary course of business by the total current liabilities excluding the current portion of the long-term debt due over the next twelve (12) months.

SECTION II

PREPAYMENT DEFINITIONS

"Prepayment Indemnity" - means the sum of the Present Values calculated for each Payment Date from the date of prepayment until the Maturity Date of the Financing.

"Interest Differential Charge" - means the sum of the Present Values calculated for each Payment Date from the date of prepayment until the Maturity Date of the difference between BDC Capital's Base Rate on this financing and BDC Capital's Base Rate for the Corresponding Fixed Interest Rate Plan, which is applicable only if BDC Capital's Base Rate on this financing is greater than BDC Capital's Base Rate at the time of a prepayment.

"Prepayment Bonus" - means the sum of the Interest Differential Charge and the Prepayment Indemnity.

"Present Values" - for the purpose of determining the Interest Differential Charge and the Prepayment Indemnity will be computed at a discount rate ("DR") equal to (i) BDC Capital's Base Rate for the Corresponding Fixed Interest Rate Plan as the discount rate in the case of a Financing subject to a fixed interest rate, or (ii) BDC Capital Floating Base Rate as the discount rate in the case of a Financing subject to a floating interest rate and the manner of such computation will be according to the following formula:

$$\frac{CF}{(1 + (DR/12))^t}$$

Where:

- ▶ "CF" is the sum of: (i) the Variance (if positive) multiplied by the principal prepayment amount, (ii) the difference between BDC Capital's Base Rate on this Financing and BDC Capital's Base Rate for the Corresponding Fixed Interest Rate Plan (if positive and if the Financing is subject to Fixed Interest Rate Plan) multiplied by the principal prepayment amount, (iii) the financing management fees and (iv) if applicable, any fixed component of the Additional Return which would otherwise have been outstanding at the Payment Date, until the Maturity Date;
- ▶ "DR" is the applicable discount rate; and
- ▶ "t" is the number of monthly periods between the prepayment date and the Maturity Date.

SECTION III

REPRESENTATIONS AND WARRANTIES

The Borrower hereby represents and warrants to BDC Capital that:

1. It is a partnership, trust or corporation, as the case may be, duly constituted, validly existing and duly registered or qualified to carry on business in each jurisdiction where it is required by applicable laws to be so registered or qualified.
2. The execution, delivery and performance of its obligations under the Letter of Offer and the other Financing Documents to which it is a party have been duly authorized and constitute legal, valid and binding obligations enforceable in accordance with their respective terms.
3. It is not in violation of any applicable law, which violation could lead to a Material Adverse Change.
4. No Material Adverse Change exists and there are no circumstances or events that constitute or would constitute, with the lapse of time, the giving of notice or otherwise, a Material Adverse Change.
5. It is not in default under the Letter of Offer or any other Financing Document.
6. All information provided by it to BDC Capital is complete and accurate and does not omit any material fact and, without limiting the generality of the foregoing, all financial statements delivered by it to BDC Capital fairly present its financial condition as of the date of such financial statements and the results of its operations for the period covered by such financial statements, all in accordance with Private Enterprise GAAP.
7. There is no pending or threatened claim, action, prosecution or proceeding of any kind including but not limited to non compliance with environmental law or arising from the presence or release of any contaminant against it or its assets before any court or administrative agency which, if adversely determined, could lead to a Material Adverse Change.
8. In respect of properties and assets charged pursuant to the Financing Documents, it has good and marketable title, free and clear of any encumbrances,

except for what has been disclosed herein or has been accepted in writing by BDC Capital

9. It is the rightful owner of all its intellectual property with all right, title and interest in and to all of its intellectual property.

The foregoing representations and warranties shall remain in full force and true until the Financing is repaid in full.

SECTION IV

COVENANTS

The Borrower shall:

1. Perform its obligations and covenants under the Financing Documents.
2. Maintain in full force and effect and enforceable the Security contemplated by this Letter of Offer.
3. Notify BDC Capital immediately of the occurrence of any default under the Letter of Offer or any other Financing Documents.
4. Comply with all applicable laws and regulations.
5. Keep all its assets insured for physical damages and losses on an "All-Risks" basis for their full replacement value and cause all such insurance policies to name BDC Capital as loss payee as its interests may appear. The policies shall also name BDC Capital as mortgagee and include a standard mortgage clause in respect of buildings over which BDC Capital holds security and, as further security, assign or hypothecate all insurance proceeds to BDC Capital; and

If requested by BDC Capital, maintain adequate general liability insurance and environmental insurance or any other type of insurance it may reasonably require to protect it against any losses or claims arising from pollution or contamination incidents and to provide certified copies of such policies.

6. Notify BDC Capital immediately of any loss or damage to its property.
7. Without limiting the generality of paragraph 4 above, in relation to its business operations and the assets and projects of its business, operate in conformity with all environmental laws and regulations; make certain that its assets are and will remain free of environmental damage; inform BDC Capital immediately upon becoming aware of any

environmental issue and promptly provide BDC Capital with copies of all communications with environmental authorities and all environmental assessments; pay the cost of any external environmental consultant engaged by BDC Capital to effect an environmental audit and the cost of any environmental rehabilitation or removal necessary to protect, preserve or remediate the assets, including any fine or penalty BDC Capital is obligated to incur by reason of any statute, order or directive by a competent authority.

8. Promptly pay all government remittances, assessments and taxes including real estate taxes and provide BDC Capital with proof of payments as BDC Capital may request from time to time.
9. Promptly furnish to BDC Capital such information, reports, certificates and other documents concerning any Financing Party as BDC Capital may reasonably request from time to time.
10. Not engage in, or permit its premises to be used by a tenant or other person, for any activity which BDC Capital, from time to time, deems ineligible, including without limitation any of the following ineligible activities:
 - a) businesses that are sexually exploitive or that are inconsistent with generally accepted community standard of conduct and propriety, including those that feature sexually explicit entertainment, products or services; businesses that are engaged in or associated with illegal activities; businesses trading in countries that are proscribed by the Federal Government;
 - b) businesses that operate as stand-alone nightclubs, bars, lounges, cabarets, casinos, discotheques, video arcades, pool and billiard halls, and similar operations;
 - c) businesses that promote nudism and naturism

BDC Capital's finding that there is an ineligible activity will be final and binding between the parties and shall not be subject to review. The prohibition set out in this paragraph 10 shall also apply to any entity that Controls, is Controlled by, or that is under the common control with, any Financing Party.

11. In the event that one or several related corporations are incorporated or acquired, including all new subsidiaries and sister companies of the Borrower, these new entities shall ratify and become a party to this Letter of Offer as co-borrower or guarantor at the sole discretion of BDC Capital. BDC Capital may require that these new entities grant in favour of BDC

Capital security which shall be registered on their assets to guarantee their respective obligations and the obligations and the Financing pursuant to this Letter of Offer.

NEGATIVE COVENANTS

Without the prior written consent of BDC Capital, the Borrower shall not:

1. Change the nature of its business
2. Amalgamate, merge, acquire or otherwise combine its business, or create an affiliated company ("affiliate" having the meaning given to it in the Canada Business Corporations Act), or sell or otherwise transfer a substantial part of its business or any substantial part of its assets, or grant any operating license.
3. Permit any of its shareholders to sell or transfer their shares in the capital stock of such Financing Party save and except shares listed on a recognized stock exchange acceptable to BDC Capital.
4. Permit any Change of Control of such Financing Party or change the capital structure of such Financing Party by contractual or other means.
5. Permit any change in the shareholding of such Financing Party, except for options issued to employees under an approved stock option plan
6. Allow a loan to be sought or extended, an investment to be made, a guarantee to be given, and no asset securing the Financing shall be pledged or hypothecated to another creditor, whether done for the benefit of the Borrower or for the benefit of a third party.
7. Declare a dividend on, or redeem or repay any obligation in respect of any shares in its capital. In addition, any advance or transfer of funds in any form whatsoever shall be made to the ultimate shareholders and/or to the corporations they own.
8. Make any modifications to the end date of its fiscal year, its accounting standards and/or policies.

SECTION V

EVENTS OF DEFAULT

1. Any Financing Party fails to pay any amount owing under or pursuant to the Financing Documents.

2. Any Financing Party fails to comply with or to perform any provision of the Letter of Offer or any other Financing Documents.
3. Any Financing Party is in default under any other agreement with BDC Capital or any third party for the granting of a loan or other financial assistance and such default remains unremedied after any cure period provided in such other agreement.
4. Any representation or warranty made by any Financing Party herein or in any other Financing Document is breached, false or misleading in any material respect, or becomes at any time false.
5. Any schedule, certificate, financial statement, report, notice or other writing furnished by any Financing Party to BDC Capital in connection with the Financing is false or misleading in any material respect on the date as of which the facts therein set forth are stated or certified.
6. Any Financing Party becomes insolvent or generally fails to pay, or admits in writing its inability or refusal to pay its debts as they become due; or any Financing Party applies for, consents to, or acquiesces in the appointment of a trustee, receiver or other custodian for such Financing Party or any property thereof, or makes a general assignment for the benefit of creditors; or, in the absence of such application, consent or acquiescence, a trustee, receiver or other custodian is appointed for any Financing Party or for a substantial part of the property of such Financing Party; or any bankruptcy, reorganization, debt arrangement, or other case or proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is commenced in respect of any Financing Party; or any Financing Party takes any action to authorize, or in furtherance of, any of the foregoing.
7. The Borrower ceases or threatens to cease to carry on all or a substantial part of its business.
8. The occurrence of a Change of Control of the Borrower from the date of the application of financing.
9. The occurrence, in the opinion of BDC Capital, of a Material Adverse Change.

SECTION VI

GENERAL TERMS AND CONDITIONS

Each Financing Party agrees to the following additional provisions:

Interest Cap

If the aggregate amount of charges payable as interest, additional interest, interest on arrears, or any other charges paid or payable in connection with the Financing (collectively the "Charges") at any time whatsoever would constitute the application of an effective annual rate of interest in excess of the limit permitted by any applicable law, then the Charges shall be reduced so that the charges paid or payable shall not exceed the maximum permissible under such law. Any excess which has been paid will be refunded by BDC Capital within ten business days following BDC Capital's determination of the amount to be refunded.

Other Available Interest Rate Plans

If applicable, the Borrower having selected a floating interest rate plan may select BDC Capital available fixed interest rate plan. The expiry date of the selected plan shall occur after the initial Maturity Date or subsequently amended Maturity Date of the Financing. If the Borrower so selects any fixed rate plan before the Acceptance Date, it shall be based on BDC Capital's Base Rate in effect on the Authorization Date. If the selection is made after the Acceptance Date, the Borrower will have to pay to BDC Capital applicable fee and the interest rate shall be based on BDC Capital's Base Rate then in effect. The new rate shall become effective on the fourth day following receipt of the request by BDC Capital.

However, in the event of a period of increased interest rate volatility, which will be determined by a fluctuation of greater than 0.5% during the same transaction day of the yield to maturity of the five-year Canada bond benchmark, BDC Capital reserves the right to suspend the borrower's right to switch from a floating interest rate plan to a fixed interest rate plan.

Interest Adjustment Date

If the Financing is not paid in full by the Interest Adjustment Date, BDC Capital will set a new interest rate plan based on the revised Interest Adjustment Date of the Financing at BDC Capital's Base Rate then in effect adjusted by the Variance and shall then notify the Borrower.

In the event BDC Capital should demand repayment of the Financing by reason of an event of default, any fixed interest rate applicable at the time of demand shall continue to apply to the Financing until full repayment and shall not be adjusted at the next Interest Adjustment Date.

Pre-Authorized Payment System

All payments provided for in the Letter of Offer must be made by pre-authorized debits from the Borrower's bank account. The Borrower shall sign all documentation required to that effect and provide a sample cheque marked void.

Application of Payments

All payments will be applied in the following order:

1. any Prepayment Bonus (including the monthly interest and interest Differential Charge);
2. protective disbursements;
3. standby fees (arrears and current);
4. arrears, in the following order: transaction fees, administration fees, management fees, Royalties, bonuses or other premiums, interest and principal;
5. current balances, in the following order: transaction fees, management fees, Royalties, bonuses or other premiums, interest and principal;
6. cancellation fees; and
7. other amounts due and payable under the Financing Documents.

Other than regular payments of principal and interest, BDC Capital may apply any other monies received by it, before or after default, to any debt the Borrower may owe BDC Capital under or pursuant to the Letter of Offer or any other agreement and BDC Capital may change those applications from time to time in its sole discretion.

Consent to Disclosure and Exchange of Information

Each Financing Party authorizes BDC Capital, at any time and from time to time, (i) to obtain financial, compliance, account status and any other information about a Financing Party and

its respective business from its accountants, its auditors, any financial institution, creditor, credit reporting or rating agency, credit bureau, governmental department, body or utility, and (ii) to disclose and exchange information with any financial institution relating to, in connection with or arising from the business of any Financing Party which BDC Capital may currently have or subsequently obtain.

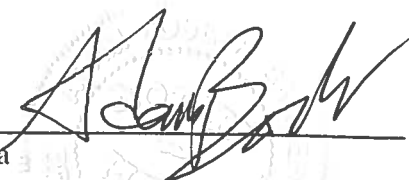
Each Financing Party recognizes that in accordance with prudent business practices to "know your client" and in accordance with its internal policies, BDC Capital may be required to obtain, verify, maintain information regarding the Financing Parties, their directors, their officers duly authorized to sign, their shareholders or other persons who exercise control over each Financing Party. Each Financing Party agrees to provide without delay all information, including supporting documents and other evidence that BDC Capital, or a potential assignee or another company with an interest in BDC Capital, acting reasonably, could ask to comply with internal policies or legislation in the fight against the laundering of proceeds of crime or financing of terrorist activities that apply to them.

Notices

Notices must be in writing and may be given in person, or by letter sent by fax, mail, courier or electronically; If to a Financing Party, at its address above or such other addresses as the Financing Party may advise BDC Capital in writing, or if to BDC Capital, at BDC Capital's address above.

THIS IS EXHIBIT "B" TO THE
AFFIDAVIT OF ANDREW MASSE
SWORN BEFORE ME AT Vancouver, British Columbia,
this 03rd day of December, 2019

A Notary Public in and for the Province of British Columbia

A handwritten signature in black ink, appearing to read 'Adam J. Barker', written over a horizontal line.

ADAM J. BARKER
BARRISTER, SOLICITOR & NOTARY PUBLIC
SUITE 200, 505 BURRARD STREET
VANCOUVER, BC V7X 1M3

Government Corporation/Non-Profit Search of Alberta ■ Corporate Registration System

Date of Search: 2019/11/13
Time of Search: 11:59 AM
Search provided by: MLT AIKINS LLP (CALGARY)
Service Request Number: 32016027
Customer Reference Number: 0051046.00006

Corporate Access Number: 2019953070

Legal Entity Name: HOP COMPOST LTD.

Legal Entity Status: Active

Alberta Corporation Type: Named Alberta Corporation

Method of Registration: Amalgamation

Registration Date: 2016/10/01 YYYY/MM/DD

Registered Office:

Street: 1000 LIVINGSTON PLACE, 250 - 2ND STREET SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P 0C1

Records Address:

Street: 1000 LIVINGSTON PLACE, 250 - 2ND STREET SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P 0C1

Directors:

Last Name: DAVIES
First Name: KEVIN
Street/Box Number: 1907 48 AVENUE SW
City: CALGARY
Province: ALBERTA
Postal Code: T2T 2T4

Last Name: MOLYNEAUX
First Name: MARTIN
Street/Box Number: 3838 10TH STREET SW
City: CALGARY

11/13/2019

Province: ALBERTA
Postal Code: T2T 3J1

Voting Shareholders:

Last Name: DAVIES
First Name: KEVIN
Street: 1907 48 AVENUE SW
City: CALGARY
Province: ALBERTA
Postal Code: T2T 2T4
Percent Of Voting Shares: 18.214

Last Name: GMP SECURITIES LP ITF 710719 ALBERTA INC.
Street: 300, 145 KING ST. W
City: TORONTO
Province: ONTARIO
Postal Code: M5H 1J8
Percent Of Voting Shares: 4.113

Last Name: GMP SECURITIES LP ITF MARTIN P. MOLYNEAUX
Street: 300, 145 KING ST. W
City: TORONTO
Province: ONTARIO
Postal Code: M5H 1J8
Percent Of Voting Shares: 17.953

Legal Entity Name: PRAIRIE SAND HOLDINGS LTD.
Corporate Access Number: 2014623561
Street: 227 ROYAL BIRCH WAY NW
City: CALGARY
Province: ALBERTA
Postal Code: T3G 5X9
Percent Of Voting Shares: 4.525

Last Name: THE VANWIEREN FAMILY TRUST
Street: 3216 KERRYDALE ROAD SW
City: CALGARY
Province: ALBERTA
Postal Code: T3E 4S6
Percent Of Voting Shares: 2.837

Details From Current Articles:

The information in this legal entity table supersedes equivalent electronic attachments

Share Structure: REFER TO "SHARE STRUCTURE" ATTACHMENT.

Share Transfers: NO SECURITIES, OTHER THAN NON-CONVERTIBLE DEBT SECURITIES, OF THE CORPORATION SHALL BE TRANSFERRED TO ANY PERSON WITHOUT THE RESTRICTIONS: APPROVAL OF THE BOARD OF DIRECTORS BY RESOLUTION.

Min Number Of Directors: 1

Max Number Of Directors: 9

Business Restricted To: THERE SHALL BE NO RESTRICTIONS ON THE BUSINESS THAT THE CORPORATION MAY CARRY ON.

Business Restricted From: THERE SHALL BE NO RESTRICTIONS ON THE BUSINESS THAT THE CORPORATION MAY CARRY ON.

Other Provisions: REFER TO MOST RECENT "OTHER RULES OR PROVISIONS" ATTACHMENT.

Associated Registrations under the Partnership Act:

Trade Partner Name	Registration Number
GREEN START INITIATIVES	TN19991595

Other Information:

Amalgamation Predecessors:

Corporate Access Number	Legal Entity Name
2015240845	GREEN START INITIATIVES LTD.
2018245916	HOP COMPOST LTD.

Last Annual Return Filed:

File Year	Date Filed (YYYY/MM/DD)
2019	2019/11/04

Filing History:

List Date (YYYY/MM/DD)	Type of Filing
------------------------	----------------

2016/10/01	Amalgamate Alberta Corporation
2018/01/04	Name/Structure Change Alberta Corporation
2018/12/11	Change Address
2019/11/04	Change Director / Shareholder
2019/11/04	Enter Annual Returns for Alberta and Extra-Provincial Corp.

Attachments:

Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
Share Structure	ELECTRONIC	2016/10/01
Other Rules or Provisions	ELECTRONIC	2016/10/01
Statutory Declaration	10000807127348036	2016/10/01
Other Rules or Provisions	ELECTRONIC	2018/01/04

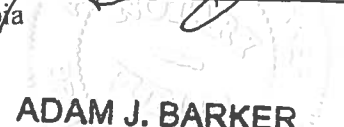
The Registrar of Corporations certifies that, as of the date of this search, the above information is an accurate reproduction of data contained in the official public records of Corporate Registry.



THIS IS EXHIBIT "C" TO THE
AFFIDAVIT OF ANDREW MASSE
SWORN BEFORE ME AT Vancouver, British Columbia,
this 03rd day of December, 2019



A Notary Public in and for the Province of British Columbia



ADAM J. BARKER
BARRISTER, SOLICITOR & NOTARY PUBLIC
SUITE 200, 505 BURRARD STREET
VANCOUVER, BC V7X 1M3



GENERAL SECURITY AGREEMENT

THIS AGREEMENT dated August 18, 2017.

FROM:

HOP COMPOST LTD.

(the "Debtor")

TO:

BDC CAPITAL INC., a wholly-owned subsidiary of Business Development Bank of Canada, and having its head office in Montreal, Quebec, with a business centre in Calgary, Alberta

("BDC")

1. SECURITY INTEREST

(You, as the Debtor, will grant to BDC a charge, referred to as a security interest, over all personal property now held or in the future held or acquired by you. You will also grant a charge, referred to as a floating charge, over your complete undertaking and real property interests. These charges are the security BDC will hold in consideration of lending you funds or providing the credit facility to you.)

1.1 For consideration the Debtor:

- (a) mortgages and charges as a fixed and specific charge, and assigns and transfers to BDC, and grants to BDC a general and continuing security interest in all of the Debtor's present and after acquired personal property including, without limitation:
 - (i) all office, trade, manufacturing and all other equipment and all goods, including, without limitation, machinery, tools, fixtures, computers, furniture, furnishings, chattels, motor vehicles and other tangible personal property that is not Inventory, and all parts, components, attachments, accessories, accessions, replacements, substitutions, additions and improvements to any of the above (all of which is collectively called the "Equipment");
 - (ii) all inventory, including, without limitation, goods acquired or held for sale or lease or furnished or to be furnished under contracts of rental or service, all raw materials, work in process, finished goods, returned goods, repossessed goods, all livestock and their young after conception, all crops and timber, and all packaging materials, supplies and containers relating to or used or consumed in connection with any of the foregoing (all of which is collectively called the "Inventory");
 - (iii) all debts, accounts, claims, demands, monies and choses in action which now are, or which may at any time be, due or owing to or owned by the Debtor and all books, records, documents, papers and electronically recorded data recording, evidencing or relating to the debts, accounts, claims, demands, monies and choses in action (all of which is collectively called the "Accounts");
 - (iv) all documents of title, chattel paper, instruments, securities and money, and all other personal property, of the Debtor that is not Equipment, Inventory or Accounts;
 - (v) all patents, trade-marks, copyrights, industrial designs, plant breeder's rights, integrated circuit topographies, trade-names, goodwill, confidential information, trade secrets and know-how,

including without limitation, environmental technology and bio-technology, software and any registrations and applications for registration of the foregoing and all other intellectual and industrial property of the Debtor (all of which is hereinafter collectively called the "Intellectual Property");

- (vi) all the Debtor's contractual rights, licenses and all other choses in action of every kind which now are, or which may at any time be due or owing to or owned by the Debtor, and all other intangible property of the Debtor, that is not Accounts, chattel paper, instruments, documents of title, Intellectual Property, securities or money;
- (vii) the personal property described in Schedule A attached to this Security Agreement;
- (viii) all proceeds of every nature and kind arising from the personal property referred to in this Security Agreement,

(b) grants to BDC a general and continuing security interest and charges by way of a floating charge

- (i) all of the Debtor's right, title and interest in all its present and after acquired real, immovable and leasehold property, and all easements, rights-of-way, privileges, benefits, licences, improvements and rights whether connected with or appurtenant to this property or separately owned or held, including all structures, plant and other fixtures and including all mineral claims, mineral rights and leases, all oil, gas and hydrocarbon rights and interests (all of which is collectively called the "Real Property") and excluding the personal property described in Clause 1.1(a), and
- (ii) all of the undertaking and assets of the Debtor, of every nature or kind and wherever situate, whether presently owned or hereafter acquired, and all their proceeds, other than its assets and undertakings that are otherwise validly and effectively subject to the charges and security interests in favour of BDC created pursuant to this Clause 1.1.

1.2 The security interests, mortgages, transfers, assignments, charges, grants and conveyances created pursuant to Clause 1.1 shall be collectively called the "Security Interests", and the property subject to the Security Interests and all property, assets and undertaking charged, assigned or transferred or secured by any instruments supplemental to or in implementation of this Security Agreement are collectively called the "Collateral"

1.3 The schedules, including definitions, form part of this Security Agreement

2. EXCEPTIONS

(With few exceptions, all of your personal property and real property interests are subject to the security interests and charges described in Clause 1.1. Only the last day of any lease term and possibly your consumer goods are excepted. Corporations do not hold consumer goods.)

2.1 The last day of the term created by any lease or agreement is excepted out of any charge or the Security Interests but the Debtor shall stand possessed of the reversion and shall remain upon trust to assign and dispose of it to any third party as BDC shall direct

2.2 All the Debtor's consumer goods are excepted out of the Security Interests, provided that for the purposes of Collateral in the Yukon the Security Interests shall include Special Consumer Goods as that term is defined in the *Personal Property Security Act* (Yukon); provided further that for the purposes of Collateral in Saskatchewan the Security Interests shall include consumer goods of the Debtor.

3. ATTACHMENT

(Value or consideration has flowed between you and BDC and the Security Interests in your personal property are complete once you sign this Security Agreement.)

The Debtor agrees that the Security Interests attach upon the signing of this Security Agreement (or in the case of after acquired property, upon the date of acquisition), that value has been given, and that the Debtor has (or in the case of after acquired property, will have upon the date of acquisition) rights in the Collateral

and the Debtor confirms that there has been no agreement between the Debtor and BDC to postpone the time for attachment of the Security Interests and that it is the Debtor's understanding that BDC intends the Security Interests to attach at the same time.

4. PURCHASE MONEY SECURITY INTEREST

(To the extent that BDC helps you acquire an interest in any personal property, you grant a special security interest to BDC over that personal property. The special security interest is known as a "Purchase Money Security Interest".)

The Debtor acknowledges and agrees that the Security Interests constitute and are intended to create Purchase Money Security Interests in Collateral to the extent that monies advanced by BDC, including all future advances and re-advances, are used or are to be used, in whole or in part, to purchase or otherwise to acquire rights in Collateral.

5. OBLIGATIONS SECURED

(The Security Interests and charges you have granted to BDC secure all indebtedness and all obligations to BDC.)

This Security Agreement is in addition to and not in substitution for any other security interest or charge now or in the future held by BDC from the Debtor or from any other person and shall be general and continuing security for the payment and performance of all indebtedness, liabilities and obligations of the Debtor to BDC (including interest thereon), whether incurred prior to, at the time of or after the signing of this Security Agreement including extensions and renewals, and all other liabilities of the Debtor to BDC, present and future, absolute or contingent, joint or several, direct or indirect, matured or not, extended or renewed, wherever and however incurred, including all advances on current or running account, future advances and re-advances of any loans or credit by BDC and the Debtor's obligation and liability under any contract or guarantee now or in the future in existence whereby the Debtor guarantees payment of the debts, liabilities and/or obligations of a third party to BDC, and for the performance of all obligations of the Debtor to BDC, whether or not contained in this Security Agreement (all of which indebtedness, liabilities and obligations are collectively called the "Obligations").

6. REPRESENTATIONS AND WARRANTIES

(You state that you are able to legally grant this Security Agreement to BDC, it will be binding and the Collateral is not subject to any encumbrances that have not been approved by BDC. You own the Collateral and nothing prevents you from granting the Security Interests and charges in favour of BDC. BDC will rely on all of the following representations and warranties.)

6.1 The Debtor represents and warrants to BDC that:

- (a) if a corporation, it is a corporation incorporated and organized and validly existing and in good standing under the laws of the jurisdiction of its incorporation; it has the corporate power to own or lease its property and to carry on the business conducted by it; it is qualified as a corporation to carry on the business conducted by it and to own or lease its property and is in good standing under the laws of each jurisdiction in which the nature of its business or the property owned or leased by it makes such qualification necessary; and the execution, delivery and performance of this Security Agreement are within its corporate powers, have been authorized and do not contravene, violate or conflict with any law or the terms and provisions of its constituting documents or its by-laws or any shareholders agreement or any other agreement, indenture or undertaking to which the Debtor is a party or by which it is bound;
- (b) if it is a corporation, its name as set forth on page 1 of this Security Agreement is its full, true and correct name as stated in its constituting documents and if such name is in English, it does not have or use a French language form of its name or a combined English language and French language form of its name and vice versa, and the Debtor has provided a written memorandum to BDC accurately setting forth all prior names under which the Debtor has operated;
- (c) if it is a partnership, its name as set forth on page 1 is its full, true and correct, and where required or voluntarily registered its registered, name; it is a partnership validly created and organized and validly existing under the laws of the jurisdiction of its creation; it has the power to carry on the business conducted by it, it is qualified as a partnership to carry on the business conducted by it and is in good standing under the laws of each jurisdiction in which the nature of its business makes such qualification necessary, and the execution, delivery and performance of this Security Agreement are

within its powers, have been authorized, and do not contravene, violate or conflict with any law or the terms of its partnership agreement or any other agreement, indenture or undertaking to which the Debtor is a party or by which it is bound, and a complete list of the names, addresses and (if individuals) the dates of birth of the partners of the partnership are set forth on a Schedule attached to this Security Agreement;

- (d) if the Debtor is an individual, that individual's full name and address as set forth on page 1 of this Security Agreement are the individual's full and correct name and address and the individual's date of birth as described on the individual's birth certificate a true copy of which has been provided to BDC or, if no birth certificate issued from any jurisdiction in Canada exists, as described on the documents provided to BDC is the individual's correct birth date,
- (e) there is no litigation or governmental proceedings commenced or pending against or affecting the Collateral or the Debtor, in which a decision adverse to the Debtor would constitute or result in a material adverse change in the business, operations, properties or assets or in the condition, financial or otherwise, of the Debtor; and the Debtor agrees to promptly notify BDC of any such future litigation or governmental proceeding;
- (f) it does not have any information or knowledge of any facts relating to its business, operations, property or assets or to its condition, financial or otherwise, which it has not disclosed to BDC in writing and which, if known to BDC, might reasonably be expected to deter BDC from extending credit or advancing funds to the Debtor;
- (g) it has good title and lawfully owns and possesses all presently held Collateral, free from all security interests, charges, encumbrances, liens and claims, save only the Security Interests and the charges or security interests consented to in writing by BDC, and it has not granted any licenses in or of its Intellectual Property other than as disclosed and consented to by BDC;
- (h) to the extent that any of the Collateral includes serial numbered goods and motor vehicles which require serial number registration by virtue of the Act and its regulations including motor vehicles, trailers, manufactured homes, mobile homes, boats, outboard motors for boats or aircraft, the Debtor has given the full and correct serial numbers and any Ministry of Transport designation marks or other relevant licensing authority marks of all such Collateral to BDC;
- (i) the Collateral is and/or will be located at the place(s) described in Schedule A and will not be removed from such location(s) without the prior written consent of BDC;
- (j) this Security Agreement is granted in accordance with resolutions of the directors (and of the shareholders as applicable) of the Debtor, if the Debtor is a corporation, or, if the Debtor is a partnership, of the partners of the Debtor, and all other requirements have been fulfilled to authorize and make the execution and delivery of this Security Agreement, and the performance of the Debtor's obligations valid and there is no restriction contained in the constituting documents of the Debtor or in any shareholders agreement or partnership agreement which restricts the powers of the authorized signatories of the Debtor to borrow money or give security, and
- (k) the Debtor's place(s) of business and chief executive office are correctly described in Schedule A.

7. COVENANTS OF THE DEBTOR

(The Security Interests and the Collateral must be protected while the Security Agreement remains in effect. These covenants are your promises to BDC describing how BDC's Security Interests will be attended to. You will also covenant to maintain accurate books and records and allow BDC's inspection. Your promises are found in the Security Agreement and Schedules.)

7.1 The Debtor covenants with BDC that while this Security Agreement remains in effect the Debtor will

- (a) promptly pay and satisfy the Obligations as they become due or are demanded;
- (b) defend the title to the Collateral for BDC's benefit, against the claims and demands of all persons;

- (c) fully and effectually maintain and ensure that the Security Interests are and continue to be valid and effective;
- (d) maintain the Collateral in good condition and repair and provide adequate storage facilities to protect the Collateral and not permit the value of the Collateral to be impaired;
- (e) observe and conform to all valid requirements of any governmental authority relative to any of the Collateral and all covenants, terms and conditions upon or under which the Collateral is held;
- (f) promptly pay and satisfy:
 - (i) all taxes, assessments, rates, duties, levies, government fees, claims and dues lawfully levied, assessed or imposed upon it or the Collateral when due, unless the Debtor shall in good faith contest its obligations so to pay and shall furnish to BDC such security as BDC may require;
 - (ii) all security interests, charges, encumbrances, liens and claims which rank or could rank in priority to, or on an equal basis with, any of the Security Interests; and
 - (iii) all fees from time to time chargeable by BDC arising out of any term of the commitment letter or the Loan Agreement between BDC and the Debtor including, without limitation, inspection, administration and returned cheque handling fees;
- (g) promptly pay and satisfy all costs, charges, expenses and legal fees and disbursements (on a solicitor and its own client basis) which may be incurred by BDC in connection with granting loans or credit to the Debtor, including for
 - (i) inspecting the Collateral;
 - (ii) negotiating, preparing, perfecting, registering or renewing the registration of this Security Agreement and the Security Interests, any Financing or Financing Change Statement, any modification or amending agreement and other documents relating to the Debtor's obligations, whether or not relating to this Security Agreement;
 - (iii) complying with any disclosure requirements under the Act;
 - (iv) investigating title to the Collateral;
 - (v) taking, recovering, keeping possession and disposing of the Collateral;
 - (vi) maintaining the Collateral in good repair, storing the Collateral and preparing the Collateral for disposition;
 - (vii) any inspection, appraisal, investigation or environmental audit of the Collateral and the cost of any environmental rehabilitation, treatment, removal or repair necessary to protect, preserve or remedy the Collateral including any fine or penalty BDC becomes obligated to pay by reason of any statute, order or direction of competent authority;
 - (viii) any sums BDC pays as fines, clean up costs because of contamination of or from your assets. Further you will indemnify BDC and its employees and agents from any liability or costs incurred including legal defence costs. Your obligation under this paragraph continues even after the Obligations are repaid and this Security Agreement is terminated;
 - (ix) all other actions and proceedings taken to preserve the Collateral, enforce this Security Agreement and of any other security interest held by BDC as security for the Obligations, protect BDC from liability in connection with the Security Interests or assist BDC in its loan and credit granting or realization of the Security Interest, including any actions under the *Bankruptcy and Insolvency Act* (Canada) and all remuneration of any Receiver (as defined in Article 15 hereof) or appointed pursuant to the *Bankruptcy and Insolvency Act* (Canada).

- (h) at BDC's request, execute and deliver further documents and instruments and do all acts as BDC in its absolute discretion requires to confirm, register and perfect, and maintain the registration and perfection of, the Security Interests;
- (i) notify BDC promptly of:
 - (i) any change in the information contained in this Security Agreement relating to the Debtor, its business or the Collateral, including, without limitation, any change of name or address (including any change of trade name, proprietor or partner) and any change in the present location of any Collateral;
 - (ii) the details of any material acquisition of Collateral, including the acquisition of any motor vehicles, trailers, manufactured homes, boats or aircraft,
 - (iii) any material loss or damage to the Collateral,
 - (iv) any material default by any account debtor in the payment or other performance of its obligations to the Debtor respecting any Accounts;
 - (v) any claims against the Debtor including claims in respect of the Intellectual Property or of any actions taken by the Debtor to defend the registration of or the validity of or any infringement of the Intellectual Property;
 - (vi) the return to or repossession by the Debtor of Collateral that was disposed of by the Debtor, and
 - (vii) all additional places of business and any changes in its place(s) of business or chief executive office;
- (j) prevent the Collateral, other than Inventory sold, leased, or otherwise disposed of as permitted by this Security Agreement, from being or becoming an accession to property not covered by this Security Agreement;
- (k) carry on and conduct its business and undertaking in a proper and businesslike manner so as to preserve and protect the Collateral and the earnings, income, rents, issues and profits of the Collateral, including maintenance of proper and accurate books of account and records;
- (l) permit BDC and its representatives, at all reasonable times, access to the Collateral including all of the Debtor's property, assets and undertakings and to all its books of account and records, whether at your premises or at your financial advisors, for the purpose of inspection and the taking of extracts, and the Debtor will render all assistance necessary;
- (m) permit and does consent to BDC contacting and making enquiries of the Debtor's lessors as well as assessors, municipal authorities and any taxing body;
- (n) observe and perform all its obligations under:
 - (i) leases, licences, undertakings, and any other agreements to which it is a party;
 - (ii) any statute or regulation, federal, provincial, territorial, or municipal, to which it is subject;
- (o) deliver to BDC from time to time promptly upon request:
 - (i) any documents of title, instruments, securities and chattel paper constituting, representing or relating to the Collateral,

- (ii) all books of account and all records, ledgers, reports, correspondence, schedules, documents, statements, lists and other writings relating to the Collateral to allow BDC to inspect, audit or copy them;
 - (iii) all financial statements prepared by or for the Debtor regarding the Debtor's business;
 - (iv) such information concerning the Collateral, the Debtor and the Debtor's business and affairs as BDC may reasonably require;
 - (p) with respect to the Intellectual Property, take all necessary steps and initiate all necessary proceedings, to maintain the registration or recording of the Intellectual Property, to defend the Intellectual Property from infringement and to prevent any licensed or permitted user from doing anything that may invalidate or otherwise impair the Intellectual Property;
 - (q) with respect to copyright forming part of the Intellectual Property, provide to BDC waivers of the moral rights thereto executed by all contributors or authors of the copyrighted work;
 - (r) receive and hold in trust on behalf of and for the benefit of BDC all proceeds from the sale or other disposition of any Collateral; and
 - (s) observe and perform the additional covenants and agreements set out in any schedules to this Security Agreement, including Schedule B, if any.
- 7.2 Any amounts required to be paid to BDC by the Debtor under this Clause 7 shall be immediately payable with interest at the highest rate borne by any of the Obligations until all amounts have been paid.
- 7.3 This Security Agreement shall remain in effect until it has been terminated by BDC by notice of termination to the Debtor and all registrations relating to the Security Agreement have been discharged.

8. INSURANCE

(It is your obligation to thoroughly insure the Collateral in order to protect your interests and those of BDC. You will follow the specific requirements of the insurance coverage described in this Clause.)

- 8.1 The Debtor covenants that while this Security Agreement is in effect the Debtor shall:
- (a) maintain or cause to be maintained insurance on the Collateral with a reputable insurer, of kinds, for amounts and payable to such person or persons, all as BDC may require, and in particular maintain insurance on the Collateral to its full insurable value against loss or damage by fire and all other risks of damage, including an extended coverage endorsement and in the case of motor vehicles, insurance against theft;
 - (b) cause the insurance policy or policies required by this Security Agreement to be assigned to BDC, including a standard mortgage clause or a mortgage endorsement, as BDC may require;
 - (c) pay all premiums respecting such insurance, and deliver all policies to BDC, if required.
- 8.2 If proceeds of any required insurance becomes payable, BDC may, in its absolute discretion, apply these proceeds to the Obligations as BDC sees fit or release any insurance proceeds to the Debtor to repair, replace or rebuild, but any release of insurance proceeds to the Debtor shall not operate as a payment on account of the Obligations or in any way affect this Security Agreement or the Security Interests.
- 8.3 The Debtor will promptly, on the happening of loss or damage to the Collateral, notify BDC and furnish to BDC at the Debtor's expense any necessary proof and do any necessary act to enable BDC to obtain payment of the insurance proceeds, but nothing shall limit BDC's right to submit to the insurer a proof of loss on its own behalf.

8.4 The Debtor authorizes and directs the insurer under any required policy of insurance to include the name of BDC as loss payee on any policy of insurance and on any cheque or draft which may be issued respecting a claim settlement under and by virtue of such insurance, and the production by BDC to any insurer of a notarial or certified copy of this Security Agreement (notarized or certified by a notary public or solicitor) shall be the insurer's complete authority for so doing.

8.5 If the Debtor fails to maintain insurance as required, BDC may, but shall not be obliged to, maintain or effect such insurance coverage, or so much insurance coverage as BDC may wish to maintain.

9. OTHER PROHIBITIONS

(You agree to not encumber your property so as to interfere with the security interests or charges granted to BDC and you will not dispose of any of the Collateral except inventory disposed of in the ordinary course of your business.)

Without the prior written consent of BDC the Debtor will not:

- (a) create or permit to exist any security interest in, charge, encumbrance or lien over, or claim against any of its property, assets, undertakings including without limitation the Collateral which ranks or could in any event rank in priority to or on an equal basis with any of the Security Interests created by this Security Agreement;
- (b) grant, sell, or otherwise assign any of its chattel paper or any of the Collateral except only Inventory that is disposed of in accordance with Clause 10.2;
- (c) where the Debtor is a corporation:
 - (i) issue, purchase or redeem its shares;
 - (ii) change its voting control;
 - (iii) permit any of its shareholders to sell, transfer or dispose of its shares;
 - (iv) declare or pay any dividends on any of its shares; or
 - (v) repay or reduce any shareholders loans or other debts due to its shareholders;
- (d) change its name, merge with or amalgamate with any other entity

10. RESTRICTIONS ON SALE OR DISPOSAL OF COLLATERAL

(You will preserve and protect all of the Collateral and not dispose of it without the consent of BDC. Any sales or other disposition will result in you holding the proceeds in trust for BDC. Your responsibilities towards the Collateral and any trust proceeds are important to BDC.)

10.1 Except as provided by this Security Agreement, without BDC's prior written consent the Debtor will not:

- (a) sell, lease, license or otherwise dispose of the Collateral;
- (b) release, surrender or abandon possession of the Collateral, or
- (c) move or transfer the Collateral from the jurisdictions in which the Security Interests have been perfected.

10.2 So long as the Debtor is not in default under this Security Agreement the Debtor may lease, sell, license, consign or otherwise deal with items of Inventory only in the ordinary course of its business and for the purposes of carrying on its business.

10.3 Any disposition of any Collateral, excepting sales of Inventory in the ordinary course, shall result in the Debtor holding the proceeds in trust for and on behalf of BDC and subject to BDC's exclusive direction and control. Nothing restricts BDC's rights to attach, seize or otherwise enforce its Security Interests in any Collateral sold or disposed, unless it is sold or disposed with BDC's prior written consent.

11. PERFORMANCE OF OBLIGATIONS

(If you do not strictly do all those things that you have agreed to do in this Security Agreement BDC may perform those obligations but you will be required to pay for them)

If the Debtor fails to perform its covenants and agreements under this Security Agreement, BDC may, but shall not be obliged to, perform any or all of such covenants and agreements without prejudice to any other rights and remedies of BDC, and any payments made and any costs, charges, expenses and legal fees and disbursements (on a solicitor and its own client basis) incurred by BDC shall be immediately payable by the Debtor to BDC with interest at the highest rate borne by any of the Obligations and shall be secured by the Security Interests, until all such amounts have been paid

12. ACCOUNTS

(Any dealing with the Collateral that results in an account being created, or proceeds arising, is of particular importance to BDC. The account, or proceeds, acts in substitution for the Collateral that has been sold, usually inventory. You will protect the account or proceeds in favour of BDC.)

Notwithstanding any other provision of this Security Agreement, BDC may collect, realize, sell or otherwise deal with all or a portion of the Accounts in such manner, upon such terms and conditions and at any time, whether before or after default, as may seem to it advisable, and without notice to the Debtor, except in the case of disposition after default and then subject to the applicable provisions of the Act, if any. All forms of payment received by the Debtor in payment of any Account, or as proceeds, shall be subject to the Security Interests and shall be received and held in trust for BDC.

13. APPROPRIATION OF PAYMENTS

(BDC has the right to determine how funds it receives will be applied in relation to your loan facility.)

Any and all payments made respecting the Obligations and monies realized from any Security Interests (including monies collected in accordance with or realized on any enforcement of this Security Agreement) may be applied to such part or parts of the Obligations as BDC sees fit, and BDC may at any time change any appropriation as BDC sees fit.

14. DEFAULT

(You must comply with the payment and other obligations that you have made in favour of BDC. You must also strictly satisfy the covenants and agreements that you have made in this Security Agreement. Failure to do so will be considered a default and BDC will consider its legal remedies and possibly pursue them. This Clause defines the defaults and outlines your obligations.)

14.1 Unless waived by BDC, the Debtor shall be in default under this Security Agreement and shall be deemed to be in default under all other agreements between the Debtor and BDC in any of the following events:

- (a) the Debtor defaults, or threatens to default, in payments when due of any of the Obligations; or
- (b) the Debtor is in breach of, or threatens to breach, any term, condition, obligation or covenant made by it to or with BDC, or any representation or warranty of the Debtor to BDC is untrue or ceases to be accurate, whether or not contained in this Security Agreement, or
- (c) the Debtor or a guarantor of the Debtor declares itself to be insolvent or admits in writing its inability to pay its debts generally as they become due, or makes an assignment for the benefit of its creditors, is declared Bankrupt, makes a proposal or otherwise takes advantage of any provisions for relief under the *Bankruptcy and Insolvency Act* (Canada), the *Companies Creditors' Arrangement Act* (Canada) or similar legislation in any jurisdiction, or makes an authorized assignment, or
- (d) a receiver, manager, receiver and manager or receiver-manager of all or a part of the Collateral is appointed; or
- (e) an order is made or a resolution is passed for the winding up of the Debtor or a guarantor of the Debtor; or

- (f) the Debtor or a guarantor of the Debtor ceases or threatens to cease to carry on all or a substantial part of its business or makes or threatens to make a sale of all or substantially all of its assets, or
 - (g) distress or execution is levied or issued against all or a part of the Collateral; or
 - (h) if the Debtor is a corporation and any member or shareholder:
 - (i) commences an action against the Debtor; or
 - (ii) gives a notice of dissent to the Debtor in accordance with the provisions of any governing legislation; or
 - (i) if the Debtor is a corporation and its voting control changes without BDC's prior written consent; or
 - (j) the Debtor uses any monies advanced to it by BDC for any purpose other than as agreed upon by BDC; or
 - (k) without BDC's prior written consent, the Debtor creates or permits to exist any security interest, charge, encumbrance, lien or claim against any of the Collateral which ranks or could in any event rank in priority to or on an equal basis with any of the Security Interests; or
 - (l) the holder of any other security interest, charge, encumbrance, lien or claim against any of the Collateral does anything to enforce or realize on such security interest, charge, encumbrance, lien or claim; or
 - (m) the Debtor enters into an amalgamation, a merger or other similar arrangement with any other person without BDC's prior written consent or, if the Debtor is a corporation, it is continued or registered in a different jurisdiction without BDC's prior written consent; or
 - (n) BDC in good faith and on commercially reasonable grounds believes that the prospect of payment or performance of any of the Obligations is impaired or that any of the Collateral is or is about to be placed in jeopardy or removed from the jurisdiction in which this Security Agreement has been registered; or
 - (o) the lessor under any lease to the Debtor of any real or personal property takes any steps to or threatens to terminate such lease or otherwise exercise any of its remedies under such lease as a result of any default by the Debtor; or
 - (p) the Debtor causes or allows hazardous materials to be brought upon any lands or premises occupied by the Debtor or to be incorporated into any of its assets, or the Debtor causes, permits, or fails to remedy any environmental contamination upon, in or under any of its lands or assets, or fails to comply with any abatement or remediation order given by a responsible authority; or
 - (q) any permit, license, certification, quota or order granted to or held by the Debtor is cancelled, revoked or reduced, as the case may be, or any order against the Debtor is enforced, preventing the business of the Debtor from being carried on for more than 5 days or materially adversely changing the condition (financial or otherwise) of the Debtor's business; or
 - (r) if an individual, the Debtor dies or is declared incompetent by a court of competent jurisdiction.
- 14.2 The floating charge created by this Security Agreement over Real Property shall become a fixed charge upon the earliest of:
- (a) the occurrence of an event described in Clause 14.1(a), (b), (c), (d), (e) or (f); or
 - (b) BDC taking any action pursuant to Clause 15 to enforce and realize on the Security Interests;

and for the better securing to BDC repayment of the Obligations the Debtor mortgages to BDC all of the

Debtor's estate and interest in the Real Property.

15. ENFORCEMENT

(If a default occurs BDC has numerous remedies and legal rights, including enforcement of the Security Agreement according to this Clause. You also have rights, provided by the *Personal Property Security Act* and the common law in your jurisdiction.)

- 15.1 If the Debtor is in default under this Security Agreement BDC may declare any or all of the Obligations whether or not payable on demand to become immediately due and payable and the Security Interests will immediately become enforceable. To enforce and realize on the Security Interests BDC may take any action permitted by law or in equity as it may deem expedient and in particular, without limitation, BDC may do any of the following:
- (a) appoint by instrument a receiver, manager, receiver and manager or receiver-manager (the "Receiver") of all or any part of the Collateral, with or without bond as BDC may determine, and in its absolute discretion remove such Receiver and appoint another in its stead;
 - (b) enter upon any of the Debtor's premises at any time and take possession of the Collateral with power to exclude the Debtor, its agents and its servants, without becoming liable as a mortgagee in possession;
 - (c) preserve, protect and maintain the Collateral and make such replacements and repairs and additions to the Collateral as BDC deems advisable;
 - (d) dispose of all or part of the Collateral, whether by public or private sale or lease or otherwise, in such manner, at such price as can be reasonably obtained and on such terms as to credit and with such conditions of sale and stipulations as to title or conveyance or evidence of title or otherwise as to BDC may seem reasonable, provided that if any sale, lease or other disposition is on credit the Debtor will not be entitled to be credited with the proceeds of any such sale, lease or other disposition until the monies are actually received;
 - (e) register assignments of the Intellectual Property, and use, sell, assign, license or sub-license any of the Intellectual Property; and
 - (f) exercise all of the rights and remedies of a secured party under the Act and any other applicable laws.
- 15.2 A Receiver appointed pursuant to this Security Agreement insofar as responsibility for its actions is concerned shall be the agent of the Debtor and not of BDC and, to the extent permitted by law or to such lesser extent permitted by its appointment, shall have all the powers of BDC under this Security Agreement, and in addition shall have power to:
- (a) carry on the Debtor's business and to borrow money either secured or unsecured, and if secured by granting a security interest on the Collateral, such security interest may rank before or on an equal basis with or behind any of the Security Interests and if it does not so specify such security interest shall rank in priority to the Security Interests; and
 - (b) make an assignment for the benefit of the Debtor's creditors or a proposal on behalf of the Debtor under the *Bankruptcy and Insolvency Act* (Canada); and
 - (c) commence, continue or defend proceedings in the name of the Receiver or in the name of the Debtor for the purpose of protecting, seizing, collecting, realizing or obtaining possession of or payment for the Collateral; and
 - (d) make any arrangement or compromise that the Receiver deems expedient.
- 15.3 Subject to the claims, if any, of the creditors of the Debtor ranking in priority to this Security Agreement, all amounts realized from the disposition of the Collateral pursuant to this Security Agreement will be applied as BDC, in its absolute discretion and to the full extent permitted by law, may direct as follows

- (a) in payment of all costs, charges and expenses (including legal fees and disbursements on a solicitor and its own client basis) incurred by BDC respecting or incidental to:
 - (i) the exercise by BDC of the rights and powers granted to it by this Security Agreement; and
 - (ii) the appointment of the Receiver and the exercise by the Receiver of the powers granted to it by this Security Agreement, including the Receiver's reasonable remuneration and all outgoings properly payable by the Receiver;
- (b) in or toward payment to BDC of all principal and other monies (except interest) due in respect of the Obligations;
- (c) in or toward payment to BDC of all interest remaining unpaid respecting the Obligations; and
- (d) in payment to those parties entitled thereto under the Act.

16. GENERAL PROVISIONS PROTECTING BDC

(You have granted this Security Agreement to BDC in consideration by BDC advancing funds or providing credit or a credit facility to you. BDC will not be responsible for debts or liabilities that may arise except to the extent that it agrees to be responsible or liable in this Security Agreement. If enforcement becomes necessary, BDC will act in good faith and in a commercially reasonable manner.)

- 16.1 To the full extent permitted by law, BDC shall not be liable for any debts contracted by it during enforcement of this Security Agreement, for damages to persons or property or for salaries or non-fulfilment of contracts during any period when BDC shall manage the Collateral upon entry or seizure, nor shall BDC be liable to account as a mortgagee in possession or for anything except actual receipts or be liable for any loss on realization or for any default or omission for which a mortgagee in possession may be liable. BDC shall not be bound to do, observe or perform or to see to the observance or performance by the Debtor of any obligations or covenants imposed upon the Debtor nor shall BDC, in the case of securities, instruments or chattel paper, be obliged to preserve rights against other persons, nor shall BDC be obliged to keep any of the Collateral identifiable. To the full extent permitted by law, the Debtor waives any provision of law permitted to be waived by it which imposes greater obligations upon BDC than described above.
- 16.2 Neither BDC nor any Receiver appointed by it shall be liable or accountable for any failure to seize, collect, realize, sell or obtain payments for the Collateral nor shall they be bound to institute proceedings for the purposes of seizing, collecting, realizing or obtaining payment or possession of the Collateral or the preserving of any right of BDC, the Debtor or any other party respecting the Collateral. BDC shall also not be liable for any misconduct, negligence, misfeasance by BDC, the Receiver or any employee or agent of BDC or the Receiver, or for the exercise of the rights and remedies conferred upon BDC or the Receiver by this Security Agreement.
- 16.3 BDC or any Receiver appointed by it may grant extensions of time and other indulgences, take and give securities, accept compromises, grant releases and discharges, release any part of the Collateral to third parties and otherwise deal with the debtors of the Debtor, co-obligants, guarantors and others and with the Collateral and other securities as BDC may see fit without liability to the Debtor and without prejudice to BDC's rights respecting the Obligations or BDC's right to hold and realize the Collateral. The Debtor shall not be released nor shall its liability be in any way reduced because BDC has done or concurred in the doing of anything whereby a guarantor would be released in whole or in part.
- 16.4 Notwithstanding anything to the contrary in any security held by BDC for the Obligations, each part is given as additional, concurrent and collateral security to the remainder of the security. BDC in its sole discretion may realize upon or abstain from realizing on any security for the Obligations in any order or concurrently with the realization under this Security Agreement whether such security is held by it at the date of this Security Agreement or is provided at any time in the future. No realization or exercise or abstaining from exercising of any power or right under this Security Agreement or under any other security shall prejudice any further realization or exercise until all Obligations have been fully paid and satisfied.

- 16.5 Any right of BDC and any obligation of the Debtor arising under any other agreements between BDC and the Debtor shall survive the signing, registration and advancement of any money under this Security Agreement, and no merger respecting any such right or obligation shall occur by reason of this Security Agreement. The obligation, if any, of the Debtor to pay legal fees, a commitment fee, a standby fee or administration fees, under the terms of BDC's commitment letter or Loan Agreement with the Debtor shall survive the signing and registration of this Security Agreement and BDC's advancement of any money to the Debtor and any legal fees, commitment fees, standby fees or administration fees owing by the Debtor shall be secured by the Collateral.
- 16.6 In the event that BDC registers a notice of assignment of Intellectual Property the Debtor shall be responsible for and shall indemnify BDC against all maintenance and renewal costs in respect thereof, and any costs of initiating or defending litigation, together with all costs, liabilities and damages related thereto.
- 16.7 Notwithstanding any taking of possession of the Collateral, or any other action which BDC or the Receiver may take, the Debtor now covenants and agrees with BDC that if the money realized upon any disposition of the Collateral is insufficient to pay and satisfy the whole of the Obligations due to BDC at the time of such disposition, the Debtor shall immediately pay to BDC an amount equal to the deficiency between the amount of the Obligations and the sum of money realized upon the disposition of the Collateral, and the Debtor agrees that BDC may bring action against the Debtor for payment of the deficiency, notwithstanding any defects or irregularities of BDC or the Receiver in enforcing its rights under this Security Agreement.

17. APPOINTMENT OF ATTORNEY

(You appoint BDC your attorney for specific matters)

The Debtor irrevocably appoints BDC or the Receiver, as the case may be, with full power of substitution, as the attorney of the Debtor for and in the name of the Debtor to do, make, sign, endorse or execute under seal or otherwise all deeds, documents, transfers, cheques, instruments, demands, assignments, assurances or consents that the Debtor is obliged to sign, endorse or execute and generally to use the name of the Debtor and to do everything necessary or incidental to the exercise of all or any of the powers conferred on BDC, or the Receiver, as the case may be, pursuant to this Security Agreement. This grant and authority shall survive any mental infirmity of the Debtor subsequent to the execution hereof.

18. CONSOLIDATION

(Should you wish to redeem the Security Interest, BDC may require you to also pay other obligations to it before discharging its Security Interests)

For the purposes of the laws of all jurisdictions in Canada, the doctrine of consolidation applies to this Security Agreement.

19. NO OBLIGATION TO ADVANCE

(BDC determines, in the end whether any advances or further advances under the loan facility will be made)

Neither the preparation and execution of this Security Agreement nor the perfection of the Security Interests or the advance of any monies by BDC shall bind BDC to make any advance or loan or further advance or loan, or extend any time for payment of any indebtedness or liability of the Debtor to BDC.

20. WAIVER

(Indulgences granted by BDC should not be taken for granted)

BDC may permit the Debtor to remedy any default without waiving the default so remedied. BDC may at any time partially or completely waive any right, benefit or default under this Security Agreement but such waiver shall not be a bar to or a waiver of any such right, benefit or default thereafter, or of any other right, benefit or default under this Security Agreement. No waiver shall be effective unless it is in writing and signed by BDC. No delay or omission on the part of BDC in exercising any right shall operate as a waiver of such right or any other right.

21. NOTICE

(This Clause describes how the various notices referred to in this Security Agreement may be given)

Notice may be given to either party by prepaid mail or delivered to the party for whom it is intended, at the principal address of such party provided in this Security Agreement or at such other address as may be given in writing by one party to the other, and any notice if posted shall be deemed to have been given at the expiration of three business days after posting and if delivered, on delivery.

22. EXTENSIONS

(Your duties and responsibilities to BDC remain in place regardless of any concerns you may have about the loan facility or BDC's actions)

BDC may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges, refrain from perfecting or maintaining perfection of security interests, and otherwise deal with the Debtor, the Debtor's account debtors, sureties and others and with the Collateral and other security interests as BDC may see fit without prejudice to the Debtor's liability or BDC's right to hold and realize on the Security Interests.

23. NO MERGER

(Except as agreed upon in the Security Agreement or another contract specifically discussing this point, this Security Agreement is an independent obligation on your part.)

This Security Agreement shall not create any merger or discharge of any of the Obligations, or any assignment, transfer, guarantee, lien, contract, promissory note, bill of exchange or security interest of any form held or which may be held by BDC now or in the future from the Debtor or from any other person. The taking of a judgment respecting any of the Obligations will not operate as a merger of any of the covenants contained in this Security Agreement.

24. RIGHTS CUMULATIVE

(This Security Agreement describes some rights and remedies of BDC. BDC also is entitled to rely on all other rights and remedies available to it in law and in any other agreements it has entered into with you.)

BDC's rights and remedies set out in this Security Agreement, and in any other security agreement held by BDC from the Debtor or any other person to secure payment and performance of the Obligations, are cumulative and no right or remedy contained in this Security Agreement or any other security agreements is intended to be exclusive but each will be in addition to every other right or remedy now or hereafter existing at law, in equity or by statute, or pursuant to any other agreement between the Debtor and BDC that may be in effect from time to time.

25. ASSIGNMENT

(Should BDC assign or transfer or otherwise deal with this Security Agreement on its own behalf, you agree that the Security Agreement shall remain binding and effective upon you.)

BDC may, without notice to the Debtor, at any time assign or transfer, or grant a security interest in, all or any of the Obligations, this Security Agreement and the Security Interests. The Debtor agrees that the assignee, transferee or secured party, as the case may be, shall have all of BDC's rights and remedies under this Security Agreement and the Debtor will not assert as a defense, counterclaim, right of set-off or otherwise any claim which it now has or may acquire in the future against BDC in respect of any claim made or any action commenced by such assignee, transferee or secured party, as the case may be, and will pay the assigned Obligations to the assignee, transferee or secured party, as the case may be, as the said Obligations become due.

26. SATISFACTION AND DISCHARGE

(Until this Security Agreement is terminated and any registrations relating to it are discharged, the Security Agreement will remain effective even though the indebtedness to BDC may have been paid.)

Any partial payment or satisfaction of the Obligations, or any ceasing by the Debtor to be indebted to BDC shall not be a redemption or discharge of this Security Agreement. The Debtor shall be entitled to a release and discharge of this Security Agreement upon full payment and satisfaction of all Obligations, and upon written request by the Debtor and, subject to applicable law, payment to BDC of an administrative fee to be

fixed by BDC and payment of all costs, charges, expenses and legal fees and disbursements (on a solicitor and his own client basis) incurred by BDC in connection with the Obligations and such release and discharge. The Debtor shall, subject to applicable law, pay an administrative fee, to be fixed by BDC, for the preparation or execution of any full or partial release or discharge by BDC of any security it holds, of the Debtor, or of any guarantor or covenantor with respect to any Obligations

27. ENVIRONMENT

The Debtor represents and agrees that:

- (a) it operates and will continue to operate in conformity with all applicable environmental laws, regulations, standards, codes, ordinances and other requirements of any jurisdiction in which it carries on business and will ensure its staff is trained as required for that purpose;
- (b) it has an environmental emergency response plan and all officers and employees are familiar with that plan and their duties under it;
- (c) it possesses and will maintain all environmental licences, permits and other governmental approvals as may be necessary to conduct its business and maintain the Collateral;
- (d) the Collateral and Real Property are and will remain free of environmental damage or contamination;
- (e) there has been no complaint, prosecution, investigation or proceeding, environmental or otherwise, respecting the Debtor's business or assets including without limitation the Collateral;
- (f) it will advise BDC immediately upon becoming aware of any environmental problems relating to its business or the Collateral;
- (g) it will provide BDC with copies of all communications with environmental officials and all environmental studies or assessments prepared for the Debtor and it consents to BDC contacting and making enquiries of environmental officials or assessors;
- (h) it will not install on or under any land mortgaged to BDC storage tanks for petroleum products or any hazardous substance without BDC's prior written consent and only upon full compliance with BDC's requirements and local ordinances or regulations;
- (i) it will from time to time when requested by BDC provide to BDC evidence of its full compliance with the Debtor's obligations in this Clause 27.

28. ENUREMENT

This Security Agreement shall enure to the benefit of BDC and its successors and assigns, and shall be binding upon the Debtors and its heirs, executors, administrators, successors and any assigns permitted by BDC, as the case may be.

29. INTERPRETATION

29.1 In this Security Agreement

- (a) "Collateral" has the meaning set out in Clause 1 and any reference to the Collateral shall, unless the context otherwise requires, be deemed to be a reference to the Collateral in whole or in part;
- (b) "the Act" means the *Personal Property Security Act* of the jurisdiction in which the business centre of BDC is located, as described on page 1 of this Security Agreement, and all regulations under the Act, as amended from time to time.

- 29.2 Words and expressions used in this Security Agreement that have been defined in the Act shall be interpreted in accordance with their respective meanings given in the Act unless otherwise defined in this Security Agreement or unless the context otherwise requires.
- 29.3 The invalidity or unenforceability of the whole or any part of any clause of this Security Agreement shall not affect the validity or enforceability of any other clause or the remainder of such clause of this Security Agreement.
- 29.4 The headings used in this Security Agreement have been inserted for convenience of reference only and shall not define, limit, alter or enlarge the meaning of any provision of this Security Agreement.
- 29.5 This Security Agreement shall be governed by the laws of the jurisdiction referred to in Subclause 29.1(b). For enforcement purposes, the Debtor hereby attorns to the jurisdiction of the courts and laws of any province, state, territory or country in which BDC enforces its rights and remedies hereunder.

30. COPY OF AGREEMENT AND FINANCING STATEMENT

The Debtor:

- (a) acknowledges receiving a copy of this Security Agreement, and
- (b) if the Act so permits, waives all rights to receive from BDC a copy of any financing statement or financing change statement filed, or any verification statement or other document received at any time respecting this Security Agreement

31. TIME

Time shall in all respects be of the essence.

32. INDEPENDENT ADVICE

The Debtor acknowledges having received, or having had the opportunity to receive, independent legal and accounting advice respecting this Security Agreement and its effect.

33. SASKATCHEWAN LAW

If the Debtor is a corporation, the Debtor agrees as follows

- (a) that the *Land Contracts (Actions) Act* of Saskatchewan shall have no application to any action, as defined in the *Land Contracts (Actions) Act* of Saskatchewan, respecting this Security Agreement, any mortgage, charge or other security for the payment of money made, given or created by this Security Agreement, any agreement or instrument which renews or extends or is collateral to this Security Agreement, or the rights, powers or remedies of BDC under this Security Agreement or any mortgage or charge created by this Security Agreement as BDC is specifically exempted from the operation of that Act;
- (b) that the *Limitation of Civil Rights Act* of Saskatchewan shall have no application to this Security Agreement, any mortgage, charge or other security for the payment of money made, given or created by this Security Agreement, any agreement or instrument which renews or extends or is collateral to this Security Agreement, or the rights, powers or remedies of BDC under this Security Agreement or any mortgage or charge created by this Security Agreement; and
- (c) that if it is an agricultural corporation, as defined in the *Saskatchewan Farm Security Act*, it has received independent legal advice prior to the execution of this Security Agreement, and agrees that the provisions of Part IV of the *Saskatchewan Farm Security Act*, other than Section 46, shall not apply to the Debtor

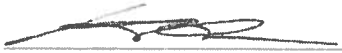
34. PARENTHETICAL COMMENTS

The Debtor acknowledges and agrees that the comments in parentheses are intended to provide a brief but not thorough indication of the intent of the legal provisions that follow in each subsequent clause, and do not form part of this Security Agreement.

35. THE LOAN AGREEMENT

If the Debtor has entered into a commitment letter or a written loan agreement (the "Loan Agreement") with BDC dealing with, or relating to, the loan facilities secured by this Security Agreement, the Debtor acknowledges and agrees that in the event of any discrepancy between any term of this Security Agreement and any term of the Loan Agreement, the terms of the Loan Agreement shall apply and take precedence over the terms of this Security Agreement.

IN WITNESS WHEREOF the Debtor has executed this Security Agreement

) **HOP COMPOST LTD.**
) by its authorized signatory(ies)
)
)
) per: 
) Kevin Davies
)
) per: _____
) Meghan Perry

SCHEDULE A

Subclause 1.1 (a) (vii):

the following specific items, even though they may be included within the descriptions of Collateral (insert description by item or kind):
NIL

the following serial numbered goods:

Type	Serial No. (re: motor vehicles & trailers) Dept. of Transport No. (re: aircraft)	Year	Make and Model
"HotRot" Machine	1811 WM 16 002		
"HotRot" Machine	1811 MA 11 01		
"HotRot" Machine	1811 WM 16 001		
"HotRot" Machine	1811 WM 17 01		

Subclause 6.1 (c):

Date of Birth of Debtor (if an individual):

Month Day Year

NIL

Subclause 6.1 (i):

Location(s) of the Collateral

1. 4243 17A St SE, Calgary AB, T2G 3X1
2. 1328 SE Marine Dr, Vancouver BC, V5X 4K4

Subclause 6.1 (k):

The Debtor's place(s) of business ("POB") and chief executive office ("CEO")

Chief Executive Office:	1907 48 th Ave SW, Calgary, AB T2T 2T4
Place of Business:	4243 17A St SE, Calgary AB, T2G 3X1
And:	1328 SE Marine Dr, Vancouver BC, V5X 4K4

THIS IS EXHIBIT "D" TO THE
AFFIDAVIT OF ANDREW MASSE
SWORN BEFORE ME AT Vancouver, British Columbia,
this 03rd day of December, 2019

A handwritten signature in black ink, appearing to read "Adam Barker", written over a faint circular notary seal.

A Notary Public in and for the Province of British Columbia

ADAM J. BARKER
BARRISTER, SOLICITOR & NOTARY PUBLIC
SUITE 200, 505 BURRARD STREET
VANCOUVER, BC V7X 1M3

Lterm: XPS0054 BC Online: PPRS SEARCH RESULT 2019/11/14
For: PN31689 MLT AIKINS LLP 14:12:30

Search Criteria: HOP COMPOST LTD Index: BUSINESS DEBTOR

***** P P S A S E C U R I T Y A G R E E M E N T *****

Reg. Date: MAY 30, 2016 Reg. Length: 5 YEARS
Reg. Time: 16:20:08 Expiry Date: MAY 30, 2021
Base Reg. #: 318197J Control #: D3812914

Block#

S0001 Secured Party: HOWARD CARTER LEASE LTD
4550 LOUGHEED HWY
BURNABY BC V5C 3Z5

=D0001 Base Debtor: HOP COMPOST LTD
(Business) 2-4243 17A AVE
CALGARY AB T2G 1C4

Vehicle Collateral:
Type

MH Reg.#

V0001 MV 1GD374CG7F1193237 2015 GMC SAVANA COMMERCIAL

Registering Party: HOWARD CARTER LEASE LTD
4550 LOUGHEED HWY
BURNABY BC V5C 3Z5

***** P P S A S E C U R I T Y A G R E E M E N T *****

Reg. Date: JUN 09, 2016 Reg. Length: 6 YEARS
Reg. Time: 08:47:22 Expiry Date: JUN 09, 2022
Base Reg. #: 340880J Control #: D3836106

Block#

S0001 Secured Party: BLUE CHIP LEASING CORPORATION
156 DUNCAN MILL RD, UNIT 16
TORONTO ON M3B3N2

D0001 Base Debtor: GREEN START INITIATIVES LTD
(Business) 1328 MARINE DRIVE
VANCOUVER BC V5X4K4

=D0002 Bus. Debtor: HOP COMPOST LTD
1328 MARINE DRIVE
VANCOUVER BC V5X4K4

Vehicle Collateral: Type	Serial #	Year	Make/Model	MH Reg.#
V0001 MV	F187V04463C	2005	HYSTER S50FT	

Continued on Page 2

Search Criteria: HOP COMPOST LTD

Page: 2

General Collateral:
ONE(1) 2005 HYSTER MODEL S50FT FORKLIFT AND ALL FORKLIFT EQUIPMENT OF EVERY NATURE OR KIND DESCRIBED IN LEASE NUMBER 44852(68926) BETWEEN THE SECURED PARTY, AS LESSOR AND THE DEBTOR AS LESSEE, AS AMENDED FROM TIME TO TIME, TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES, SUBSTITUTIONS AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH THE COLLATERAL OR PROCEEDS THEREOF.

Registering

Party: AVS SYSTEMS INC.
201-1325 POLSON DR.
VERNON BC V1T 8H2

***** P P S A S E C U R I T Y A G R E E M E N T *****

Reg. Date: JUN 29, 2016 Reg. Length: 4 YEARS
Reg. Time: 09:47:15 Expiry Date: JUN 29, 2020
Base Reg. #: 381226J Control #: D3877387

Block#

S0001 Secured Party: BODKIN CAPITAL CORPORATION
102-1465 NORTH SERVICE RD E
OAKVILLE ON L6H 1A7

D0001 Base Debtor: GREEN START INITIATIVES LTD.
(Business) 4243 17A STREET SE
CALGARY AB T2G 3X1

=D0002 Bus. Debtor: HOP COMPOST LTD
4243 17A STREET SE
CALGARY AB T2G 3X1

D0003 Bus. Debtor: GREEN START INITIATIVES LTD.
1328 SE MARINE DRIVE
VANCOUVER BC V5X 4K4

General Collateral:

PURSUANT TO LEASE AGREEMENT 90058, ALL PRESENT AND FUTURE EQUIPMENT ENCOMPASSED BY LEASE AGREEMENT 90058 TOGETHER WITH ALL ATTACHMENTS ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS THERETO AND ALL PROCEEDS OF EVERY TYPE, ITEM OR KIND IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH COLLATERAL INCLUDING WITHOUT LIMITATION TRADE-INS, EQUIPMENT, INVENTORY, GOODS, NOTES, CHATTEL PAPER, CONTRACT RIGHTS, ACCOUNTS, RENTAL PAYMENTS, SECURITIES, INTANGIBLES, DOCUMENTS OF TITLE AND MONEY AND ALL PROCEEDS OF PROCEEDS AND A RIGHT TO ANY INSURANCE PAYMENT AND ANY OTHER PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO THE COLLATERAL INCLUDING BUT NOT LIMITED TO THE FOLLOWING: 2007 JLG G5-18A TELEHANDLER S/N: 1160002451 C/W BUCKET

Registering

Party: JCLD ONLINE TECHNOLOGIES
16-1375 SOUTHDOWN ROAD STE 322
MISSISSAUGA ON L5J 2Z1

Continued on Page 3

Search Criteria: HOP COMPOST LTD

Page: 3

***** P P S A S E C U R I T Y A G R E E M E N T *****

Reg. Date: JUN 21, 2018 Reg. Length: 3 YEARS
Reg. Time: 06:49:31 Expiry Date: JUN 21, 2021
Base Reg. #: 843575K Control #: D5369141

Block#

S0001 Secured Party: RYDER TRUCK RENTAL CANADA LTD
700 CREDITSTONE ROAD
CONCORD ON L4K5A5

11/14/2019

<https://apps.bconline.gov.bc.ca/Mailbox/Attachment.faces?attachmentDownloadType=VIEW&id=15432260>

=D0001 Base Debtor: HOP COMPOST LTD
(Business) 4243 17A ST SE
CALGARY AB T2G3X1

Vehicle Collateral:

Type	Serial #	Year	Make/Model	MH Reg.#
------	----------	------	------------	----------

V0001	MV	1FDUF5GT6FEA19012	2015 FORD F550	
-------	----	-------------------	----------------	--

***** P P S A S E C U R I T Y A G R E E M E N T *****

Reg. Date: OCT 08, 2019 Reg. Length: 3 YEARS
Reg. Time: 08:01:30 Expiry Date: OCT 08, 2022
Base Reg. #: 817240L Control #: D6361092

Block#

S0001 Secured Party: RYDER TRUCK RENTAL CANADA LTD
700 CREDITSTONE ROAD
CONCORD ON L4K5A5

=D0001 Base Debtor: HOP COMPOST LTD
(Business) 4243 17A ST SE
CALGARY AB T2G3X1

Vehicle Collateral:

Type	Serial #	Year	Make/Model	MH Reg.#
------	----------	------	------------	----------

V0001	MV	2AYS0M2H3F1000829	2015 HINO 195	
-------	----	-------------------	---------------	--

***** P P S A S E C U R I T Y A G R E E M E N T *****

Reg. Date: NOV 14, 2019 Reg. Length: 10 YEARS
Reg. Time: 13:32:52 Expiry Date: NOV 14, 2029
Base Reg. #: 892903L Control #: D6438203

Block#


S0001 Secured Party: BDC CAPITAL INC
SUITE 110, 444 - 7 AVE SW
CALGARY AB T2P 0X8

=D0001 Base Debtor: HOP COMPOST LTD
(Business) 1907 - 48 AVENUE SW
CALGARY AB T2T 2T4

THIS IS EXHIBIT "E" TO THE
AFFIDAVIT OF ANDREW MASSE
SWORN BEFORE ME AT Vancouver, British Columbia,
this 03rd day of December, 2019



A Notary Public in and for the Province of British Columbia



ADAM J. BARKER
BARRISTER, SOLICITOR & NOTARY PUBLIC
SUITE 200, 505 BURRARD STREET
VANCOUVER, BC V7X 1M3

Search ID #: Z12125304

Transmitting Party

MLT AIKINS LLP

2100 – 222 3rd AVE SW
Calgary, AB T2P 0B4

Party Code: 60006660
Phone #: 403 693 4331
Reference #: 51046.6 ts

Search ID #: Z12125304

Date of Search: 2019-Nov-13

Time of Search: 12:02:45

Business Debtor Search For:

HOP COMPOST LIMITED.

Exact Result(s) Only Found

NOTE:

A complete Search may result in a Report of Exact and Inexact Matches.
Be sure to read the reports carefully.



Search ID #: Z12125304

Business Debtor Search For:

HOP COMPOST LIMITED.

Search ID #: Z12125304

Date of Search: 2019-Nov-13

Time of Search: 12:02:45

Registration Number: 16032317063

Registration Date: 2016-Mar-23

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2020-Mar-23 23:59:59

Exact Match on: Debtor No: 1

Debtor(s)

<u>Block</u>		<u>Status</u>
1	HOP COMPOST LTD. 4243 17A STREET SE CALGARY, AB T2G 3X1	Current

Secured Party / Parties

<u>Block</u>		<u>Status</u>
1	DE LAGE LANDEN FINANCIAL SERVICES CANADA INC. 3450 SUPERIOR COURT, UNIT 1 OAKVILLE, ON L6L 0C4	Current

Collateral: Serial Number Goods

<u>Block</u>	<u>Serial Number</u>	<u>Year</u>	<u>Make and Model</u>	<u>Category</u>	<u>Status</u>
1	160049492	2012	JLG / G5-18A TELEHANDLER	MV - Motor Vehicle	Current

Collateral: General

<u>Block</u>	<u>Description</u>	<u>Status</u>
1	All personal property of the debtor described herein by	Current
2	vehicle identification number or serial number, as	Current
3	applicable, wherever situated, together with all parts and	Current
4	accessories relating thereto, all attachments, accessories	Current
5	and accessions thereto or thereon, all replacements,	Current
6	substitutions, additions and improvements of all or any part	Current
7	of the foregoing. Proceeds: all of the debtor's present and	Current

Search ID #: Z12125304

8	after acquired goods, motor vehicles, accounts, money,	Current
9	chattel paper, documents of title, investment property,	Current
10	instruments and intangibles as defined in the Personal	Current
11	Property Security Act, insurance proceeds and all other	Current
12	substitutions, renewals, alterations or proceeds of every	Current
13	description and of any kind whatsoever derived directly or	Current
14	indirectly from any dealings with the serial number	Current
15	collateral described above, or proceeds therefrom.	Current

Search ID #: Z12125304

Business Debtor Search For:

HOP COMPOST LIMITED.

Search ID #: Z12125304

Date of Search: 2019-Nov-13 Time of Search: 12:02:45

Registration Number: 16053101779

Registration Date: 2016-May-31

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2021-May-31 23:59:59

Exact Match on: Debtor No: 1

Debtor(s)

Block

Status
Current

1 HOP COMPOST LTD
2-4243 17A ST SE
CALGARY, AB T2G 1C4

Secured Party / Parties

Block

Status
Current

1 HOWARD CARTER LEASE LTD.
4550 LOUGHEED HIGHWAY
BURNABY, BC V5C 3Z5

Collateral: Serial Number Goods

<u>Block</u>	<u>Serial Number</u>	<u>Year</u>	<u>Make and Model</u>	<u>Category</u>	<u>Status</u>
1	1GD374CG7F1193237	2015	GMC SAVANA CUTAWAY COMM	MV - Motor Vehicle	Current

Collateral: General

<u>Block</u>	<u>Description</u>	<u>Status</u>
1	THE COMPLETE DESCRIPTION OF THE SERIAL COLLATERAL IS -	Current
2	2015 GMC SAVANA CUTAWAY COMMERCIALCAL S/N 1GD374CG7F1193237	Current

Search ID #: Z12125304

Business Debtor Search For:

HOP COMPOST LIMITED.

Search ID #: Z12125304

Date of Search: 2019-Nov-13

Time of Search: 12:02:45

Registration Number: 16060912162

Registration Date: 2016-Jun-09

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2022-Jun-09 23:59:59

Exact Match on:

Debtor

No: 2

Debtor(s)

Block

1 GREEN START INITIATIVES LTD
4243 17A STREET
CALGARY, AB T2G3X1

Status
Current

Block

2 HOP COMPOST LTD
4243 17A STREET
CALGARY, AB T2G3X1

Status
Current

Secured Party / Parties

Block

1 BLUE CHIP LEASING CORPORATION
156 DUNCAN MILL RD, UNIT 16
TORONTO, ON M3B3N2

Status
Current

Collateral: Serial Number Goods

<u>Block</u>	<u>Serial Number</u>	<u>Year</u>	<u>Make and Model</u>	<u>Category</u>	<u>Status</u>
1	F187V04463C	2005	HYSTER S50FT	MV - Motor Vehicle	Current

Collateral: General

<u>Block</u>	<u>Description</u>	<u>Status</u>
1	ONE(1) 2005 HYSTER MODEL S50FT FORKLIFT AND ALL FORKLIFT EQUIPMENT OF EVERY NATURE OR KIND DESCRIBED IN LEASE NUMBER 44852(68926) BETWEEN THE SECURED PARTY, AS LESSOR AND THE DEBTOR AS LESSEE, AS AMENDED FROM TIME TO TIME, TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES, SUBSTITUTIONS AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH THE COLLATERAL OR PROCEEDS THEREOF.	Current

Search ID #: Z12125304

Business Debtor Search For:

HOP COMPOST LIMITED.

Search ID #: Z12125304

Date of Search: 2019-Nov-13

Time of Search: 12:02:45

Registration Number: 16061332674

Registration Type: SECURITY AGREEMENT

Registration Date: 2016-Jun-13

Registration Status: Current

Expiry Date: 2020-Jun-13 23:59:59

Exact Match on:

Debtor

No: 2

Debtor(s)

Block

Status
Current

1 GREEN START INITIATIVES LTD.
4243 17A STREET SE
CALGARY, AB T2G 3X1

Block

Status
Current

2 HOP COMPOST LTD
4243 17A STREET SE
CALGARY, AB T2G 3X1

Secured Party / Parties

Block

Status
Current

1 BODKIN CAPITAL CORPORATION
102-1465 NORTH SERVICE RD E
OAKVILLE, ON L6H 1A7

Collateral: General

Block

Description

Status
Current

1 PURSUANT TO LEASE AGREEMENT 90058, ALL PRESENT AND FUTURE EQUIPMENT ENCOMPASSED BY LEASE AGREEMENT 90058 TOGETHER WITH ALL ATTACHMENTS ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS THERETO AND ALL PROCEEDS OF EVERY TYPE, ITEM OR KIND IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH COLLATERAL INCLUDING WITHOUT LIMITATION TRADE-INS, EQUIPMENT, INVENTORY, GOODS, NOTES, CHATTEL PAPER, CONTRACT RIGHTS, ACCOUNTS, RENTAL PAYMENTS, SECURITIES, INTANGIBLES, DOCUMENTS OF TITLE AND MONEY AND ALL PROCEEDS OF PROCEEDS AND A RIGHT TO ANY INSURANCE PAYMENT AND ANY OTHER PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO THE COLLATERAL INCLUDING BUT NOT LIMITED TO THE FOLLOWING: 2007 JLG G5-18A TELEHANDLER C/W BUCKET S/N: 1160002451

Search ID #: Z12125304

Business Debtor Search For:

HOP COMPOST LIMITED.

Search ID #: Z12125304

Date of Search: 2019-Nov-13

Time of Search: 12:02:45

Registration Number: 17071020922

Registration Type: SECURITY AGREEMENT

Registration Date: 2017-Jul-10

Registration Status: Current

Expiry Date: 2022-Jul-10 23:59:59

Exact Match on:

Debtor

No: 1

Debtor(s)

Block

Status

Current

1 HOP COMPOST LTD.
4243 17A ST SE
CALGARY, AB T2G 3X1

Secured Party / Parties

Block

Status

Current

1 TDF GROUP INC.
11025 - 184 STREET
EDMONTON, AB T5S 0A6

Collateral: Serial Number Goods

<u>Block</u>	<u>Serial Number</u>	<u>Year</u>	<u>Make and Model</u>	<u>Category</u>	<u>Status</u>
1	1GD67VCG8G1137571	2016	GMC Savana	MV - Motor Vehicle	Current

Search ID #: Z12125304

Business Debtor Search For:

HOP COMPOST LIMITED.

Search ID #: Z12125304

Date of Search: 2019-Nov-13 Time of Search: 12:02:45

Registration Number: 17082433927

Registration Date: 2017-Aug-24

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2027-Aug-24 23:59:59

Exact Match on: Debtor No: 1

Amendments to Registration

18032729426

Renewal

2018-Mar-27

Debtor(s)

Block

Status

1 HOP COMPOST LTD.
1907 - 48TH AVE S.W.
CALGARY, AB T2T 2T4

Current

Secured Party / Parties

Block

Status

1 BDC CAPITAL INC.
121 KING STREET WEST, SUITE 1200
TORONTO, ON M5H 3T9

Current

Collateral: General

Block

Description

Status

1 All present and after-acquired personal property of the Debtor, including without limitation the following: (i) "HotRot" Machine, Serial Number 1811 WM 16 002; (ii) "HotRot" Machine, Serial Number 1811 MA 11 01; (iii) "HotRot" Machine, Serial Number 1811 WM 16 001; and (iv) "HotRot" Machine, Serial Number 1811 WM 17 01;

Current

2 Proceeds: goods, inventory, chattel paper, documents of title, instruments, money, intangibles, accounts and investment property (all as defined in the personal property security act) and insurance proceeds.

Current

Search ID #: Z12125304

Business Debtor Search For:

HOP COMPOST LIMITED.

Search ID #: Z12125304

Date of Search: 2019-Nov-13

Time of Search: 12:02:45

Registration Number: 18022826388

Registration Type: SECURITY AGREEMENT

Registration Date: 2018-Feb-28

Registration Status: Current

Expiry Date: 2021-Feb-28 23:59:59

Exact Match on:

Debtor

No: 1

Debtor(s)

Block

Status

Current

1 HOP COMPOST LTD
4243 17A ST SE
CALGARY, AB T2G3X1

Secured Party / Parties

Block

Status

Current

1 RYDER TRUCK RENTAL CANADA LTD
700 CREDITSTONE ROAD
CONCORD, ON L4K5A5

Collateral: Serial Number Goods

<u>Block</u>	<u>Serial Number</u>	<u>Year</u>	<u>Make and Model</u>	<u>Category</u>	<u>Status</u>
1	1FDUF5GT3FEA19002	2015	FORD F450	MV - Motor Vehicle	Current

Search ID #: Z12125304

Business Debtor Search For:

HOP COMPOST LIMITED.

Search ID #: Z12125304

Date of Search: 2019-Nov-13

Time of Search: 12:02:45

Registration Number: 18052410091

Registration Date: 2018-May-24

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2024-May-24 23:59:59

Exact Match on: Debtor No: 1

Exact Match on: Debtor No: 2

Amendments to Registration

18052905429

Amendment

2018-May-29

Debtor(s)

Block

1 HOP COMPOST LTD.
4243 17A STREET SE
CALGARY, AB T2G3X1

Status
Current

Block

2 HOP COMPOST LTD.
217 WILKINSON ROAD
BRAMPTON, ON L6T4M2

Status
Current by
18052905429

Secured Party / Parties

Block

1 CLE CAPITAL INC.
3390 SOUTH SERVICE ROAD, SUITE 301
BURLINGTON, ON L7N3J5

Status
Current

Collateral: General

Block

1 DIECI APOLLO 25.6 TELEHANDLER

Status
Current

TOGETHER WITH ALL ACCESSORIES, OPTIONAL EQUIPMENT, COMPONENTS,
PARTS, INSTRUMENTS, APPURTENANCES, FURNISHINGS AND OTHER
EQUIPMENT OF WHATEVER NATURE OR KIND FURNISHED IN CONNECTION WITH
ANY OF THE FOREGOING EQUIPMENT AND ANY REPLACEMENTS AND
SUBSTITUTIONS THEREFOR

Search ID #: Z12125304

Business Debtor Search For:

HOP COMPOST LIMITED

Search ID #: Z12125304

Date of Search: 2019-Nov-13

Time of Search: 12:02:45

Registration Number: 18062105408

Registration Date: 2018-Jun-21

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2021-Jun-21 23:59:59

Exact Match on: Debtor No: 1

Debtor(s)

Block

Status

Current

1 HOP COMPOST LTD
4243 17A ST SE
CALGARY, AB T2G3X1

Secured Party / Parties

Block

Status

Current

1 RYDER TRUCK RENTAL CANADA LTD
700 CREDITSTONE ROAD
CONCORD, ON L4K5A5

Collateral: Serial Number Goods

<u>Block</u>	<u>Serial Number</u>	<u>Year</u>	<u>Make and Model</u>	<u>Category</u>	<u>Status</u>
1	1FDUF5GT5FEA66435	2015	FORD F-550	MV - Motor Vehicle	Current
2	1FDUF5GT7FEA19004	2015	FORD F-550	MV - Motor Vehicle	Current
3	1FDUF5GT4FEA19011	2015	FORD F-550	MV - Motor Vehicle	Current
4	1FDUF5GTXFEA19000	2015	FORD F-550	MV - Motor Vehicle	Current
5	1FDUF5GT6FEA19012	2015	FORD F-550	MV - Motor Vehicle	Current

Search ID #: Z12125304

Business Debtor Search For:

HOP COMPOST LIMITED

Search ID #: Z12125304

Date of Search: 2019-Nov-13

Time of Search: 12:02:45

Registration Number: 18103009474

Registration Date: 2018-Oct-30

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2020-Oct-30 23:59:59

Exact Match on:

Debtor

No: 1

Amendments to Registration

19092034671

Renewal

2019-Sep-20

Debtor(s)

Block

1 HOP COMPOST LTD
4243 17A ST SE
CALGARY, AB T2G3X1

Status
Current

Secured Party / Parties

Block

1 RYDER TRUCK RENTAL CANADA LTD
700 CREDITSTONE ROAD
CONCORD, ON L4K5A5

Status
Current

Collateral: Serial Number Goods

<u>Block</u>	<u>Serial Number</u>	<u>Year</u>	<u>Make and Model</u>	<u>Category</u>	<u>Status</u>
1	1FVACWDU1FHGN3112	2015	FRTL M2 106	MV - Motor Vehicle	Current

Search ID #: Z12125304

Business Debtor Search For:

HOP COMPOST LIMITED

Search ID #: Z12125304

Date of Search: 2019-Nov-13

Time of Search: 12:02:45

Registration Number: 19031219185

Registration Date: 2019-Mar-12

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2024-Mar-12 23:59:59

Exact Match on: Debtor No: 1

Debtor(s)

Block

Status

1 HOP COMPOST LTD.
4243 17A STREET SE
CALGARY, AB T2G 3X1

Current

Secured Party / Parties

Block

Status

1 DE LAGE LANDEN FINANCIAL SERVICES CANADA INC.
3450 SUPERIOR COURT, UNIT 1
OAKVILLE, ON L6L 0C4

Current

Collateral: Serial Number Goods

<u>Block</u>	<u>Serial Number</u>	<u>Year</u>	<u>Make and Model</u>	<u>Category</u>	<u>Status</u>
1	PTEBE0198	2019	PRO TECH / ELECTRIC DRIVE	MV - Motor Vehicle	Current

Collateral: General

<u>Block</u>	<u>Description</u>	<u>Status</u>
1	All personal property of the debtor described herein by	Current
2	vehicle identification number or serial number, as	Current
3	applicable, wherever situated, together with all parts and	Current
4	accessories relating thereto, all attachments, accessories	Current
5	and accessions thereto or thereon, all replacements,	Current
6	substitutions, additions and improvements of all or any part	Current
7	of the foregoing. Proceeds: all of the debtor's present and	Current

Search ID #: Z12125304

8	after acquired goods, motor vehicles, accounts, money,	Current
9	chattel paper, documents of title, investment property,	Current
10	instruments and intangibles as defined in the Personal	Current
11	Property Security Act, insurance proceeds and all other	Current
12	substitutions, renewals, alterations or proceeds of every	Current
13	description and of any kind whatsoever derived directly or	Current
14	indirectly from any dealings with the serial number	Current
15	collateral described above, or proceeds therefrom.	Current

Search ID #: Z12125304

Business Debtor Search For:

HOP COMPOST LIMITED

Search ID #: Z12125304

Date of Search: 2019-Nov-13

Time of Search: 12:02:45

Registration Number: 19072927647

Registration Date: 2019-Jul-29

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2024-Jul-29 23:59:59

Exact Match on: Debtor No: 1

Debtor(s)

Block

Status

1 HOP COMPOST LTD.
SUITE 2, 4243 17A ST SE
CALGARY, AB T2G 3X1

Current

Secured Party / Parties

Block

Status

1 ROYAL BANK OF CANADA
36 YORK MILLS ROAD, 4TH FLOOR
TORONTO, ON M2P 0A4

Current

Collateral: General

Block

Description

Status

1	ALL MONEY OR AMOUNTS ON DEPOSIT FROM TIME TO TIME WITH ANY OF	Current
2	ROYAL BANK OF CANADA, ROYAL BANK MORTGAGE CORPORATION, ROYAL	Current
3	TRUST CORPORATION OF CANADA OR THE ROYAL TRUST COMPANY.	Current
4	PROCEEDS: A SECURITY INTEREST IS CLAIMED IN ALL PRESENT AND	Current
5	AFTER-ACQUIRED GOODS (INCLUDING TRADE-INS), CHATTEL PAPER,	Current
6	SECURITIES, DOCUMENTS OF TITLE, INSTRUMENTS, MONEY AND	Current
7	INTANGIBLES OF EVERY ITEM OR KIND THAT MAY BE DERIVED FROM	Current
8	THE SALE OR OTHER DISPOSITION OF THE COLLATERAL DESCRIBED	Current
9	ABOVE, ALL INSURANCE PROCEEDS AND ANY PROCEEDS OF ANY OF THE	Current
10	FOREGOING.	Current

Search ID #: Z12125304

Business Debtor Search For:

HOP COMPOST LIMITED.

Search ID #: Z12125304

Date of Search: 2019-Nov-13

Time of Search: 12:02:45

Registration Number: 19100811069

Registration Date: 2019-Oct-08

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2022-Oct-08 23:59:59

Exact Match on:

Debtor

No: 1

Debtor(s)

Block

Status

1 HOP COMPOST LTD
4243 17A ST SE
CALGARY, AB T2G3X1

Current

Secured Party / Parties

Block

Status

1 RYDER TRUCK RENTAL CANADA LTD
700 CREDITSTONE ROAD
CONCORD, ON L4K5A5
Email: PPSA@RYDER.COM

Current

Collateral: Serial Number Goods

<u>Block</u>	<u>Serial Number</u>	<u>Year</u>	<u>Make and Model</u>	<u>Category</u>	<u>Status</u>
1	2AYSDM2H3F1000829	2015	HINO 195	MV - Motor Vehicle	Current

Search ID #: Z12125304

Business Debtor Search For:

HOP COMPOST LIMITED

Search ID #: Z12125304

Date of Search: 2019-Nov-13

Time of Search: 12:02:45

Registration Number: 19100811333

Registration Type: SECURITY AGREEMENT

Registration Date: 2019-Oct-08

Registration Status: Current

Expiry Date: 2022-Oct-08 23:59:59

Exact Match on:

Debtor

No: 1

Debtor(s)

Block

Status

1 HOP COMPOST LTD
4243 17A ST SE
CALGARY, AB T2G3X1

Current

Secured Party / Parties

Block

Status

1 RYDER TRUCK RENTAL CANADA LTD
700 CREDITSTONE ROAD
CONCORD, ON L4K5A5
Email: PPSA@RYDER.COM

Current

Collateral: Serial Number Goods

<u>Block</u>	<u>Serial Number</u>	<u>Year</u>	<u>Make and Model</u>	<u>Category</u>	<u>Status</u>
1	3HAMMMMP2GL106611	2016	INTL 4300	MV - Motor Vehicle	Current

Search ID #: Z12125304

Business Debtor Search For:

HOP COMPOST LIMITED.

Search ID #: Z12125304

Date of Search: 2019-Nov-13

Time of Search: 12:02:45

Registration Number: 19100812072

Registration Date: 2019-Oct-08

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2022-Oct-08 23:59:59

Exact Match on:

Debtor

No: 1

Debtor(s)

Block

Status

Current

1 HOP COMPOST LTD
4243 17A ST SE
CALGARY, AB T2G3X1

Secured Party / Parties

Block

Status

Current

1 RYDER TRUCK RENTAL CANADA LTD
700 CREDITSTONE ROAD
CONCORD, ON L4K5A5
Email: PPSA@RYDER.COM

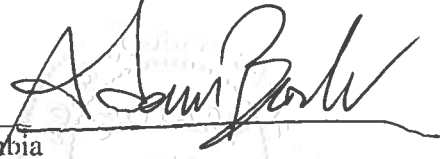
Collateral: Serial Number Goods

<u>Block</u>	<u>Serial Number</u>	<u>Year</u>	<u>Make and Model</u>	<u>Category</u>	<u>Status</u>
1	1FVACXCZ8FHGD0795	2015	FRTL MM106	MV - Motor Vehicle	Current

Result Complete

THIS IS EXHIBIT "F" TO THE
AFFIDAVIT OF ANDREW MASSE
SWORN BEFORE ME AT Vancouver, British Columbia,
this 03rd day of December, 2019

A Notary Public in and for the Province of British Columbia



ADAM J. BARKER
BARRISTER, SOLICITOR & NOTARY PUBLIC
SUITE 200, 505 BURRARD STREET
VANCOUVER, BC V7X 1M3

Your Ref No. 51046-6
Liens : 5 Pages : 6

Searched : 14NOV2019 05:10 PM
Printed : 14NOV2019 05:06 PM

PSSME02 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM 11/14/2019
CCCL369 DISPLAY 1C REGISTRATION - SCREEN 1 17:09:52
ACCOUNT : 009233-0001 FAMILY : 1 OF 5 ENQUIRY PAGE : 1 OF 6
FILE CURRENCY : 13NOV 2019
SEARCH : BD : HOP COMPOST LTD.

00 FILE NUMBER : 739847178 EXPIRY DATE : 29MAY 2024 STATUS :
01 CAUTION FILING : PAGE : 01 OF 002 MV SCHEDULE ATTACHED :
REG NUM : 20180529 1005 1462 1959 REG TYP: P PPSA REG PERIOD: 6
02 IND DOB : IND NAME:
03 BUS NAME: HOP COMPOST LTD.

OCN :
04 ADDRESS : 217 WILKINSON ROAD
CITY : BRAMPTON PROV: ON POSTAL CODE: L6T4M2
05 IND DOB : IND NAME:
06 BUS NAME: HOP COMPOST LTD.

OCN :
07 ADDRESS : 4243 17A STREET SE
CITY : CALGARY PROV: AB POSTAL CODE: T2G3X1
08 SECURED PARTY/LIEN CLAIMANT :
CLE CAPITAL INC.

09 ADDRESS : 3390 SOUTH SERVICE ROAD, SUITE 301
CITY : BURLINGTON PROV: ON POSTAL CODE: L7N3J5
CONS. MV DATE OF OR NO FIXED
GOODS INVTRY. EQUIP ACC'IS OTHER TNCL AMOUNT MATURITY MAT DATE
10 YEAR MAKE X X MODEL V.I.N.

11
12
GENERAL COLLATERAL DESCRIPTION
13 DIESEL APOLLO 25.6 TELEHANDLER
14
15 TOGETHER WITH ALL ACCESSORIES, OPTIONAL EQUIPMENT, COMPONENTS,
16 AGENT: CLE CAPITAL INC.
17 ADDRESS : 3390 SOUTH SERVICE ROAD, SUITE 301
CITY : BURLINGTON PROV: ON POSTAL CODE: L7N3J5

PSSME02 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM 11/14/2019
CCCL369 DISPLAY 1C REGISTRATION - SCREEN 1 17:10:03
ACCOUNT : 009233-0001 FAMILY : 4 OF 5 ENQUIRY PAGE : 5 OF 6
FILE CURRENCY : 13NOV 2019
SEARCH : BD : HOP COMPOST LTD.

00 FILE NUMBER : 756316683 EXPIRY DATE : 08OCT 2022 STATUS :
01 CAUTION FILING : PAGE : 01 OF 001 MV SCHEDULE ATTACHED :
REG NUM : 20191008 1405 1462 2416 REG TYP: P PPSA REG PERIOD: 3
02 IND DOB : IND NAME:
03 BUS NAME: HOP COMPOST LTD

OCN :
04 ADDRESS : 4243 17A ST SE
CITY : CALGARY PROV: AB POSTAL CODE: T2G3X1
05 IND DOB : IND NAME:
06 BUS NAME:

OCN :
07 ADDRESS :
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :
RYDER TRUCK RENTAL CANADA LTD

09 ADDRESS : 700 CREDITSTONE ROAD
CITY : CONCORD PROV: ON POSTAL CODE: L4K5A5
CONS. MV DATE OF OR NO FIXED
GOODS INVTRY. EQUIP ACCTS OTHER INCL. AMOUNT MATURITY MAT DATE

10 X X
YEAR MAKE MODEL V.I.N.
11 2015 FRTL MM106 1FVACXCZ8FHGD0795

12
GENERAL COLLATERAL DESCRIPTION

13

14

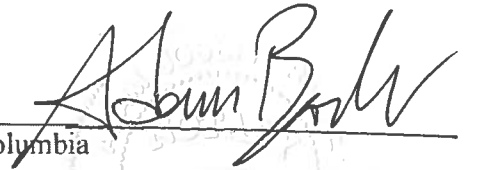
15

16 AGENT: PPSA CANADA INC.

17 ADDRESS : 110 SHEPPARD AVE EAST, STE 303
CTTY : TORONTO PROV: ON POSTAL CODE: M2N6Y8

THIS IS EXHIBIT "G" TO THE
AFFIDAVIT OF ANDREW MASSE
SWORN BEFORE ME AT Vancouver, British Columbia,
this 03rd day of December, 2019

A Notary Public in and for the Province of British Columbia

A handwritten signature in black ink, appearing to read "Adam Barker", written over a horizontal line.

ADAM J. BARKER
BARRISTER, SOLICITOR & NOTARY PUBLIC
SUITE 200, 505 BURRARD STREET
VANCOUVER, BC V7X 1M3

November 14, 2019

VIA COURIER

Hop Composting Ltd.
1000, 250 2nd Street S.W.
Calgary, Alberta
T2P 0C1

Hop Composting Ltd.
4243 17A Street S.E.
Calgary, Alberta
T2G 3X1

Attention: Kevin Davies

Re: Demand for Payment

As counsel to BDC Capital Inc. (the "**Lender**"), we hereby advise Hop Compost Limited (the "**Borrower**") as follows:

1. Reference is made to the following:
 - (a) a Commitment Letter dated June 27, 2017 and executed by the Borrower and the Lender on June 29, 2017;
 - (b) a Continued Personal Guarantee granted by Kevin Davies in favour of the Lender on August 18, 2017 respecting the indebtedness of the Borrower to the Lender;
 - (c) an Assignment of Shareholder Loans granted by Kevin Davies in favour of the Lender on August 18, 2017;
 - (d) a Postponement of Shareholder Loans granted by Kevin Davies in favour of the Lender on August 18, 2017; and
 - (e) a General Security Agreement dated August 18, 2017 and executed by the Borrower

The documents referred to in paragraph 2(a) through (e) above are collectively referred to collectively as the "**BDC Loan Documents**."

2. Pursuant to the BDC Loan Documents, all included credit facilities (the "**Credit Facilities**") are payable in full on demand by the Lender at any time. Accordingly, the

Lender hereby demands from the Borrower payment of the Credit Facilities in the amounts set out in Schedule "A" hereto, plus all accrued interest and all legal and professional fees, costs, charges, disbursements, and expenses incurred by the Lender prior to the date of this demand and hereafter, and any other amounts whatsoever, which may be claimed by the Lender under the BDC Loan Documents, or any other document relating thereto, including, without limitation, all legal costs incurred on a solicitor-client basis in respect of enforcing the Lender's rights under the BDC Loan Documents. For greater certainty, interest continues to accrue on the Credit Facilities and other indebtedness and costs, including as aforesaid, at the rates determined in accordance with the BDC Loan Documents (collectively, the "Outstanding Indebtedness").

3. If the Borrower fails to make payment of the Outstanding Indebtedness by way of certified cheque, bank draft, or other immediately payable funds by no later than 5:00 p.m. Calgary time on November 25, 2019, the Lender will take such lawful steps to recover the Outstanding Indebtedness owing to it as it considers appropriate, including, but not limited to, pursuing all of the Lender's rights and remedies against the Borrower under the BDC Loan Documents.
4. We enclose a Notice of Intention to Enforce Security delivered pursuant to section 244 of the *Bankruptcy and Insolvency Act* (Canada) together with a form to facilitate the Borrower's waiver of the notice period referred to therein if it chooses to permit the same.

Sincerely,

MLT AIKINS LLP

Per:

Ryan Zahara

Encl.

Schedule A" – Outstanding Indebtedness

Loan Amount	Amount in CAD\$ (as at November 13, 2019)
TOTAL	\$1,292,624.58

Plus all interest, legal, and professional fees, costs, charges, disbursements, and expenses incurred by the Lender prior to the date hereof.

Form 86

NOTICE OF INTENTION TO ENFORCE SECURITY
(Section 244 of the Bankruptcy and Insolvency Act)

TO: HOP COMPOST LIMITED., an insolvent person (the "Debtor")

Take notice that:

BDC Capital Inc. (the "Lender"), pursuant to a Commitment Letter dated June 27, 2017 and executed by the Borrower and the Lender on June 29, 2017 (the "Credit Agreement"), between the Lender and the Debtor, intends to enforce its security on all of the Debtor's present and after-acquired personal property, as more particularly described in the Security (as defined below).

The security that is to be enforced is in the form of the following (the "Security"):

- (a) General Security Agreement dated August 18, 2017, which is from the Debtor to the Lender.

The total amount of indebtedness secured by the Security is in the amounts set out in Schedule "A" hereto, plus all accrued interest and all legal and professional fees, costs, charges, disbursements, and expenses incurred by the Lender, and any other amounts whatsoever, which may be claimed by the Lender under the Credit Agreement, the Security, or any other document relating thereto, including without limitation all legal costs incurred on a solicitor-client basis in respect of enforcing the Lender's rights under the Credit Agreement and the Security.

The Lender will not have the right to enforce the Security until after the expiry of the 10-day period after this notice is sent unless the Debtor consents to an earlier enforcement.

DATED at Calgary, Alberta, this 14th day of November 2019.

MLT AIKINS LLP, Agents and Solicitors for the Lender

per: _____

Name: Ryan Zahara

Title: Barrister and Solicitor

Schedule "A" – Outstanding Indebtedness

Loan Amount	Amount in CAD\$ (as at November 13, 2019)
TOTAL	\$1,292,624.58

Plus all interest, legal, and professional fees, costs, charges, disbursements, and expenses incurred by the Lender prior to the date hereof.

Schedule "B" – Waiver

Hop Compost Limited hereby waives the notice period provided for under Section 244(2) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, and consents to the immediate enforcement by the Lender of the Security described above.

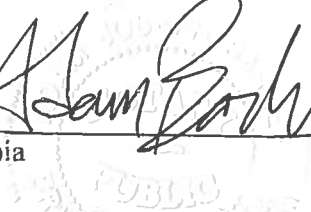
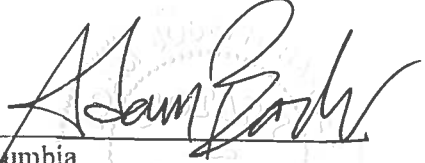
DATED at Calgary, Alberta this ____ day of November 2019.

HOP COMPOST LIMITED

By: _____
Name:
Title:

THIS IS EXHIBIT "H" TO THE
AFFIDAVIT OF ANDREW MASSE
SWORN BEFORE ME AT Vancouver, British Columbia,
this 03rd day of December, 2019

A Notary Public in and for the Province of British Columbia



ADAM J. BARKER
BARRISTER, SOLICITOR & NOTARY PUBLIC
SUITE 200, 505 BARRARD STREET
VANCOUVER, BC V7X 1M3

Schedule "B" – Waiver

Hop Compost Limited hereby waives the notice period provided for under Section 244(2) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 as amended, and consents to the immediate enforcement by the Lender of the Security described above.

DATED at Calgary, Alberta this 19 day of November 2019

HOP COMPOST LIMITED

By: 

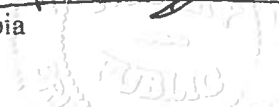
Name: KEVIN DAVIES

Title: CEO

THIS IS EXHIBIT "I" TO THE
AFFIDAVIT OF ANDREW MASSE
SWORN BEFORE ME AT Vancouver, British Columbia,
this 03rd day of December, 2019



A Notary Public in and for the Province of British Columbia



ADAM J. BARKER
BARRISTER, SOLICITOR & NOTARY PUBLIC
SUITE 200, 505 BURRARD STREET
VANCOUVER, BC V7X 1M3

Form 10



COURT FILE NUMBER 25-2585991

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANT IN THE MATTER OF THE NOTICE OF INTENTION TO FILE A PROPOSAL OF HOP COMPOST LTD.

DOCUMENT **ORDER**
(Approval of Administration Charge, Interim Financing and Interim Financing Charge)

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

Carole Hunter
 DLA Piper (Canada) LLP
 1000 - 250 2nd Street SW
 Calgary, AB T3B 5L5

Phone: 403-698-8782
 Fax: 403-697-6600
 Email: carole.hunter@dlapiper.com

I hereby certify this to be a true copy of the original Order of which it purports to be a copy.

Dated this 27 day of Nov, 2019
 For: Angela Brantley
 Registrar at Calgary
 Bankruptcy Division of the
 Court of Queen's Bench of Alberta

File No.: 037296-00006/CJH

DATE ON WHICH ORDER WAS PRONOUNCED: November 27, 2019

LOCATION WHERE ORDER WAS PRONOUNCED: Calgary, Alberta

JUSTICE WHO MADE THIS ORDER: The Honourable Justice K.M. Horner

UPON THE APPLICATION of Hop Compost Ltd. ("Hop") filed November 27, 2019; AND UPON reading the Affidavit of Kevin Davies sworn November 26, 2019; AND UPON reading the Report of MNP Ltd., in its capacity as proposal trustee of Hop on the Cashflow Projections dated November 26, 2019; AND UPON hearing submissions by counsel for Hop and any other counsel or other interested parties present,

IT IS HEREBY ORDERED THAT:

SERVICE

1. The time for service of the notice of application for this order (the "**Order**") is hereby abridged and deemed good and sufficient and this application is properly returnable today, and no other than those persons served is entitled to service of the notice of application.

ADMINISTRATION CHARGE

2. Counsel to Hop, as security for the professional fees and disbursements incurred both before and after the granting of this Order, shall be entitled to the benefits of and are hereby granted a first ranking charge (the "**Administration Charge**") on all of the present and after-acquired assets, property and undertaking of Hop (the "**Property**"), which charge shall not exceed \$30,000, as security for their professional fees and disbursements incurred at the normal rates and charges of counsel to Hop, both before and after the making of this Order in respect of these proceedings.

INTERIM FINANCING

3. The terms of the interim financing facility, substantially in the form as set out in the term sheet dated as of November 27, 2019 (the "**Interim Financing Facility**") attached as Exhibit "A" to the Affidavit of Kevin Davies sworn November 26, 2019 be and is hereby approved.
4. Hop be and is hereby authorized to borrow up to \$265,000 from investors (together, the "**Interim Lenders**") by way of the Interim Financing Facility to be advanced to Hop by the Interim Lenders.
5. The Property of Hop shall be and hereby is subject to a charge in the amount of \$265,000 (the "**Interim Lenders' Charge**"), in order to secure repayment to the Interim Lenders of amounts advanced under the Interim Financing Facility, which Interim Lenders' Charge shall be subordinate to the Administration Charge and rank on a *pari passu* basis with the security interest of Business Development Bank of Canada ("**BDC**") in the within proceedings.
6. For clarity, the respective ranking of the charges on the Property and the security interests in the Property shall be as follows:
 - (a) First, the Administration Charge;

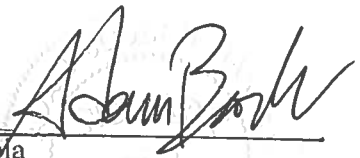
- (b) Second, the Interim Lenders' Charge and the security interest held by BDC, on a *pari passu* basis; and
 - (c) Third, the security interests held by other secured creditors over the Property, if any.
7. The filing, registration or perfection of the Administration Charge and the Interim Lenders' Charge (together, the "**Charges**") shall not be required, and the Charges shall be enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.
8. Service of this Order may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following transmission or delivery of this Order.

" K. M. Horner "

J.C.Q.B.A

THIS IS EXHIBIT "J" TO THE
AFFIDAVIT OF ANDREW MASSE
SWORN BEFORE ME AT Vancouver, British Columbia,
this 03rd day of December, 2019

A Notary Public in and for the Province of British Columbia



ADAM J. BARKER
BARRISTER, SOLICITOR & NOTARY PUBLIC
SUITE 200, 605 BURRARD STREET
VANCOUVER, BC V7X 1M3

Division of Alberta
Division No. 25 - Calgary
Court No: 25-2585991
Estate No: 25-2585991

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
HOP COMPOST LTD.**

REPORT OF THE TRUSTEE

Purpose of the Report

The purpose of this Report is to notify the creditors of a material adverse change in the cash flow projections prepared by management (the "Material Adverse Change" or "MAC").

Background

Hop Compost Ltd. (the "Debtor") filed a Notice of Intention to Make a Proposal (the "NOI") on November 20, 2019 and MNP Ltd. was appointed as the Licensed Insolvency Trustee (the "Proposal Trustee").

The Debtor prepared its cash flow projections on November 26, 2019 and the Proposal Trustee prepared its report on cash flow statement on November 26, 2019. At the time of filing these reports, interim financing was to be provided to the Debtor through an Order granted by the Court of Queen's Bench of Alberta on November 27, 2019 (the "Interim Financing Order").

Management has now advised that the interim funding will not be forthcoming.

As a result, the cash flow statement filed on November 26, 2019 is no longer viable and the Debtor has no other way to finance operations during the stay period granted under the NOI.

Recommendation

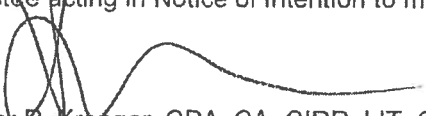
The Proposal Trustee no longer believes that a viable proposal can be made by the Debtor as there is no party prepared to provide funding that was defined under the Interim Funding Order.

The Proposal Trustee is of an opinion that the change in the cash flow statement is material and advises the creditors, the Office of the Superintendent of Bankruptcy and the Court accordingly.

DATED at the City of Calgary in the Province of Alberta this 2nd day of December 2019.

MNP LTD.

Trustee acting in Notice of Intention to make a proposal of Hop Compost Ltd.



Victor P. Kroeger, CPA, CA, CIRP, LIT, CFE
Senior Vice President

cc: All Proven Creditors
cc: Superintendent of Bankruptcy
cc: Court House