

COURT FILE NO. 25-2585991
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

Clerk's Stamp

IN THE MATTER OF THE RECEIVERSHIP OF HOP COMPOST LTD.

DOCUMENT **FIRST REPORT OF MNP LTD. AS THE COURT APPOINTED RECEIVER OF HOP COMPOST LTD.**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

Dean Hutchison
Caron & Partners LLP
2120, 237- 4 Ave SW
Calgary, AB T2P 4K3
Phone No.: 403-770-4023
Fax No.: 403-237-0111
E-mail: dhutchison@caronpartners.com

Victor P Kroeger/ Rick Anderson
MNP Ltd
1500, 640 – 5 Ave SW
Calgary, AB T2P 3G4
Phone No.: 403-298-8479/ 403-537-8424
Fax No.: 403-537-8437
E-mail: vic.kroeger@mnp.ca/ rick.anderson@mnp.ca

APPENDICES

- APPENDIX A Redacted copy of Soiled Diapers Compost Services Ltd. Asset Purchase Agreement for Calgary, Brampton and IP Assets
- APPENDIX B Receiver's Statement of Receipts and Disbursements for the period from December 5, 2019 to March 2, 2020

INTRODUCTION AND BACKGROUND

1. On November 20, 2019 Hop Compost Ltd. ("Hop" or the "Debtor") filed a notice of intention to make a proposal ("**NOI**") pursuant to the Bankruptcy & Insolvency Act with MNP Ltd. named as the proposal trustee (the "Trustee").
2. Hop had made an application to the Court for interim financing approval on November 27, 2019, which the Court approved. The interim financing was required in order for Hop to continue operations during the stay period.
3. Hop advised the Trustee on November 29, 2019 that the necessary funding required to continue operations during the NOI stay period would not be provided, which resulted in the Trustee filing a material adverse change report on December 2, 2019 (the "**MAC**").
4. Once Hop's secured creditor, BDC Capital Inc. (the "**Bank**"), learned of the MAC, they made an application to the Court of Queen's Bench of Alberta (the "**Application**") to have a receiver appointed over the assets, undertakings and property of Hop.
5. The Application was heard on December 5, 2019 and a Receivership Order was granted (the "**Receivership Order**") naming MNP Ltd. as Receiver (the "**Receiver**")
6. Hop's assets are located in leased premises in Vancouver, B.C. (the "**Vancouver Assets**"), in Calgary AB (the "**Calgary Assets**"), in Edmonton AB (the "**Edmonton Assets**") and in Brampton ON (the "**Ontario Assets**") and consisted of machinery, equipment, accounts receivable; and intellectual property necessary for the composting equipment (the "**HotRot IP**" collectively, the "**Assets**").
7. In preparing this first report (the "First Report") and in making comments herein, the Receiver has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information of Hop, books and records of Hop, and information from other third-party sources (collectively, the "Information"). The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with generally accepted assurance standards or other standards established by the Chartered Professional Accountants of Canada (the "Standards"). Additionally, none of the Receiver's procedures were intended to disclose defalcations or other irregularities. If the Receiver were to perform additional procedures or to undertake an audit examination of the information in accordance with the Standards, additional matters may have come to the Receiver's attention. Accordingly, the Receiver does not express an opinion, nor does it provide any other form of assurance on the financial or other information presented herein. The Receiver may refine or alter its observations as further information is obtained or brought to its attention after the date of this report.
8. The Receiver assumes no responsibility or liability for any loss of damage occasioned by any party as a result of the use of the First Report. Any use, which any party makes of this report, or any reliance or decision to be made based on this report, is the sole responsibility of such party.
9. All amounts included herein are in Canadian dollars unless otherwise stated.
10. Copies of the relevant documents relating to these proceedings are available on the Receiver's website at <https://mnpdebt.ca/en/corporate/Engagements/hop-compost-ltd>.

PURPOSE OF THE REPORT

11. The purpose of the First Report is to provide this Honourable Court with the Receiver's comments and information in respect of the activities of the Receiver since its appointment on December 5, 2019 and to seek an Order granting the following:

- a) Approval of the sale of the Assets to Soiled Diapers Compost Services Ltd. ("SDCS");
- b) Approval to seal the Confidential Supplement;
- c) Approval of the Receiver's accounts for the period December 5, 2019 to January 31, 2020;
- d) Approval of the accounts of Receiver's independent legal counsel, Caron & Partners LLP ("**Caron LLP**") for the period December 5, 2019 to February 24, 2020; and
- d) Approval of the reported actions of the Receiver to date in administering these receivership proceedings provided that only the Receiver, in its personal capacity and with respect to its own personal liability, shall be entitled to rely upon or utilize in any way such approvals.

ACTIVITIES OF THE RECEIVER

12. Since the date of the Receivership Order, the Receiver has undertaken a number of activities to safeguard, maintain and market the Vancouver Assets, the Calgary Assets and the Brampton Assets. The Edmonton Assets consisted of a small number of used green storage bins with minimal value and a leased vehicle that was released to the secured creditor. The Edmonton leased facility was disclaimed by the Receiver and was not part of the sales process, as further described herein.

13. the Receiver has also undertaken several activities including, but not limited to, the following:

- a) Initiated the approved sales process;
- b) Distributed the Invitation for Offers to potential purchasers (emailed to 31 interested parties and 2 compost industry organizations);
- c) Coordinated and completed GST returns for Hop;
- d) Maintained the Receiver's website for the proceedings;
- e) Collected accounts receivable from Hop customers;
- f) Obtained insurance and ongoing monitoring of the Assets; and
- g) Prepared, negotiated and executed the asset purchase agreement for the Assets to SDCS.

SALES PROCESS

14. The Receiver commenced a sales process on December 20, 2019 to solicit invitations for offers to purchase the assets with a deadline to submit offers of January 31, 2020.

15. On January 31, 2020, the Receiver received several offers for the assets. The Brampton Assets and Calgary Assets attracted a number of offers, the majority of which were for specific items within the Calgary or Brampton Asset listing. The summary of offers is attached to the Confidential Supplement to the First Report (the "**Confidential Supplement**").

16. The best offer on all the assets of Hop was made by SDCS (the "**SDCS Offer**") however this offer was conditional on financing.

17. Revolution Equipment Inc. ("Revolution") was contacted after the sales process closed to assist in the

clean up of the Vancouver facility, and as a result of their attendance to the premises, requested the opportunity to submit an offer on the Vancouver Assets even though the bid deadline had passed. We advised Revolution that we had accepted an offer on all the assets of Hop, including the Vancouver Assets so we were not in a position to entertain any other offers. We did advise SDCS that there was a party interested in the Vancouver Assets and SDCS gave us permission to provide Revolution with SDCS' contact information. As a result, SDCS and Revolution came to an agreement to allow Revolution to purchase the Vancouver Assets at the SDCS' offer amount (the "**Revolution Offer**"). Subsequently, the Revolution Offer has been rescinded and its offer is gone.

18. The Receiver is currently working to finalize a sale of the Vancouver Assets.
19. Redacted (for commercially sensitive terms) copies of the SDCS' agreement is attached as Appendix "A" to this report. An unredacted copy of the agreement is attached to the Confidential Report.
20. All of the conditions contained in the SDCS offer were waived on March 2, 2020 aside from the approval of this Honorable Court.
21. The Bank, who has the only economic interest in the sale of the Hop assets, supports the Receiver completing the sale of the Calgary Assets, the Ontario Assets and the HotRot IP for the amount in the agreement.
22. The Receiver contacted a local appraiser and was advised that with no resale market to analyze and compare against, valuing this highly specialized machinery and the unique nature of the HotRot IP was not possible. The Appraisal Report outlining this is attached to the Confidential Supplement. Therefore, the offers received are the best and only indication of value of the assets of Hop.
23. The Receiver is of the view that the SDCS Agreement, represents the best possible recovery for the Calgary Assets, the Ontario Assets and the HotRot IP and is in the best interests of the stakeholders generally and therefore recommends to this Honourable Court that this agreement be approved.
24. The Receiver recommends and requests that the Confidential Supplement be sealed by Court Order until such time as the sale of the Calgary Assets, the Ontario Assets and the HotRot IP to SDCS closes in order for the purchase price not to be made public and to preserve the market for the Hop Assets.

SECURED LENDER

25. Prior to consenting to act as Receiver of Hop, MNP Ltd. obtained an independent legal opinion from Caron LLP that determined the Bank's security was valid and enforceable over the Hop Assets in Alberta, British Columbia and Ontario.
26. The outstanding balance of the Bank's debt excluding Receiver's Certificates as at December 5, 2019 was \$1,292,624.58 with interest and legal costs continuing to accrue. To date, the Receiver has Receiver's Certificate borrowings of \$175,000 of the \$250,000 that this Honourable Court has authorized to date.

OTHER PRIORITY CLAIMS

27. CRA has been contacted but, as of the date of this report, has not conducted an audit of Hop's pre-receivership source deduction account or its GST account. The Receiver believes that unremitted source deductions could total \$80,000, not all of which would be a deemed trust claim. Hop was assigned into bankruptcy on December 20, 2019; therefore, any GST liability would be an unsecured claim in the bankruptcy administration.

28. The Receiver is aware of a pending WEPP claim in the amount of \$45,244, but otherwise the Receiver is not aware of any other priority claims relating to workers' compensation claims that may be due and outstanding.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

29. The Receiver has prepared its Interim Statement of Receipts and Disbursements for the period from December 5, 2019 to March 2, 2020 (the "Interim R&D") which is attached as **Appendix "C"**.
30. The R&D records total receipts of \$412,640.63 and total disbursements of \$305,871.02.
31. Receiver's Certificates outstanding total \$175,000 and are included in the receipts referred to above. The most significant expenses paid from the receipts were Receiver's and the Receiver's legal counsel fees and disbursements, occupation rent, insurance and contract labor fees relating to the clean-up of the Calgary and Brampton locations.

APPROVAL OF ACCOUNTS

32. A summary of the professional fees paid by the Receiver is attached as Schedule A to the Interim R&D.
33. From December 5, 2019 to December 31, 2019 the Receiver has expended a total of 250.45 hours with respect to the administration of the receivership proceedings and its professional fees and disbursements, excluding GST, total \$105,076.98.
34. From December 5, 2019 to January 31, 2020 the Receiver's legal counsel has expended a total of 23.82 hours with respect to the administration of the receivership proceedings and its professional fees and disbursements, excluding GST, total \$12,136.02.
35. The Receiver is seeking approval of the Interim R&D for the period of December 5, 2019 to March 2, 2020, and the professional fees and disbursements of the Receiver and the Receiver's legal counsel in the amounts set forth in paragraphs 33 and 34 above.
36. The Receiver is seeking approval of the Professional Fees. The Receiver believes that significant value has been provided through the services performed by the Receiver and that the fees are fair, appropriate and reasonable in the circumstances. In this regard, the Receiver notes the following:
- a. Where appropriate, work has been delegated to junior staff members of the Receiver and its legal counsel in order to reduce professional fees;
 - b. The Receiver has managed to negotiate a transaction that is supported by the secured creditors.
37. The fees have been charged by the Receiver and its legal counsel at their standard hourly rates and, in the Receiver's experience, are comparable to the standard rates of other providers of similar services in Calgary, Alberta. The Receiver will make copies of both their accounts and the accounts of their legal counsel (subject to redaction for privilege) available to the Court or any interested person upon further request.

CONCLUSIONS AND RECOMMENDATIONS

38. The Receiver is of the view that the SDCS Agreement represent the best offer available for the Calgary Assets, the Ontario Assets and the HotRot IP Assets. The Bank supports this agreement and the market

was canvassed as outlined in the Confidential Supplement. Further information is contained in the Confidential Supplement.

39. Based on the foregoing, the Receiver respectfully recommends that this Honourable Court grant an Order:
- a. Approving the SDCS Agreement and authorizing and directing the Receiver to take such additional steps and execute such additional documents as may be necessary or desirable to close the sales contemplated in the agreements;
 - b. Vesting title to the Calgary Assets and the Ontario Assets in SDCS, on closing free and clear of all items, charges, security interests and other encumbrances;
 - c. Approving the sealing of the Confidential Supplement;
 - d. Approving the Receiver's accounts for the period December 5, 2019 to January 31, 2020 in the amount of \$105,076.98 plus GST;
 - e. Approving the accounts of Caron LLP for the period December 5, 2019 to February 24, 2020 in the amount of \$10,816.02; and
 - f. Approving all steps taken by the Receiver and its legal counsel in these receivership proceedings to date.

All of which is respectfully submitted this 6th day of March 2020.

MNP Ltd. in its capacity as Receiver of
Hop Compost Ltd.
and not in its personal capacity

Per: 

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

APPENDIX A

ASSET PURCHASE AGREEMENT

THIS AGREEMENT is made this 04 day of March 2020;

BETWEEN:

SOILED DIAPERS COMPOSTING SERVICES INC.
a body corporate incorporated under the laws of the Province of
Alberta and having an office in the City of Calgary
(hereinafter referred to as the "**Purchaser**")

- and -

MNP LTD.,
in its capacity as the Court-appointed
receiver and manager of Hop Compost Ltd.
and not in its personal capacity
(hereinafter referred to as the "**Vendor**")

(In this Agreement, the Vendor and the Purchaser are collectively referred to as the "**Parties**"
and each individually as a "**Party**".)

WHEREAS by a Receivership Order granted December 5, 2019 by the Honourable Mr. Justice M.J. Lema (the "**Receivership Order**") of the Court of Queen's Bench of Alberta (the "**Court**") in Court File Number 25-2585991, the Vendor was appointed as the receiver and manager, without security, of all Hop Compost Ltd.'s ("**Hop**") current and future assets, undertaking and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (collectively, the "**Property**") and the Vendor was, *inter alia*, empowered and authorized to sell, convey, transfer, lease or assign the Property, or any part or parts thereof, with approval of the Court;

AND WHEREAS the Purchaser wishes to purchase certain parts of the Property, specifically: (i) those assets listed in **Schedule "A"** attached hereto (collectively, the "**Calgary Assets**") which are presently located on premises municipally described as 4243 – 17A Street S.E., Calgary, Alberta (the "**Calgary Premises**"); (ii) those assets listed in **Schedule "B"** attached hereto (collectively, the "**Brampton Assets**") which are presently located on premises municipally described as 217 Wilkinson Road, Brampton, Ontario (the "**Brampton Premises**"); and (iii) all of Hop's interest in the intellectual property described in **Schedule "C"** attached hereto (collectively, the "**Intellectual Property**");

AND WHEREAS the Vendor is prepared to sell the Calgary Assets, the Brampton Assets and the Intellectual Property (hereinafter collectively referred to as, the "**Assets**") to the Purchaser on certain terms;

AND WHEREAS the Parties wish to enter into this Agreement to set out the terms upon which the Purchaser shall purchase the Assets from the Vendor and the Vendor shall sell the Assets to the Purchaser;

NOW THEREFORE, in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties hereby agree as follows:

1. **Price and Payment:** The price paid by the Purchaser for the Assets (the "Purchase Price") shall be [REDACTED] Dollars, plus all applicable sales taxes, including any applicable goods and services taxes and or harmonized sale taxes, which shall be delivered by the Purchaser or its solicitor to the Vendor's solicitor, on or before the Closing Date (as defined below).
1. **Closing Date:** Unless the parties otherwise agree in writing, "Closing Date" means the Business Day (as defined below) immediately following the date in which the Court Approval Condition (as defined below) is satisfied and the Approval and Vesting Order (as defined below) is obtained. The purchase and sale of the Assets shall be completed at 12:00 noon Mountain time on the Closing Date.
2. **Mutual Condition Precedent:** This Agreement shall be subject to the mutual condition precedent (the "Court Approval Condition") that on or before March 25, 2020 the Vendor shall have obtained approval of this Agreement by way of an Approval and Vesting Order from the Court (the "Approval and Vesting Order"), which shall be obtained in accordance with Paragraph 3(1)(ii) of the Receivership Order. This condition is a true condition precedent and may not be waived by either of the Purchaser or the Vendor. If this Court Approval Condition has not been satisfied before the date specified herein, this Agreement shall be terminated.
3. **Transfer of Assets and Removal of Calgary Assets from the Calgary Premises and the Brampton Assets from the Brampton Premises:** On the Closing Date, all of the Vendor's title and interest in the Assets shall transfer to and vest to Purchaser in accordance with the terms of the Approval and Vesting Order. The Purchaser shall remove all of the Calgary Assets from the Calgary Premises, as well as all of the Brampton Assets from the Brampton Premises, within five (5) days of the Closing Date, or by 12:00 noon Mountain time on March 31, 2020, whichever is earlier (the "Removal Deadline"). The Purchaser hereby covenants and agrees that it: (i) shall remove the Calgary Assets from the Calgary Premises, as well as all of the Brampton Assets from the Brampton Premises, in a good and workmanlike manner; (ii) shall not damage the Calgary Premises or the Brampton Premises (collectively, the "Premises") in removing any of the Assets therefrom; and (iii) shall have all of the Assets removed from the Premises by the Removal Deadline (collectively, the "Removal Obligations").
4. **Indemnity for Removal Obligations:** The Purchaser agrees to indemnify the Vendor for any failure to satisfy the Removal Obligations in accordance with the terms of the

Indemnity Agreement attached hereto as **Schedule "D"**, which the Parties agree to execute concurrently with their respective execution of this Agreement.

5. **Vendor's Representations and Warranties:** The Vendor represents and warrants to the Purchaser that:

- (a) the Vendor makes no agreements or representations and warranties concerning any statements made or other information delivered or made available to the Purchaser (whether by the Vendor or any agents, or representatives or advisors of the Vendor or any other person or entity on behalf of or at the direction of the Vendor) with respect to the Assets, whether as part of any information disclosed to the Purchaser pursuant to or in connection with this Agreement or otherwise;
- (b) the Vendor make no representations or warranties with respect to:
 - (i) the fitness of the Assets;
 - (ii) the quality, condition or serviceability of the Assets; or
 - (iii) the suitability of the Assets use for any purposes.

It is expressly acknowledged by the Purchaser that it is purchasing the Assets on an "as is, where is" basis; and

- (c) the Vendor's solicitors shall act as its agent for the purpose of receiving from the Purchaser or its solicitors all monies and documents and the receipt by the Vendor's solicitors shall be a good discharge.

6. **Purchaser's Representations and Warranties:** The Purchaser represents and warrants to the Vendor that:

- (a) in entering into this Agreement and closing the purchase of the Assets, the Purchaser has relied and will continue to rely entirely and solely upon its own inspections and investigations with respect to the Assets;
- (b) except as expressly referenced herein, the Assets are being purchased and assumed by the Purchaser on an "as is, where is" basis and without any further express or implied agreement or representation and warranty of any kind whatsoever or any liability or obligation of the Vendor as to the physical or financial condition, suitability for development, fitness for a particular purpose, merchantability, title, physical characteristics, profitability, existence of latent defects, quality, or any other aspect or characteristic thereof;
- (c) the information disclosed to the Purchaser pursuant to or in connection with this Agreement is provided to the Purchaser without representation or warranty and the Purchaser will rely entirely and solely upon its own investigations and

inspections and shall not rely on the information disclosed to the Purchaser pursuant to or in connection with this Agreement or any other information furnished by the Vendor or any other person or entity on behalf of or at the direction of the Vendor in connection therewith;

- (d) other than providing the Purchaser with access to the Premises for the purposes of enabling the Purchaser to remove the Assets from the Premises, the Vendor shall have no obligation, responsibility or liability to the Purchaser after the Closing Date with respect to any matter relating to the Assets or the condition thereof; and
 - (e) the Purchaser's solicitors shall act as its agent for the purpose of receiving from the Vendor or its solicitors all documents and the receipt by the Purchaser's solicitors shall be a good discharge.
7. **Risk:** The Property shall be and remain at the risk of the Vendor until the Closing Date, and all insurance policies, if any, and the proceeds thereof, if any, will be held in trust for the parties as their interests may appear.
8. **Vendor's Requirements on Closing:** The Vendor shall provide to the Purchaser or the Purchaser's lawyer, as agreed, all closing documents necessary to complete the transaction in accordance with this Agreement, including the following, properly executed and acknowledged, where applicable:
- (a) a certified copy of the Approval and Vesting Order granted by the Court, in a form satisfactory to the Purchaser; and
 - (b) a Receiver's Certificate, confirming that the transaction has closed.
9. **Purchaser's Requirements on Closing:** On the Closing Date, the Purchaser shall execute and deliver to the Vendor's solicitors, to be held in trust on reasonable conditions, the following:
- (a) payment of the Purchase Price, inclusive of any applicable sales taxes, to be delivered by way of certified cheque, bank draft, solicitor's trust cheque, or direct deposit to the Vendor's solicitor's trust account; and
 - (b) such further documentation and assurances as the Vendor may reasonably require in order to complete the purchase and sale herein contemplated.
10. **Access:** The Vendor agrees to allow the Purchaser and the Purchaser's authorized representatives access to the Premises from the Closing Date until the Removal Deadline for the purposes of enabling the Purchaser to remove the Assets from the Premises and comply with the Removal Obligations.
11. **Miscellaneous and General:**

- (a) Each of the parties to this Agreement shall do all such further acts and shall execute all such further documents and assurances as the other party reasonably requires in order to carry out the terms of this Agreement.
- (b) Any notice or other communication contemplated or authorized by this Agreement shall be deemed to have been given by a party and received by the addressee party only if delivered personally to the addressee party at its address for service or in care of its solicitors. Otherwise, such notice or other communication shall be deemed not to have been given by a party or received by the addressee party until received by the addressee party.
- (c) Until a party notifies the other party in writing of a change of the notifying party's address for service, the parties' respective addresses for service are:

the Vendor: MNP Ltd.
 1500, 640 – 5 Avenue SW
 Calgary, AB T2P 3G4
 Attention: Victor Kroeger & Rick Anderson
 Fax: 403-537-8437
 E-mail: victor.kroeger@mnp.ca; rick.anderson@mnp.ca

with a copy to: Caron & Partners LLP
 2120, 237 - 4th Avenue SW
 Calgary, AB T2P 4K3
 Attention: Dean Hutchison
 Fax: 403-237-0111
 E-mail: dhutchison@caronpartners.com

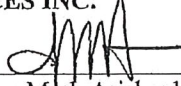
the Purchaser: Soiled Diapers Composting Services Inc.
 87 Deer Lane Road ~~SW~~ S. E. *MM*
 Calgary, AB ~~T5J 5S9~~ T2J 5S9 *MM*
 Attention: Mark Arishenkoff
 Fax: _____
 E-mail: mark@soilediapers.com *ca MM*

with a copy to: Olson Law Group
 51 Riverside Gate
 P.O. Box 762
 Okotoks, AB T1S 1A8
 Attention: Matthew Olson
 Fax: 888-447-2758
 E-mail: m.olson@olson-lawgroup.com

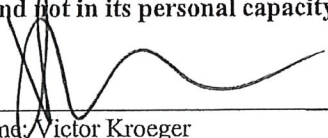
- (d) This Agreement shall enure to the benefit of and shall be binding upon the parties to this Agreement and their respective successors and assignees.
- (e) This Agreement shall be governed by and construed in accordance with the laws of Alberta and the federal laws of Canada applicable in Alberta. The parties hereby irrevocably attorn to the courts of the Province of Alberta.
- (f) Words or expressions in this Agreement shall be construed in whatever number and gender the context requires and the headings of this Agreement, if any, shall not be used in interpreting this Agreement or the relationship of the parties, and are inserted for convenience only.
- (g) If this Agreement provides that a time period expires on, or an action is to be taken by or on, a day that is not a Business Day, the period shall be extended to expire on, or the action may be taken by or on, the next following Business Day. "Business Day" means a day other than Saturday, Sunday or statutory or generally followed holiday in the Province of Alberta. The time for doing or completing any matter provided for in this Agreement may be extended by an agreement in writing signed by the Vendor and the Purchaser or by their respective solicitors who are hereby expressly appointed in this regard.
- (h) In this Agreement, time is, and without any further act, assurance, or notice of any party shall remain, of the essence.
- (i) This Agreement contains the entire agreement of the parties in respect of the Property and no addition, deletion, or variation of this Agreement is valid or effective unless in writing and signed by the parties to this Agreement; provided that no subsequent contract or arrangement between the parties to this Agreement or any of them shall amend, or in any manner alter, this Agreement, unless such amendment or alteration is in writing, is duly signed by each such party or their solicitors.
- (j) In any case where a matter is required or contemplated by this Agreement to be satisfactory to a party, such satisfaction is to be within such party's sole uncontrolled discretion.
- (k) If any part of this Agreement for any reason is declared invalid, that declaration does not affect the validity of the rest of this Agreement, which remains in force and effect as if this Agreement had been made and accepted with the invalid portion eliminated, and the parties hereby declare that they would have signed the rest of this Agreement without including in it any part which may, for any reason, be hereafter declared invalid.
- (l) This Agreement may be executed in counterparts and delivered by electronic means.

- (m) This Agreement is entered into by MNP Ltd. in its capacity as the court appointed receiver of Hop and nothing in this agreement shall be personally binding upon or give rise to any personal liability on the part of MNP Ltd., its directors, officers, servants or agents.

**SOILED DIAPERS COMPOSTING
SERVICES INC.**

Per: 
Name: Mark Arishenkoff
Title: President

**MNP LTD., solely in its capacity as court
appointed receiver of HOP COMPOST
LTD., and not in its personal capacity**

By: 
Name: Victor Kroeger
Title: Senior Vice President

Schedule "A"

List of Calgary Assets

2 x Hot Rot 1811 compost vessels with infeed hopper, 2 x infeed augers, output augers (2) 2 additional output augers and 2 x biofilters with extraction fans

2 x Electrical Panels

1 x Transformer

Scale and Bag sealer

Compost screener and bag filler

2 pallet jacks, hand truck

3 shelving units

Hyster fork lift

Pressure washer

Washing machine

Steel stair unit

Assorted spare parts, office furniture, computers

142 Concrete Lego blocks

220 Large bins

130 Small bins

6 pallets blue plastic bins

Bin lifter

All current inventory

Schedule "B"

List of Brampton Assets 1 x Hot Rot 1811 compost vessels with infeed hopper, 1 x infeed augers, output augers, output augers and 1 x biofilter with extraction fan

Bin lifter

Scale unit

Pallet truck

Assorted plastic bins

Unknown number concrete blocks

Schedule "C"

List of Intellectual Property

All of Hop Compost Ltd.'s interests in the Trademarks, Patents and Domain Names as defined in the Intellectual Property Assignment Agreement dated and effective November 14, 2017 between Kirwan-Green Investments Limited and Hop Compost Ltd.

Schedule "D"

Indemnity Agreement

[To Be Inserted]

INDEMNITY AGREEMENT

THIS AGREEMENT is made this 04 day of March 2020;

BETWEEN:

MNP LTD.,
in its capacity as the Court-appointed
receiver and manager of Hop Compost Ltd.,
and not in its personal capacity
(hereinafter referred to as the "Vendor")

- and -

SOILED DIAPERS COMPOSTING SERVICES INC.,
a body corporate incorporated under the laws of the Province of
Alberta and having an office in the City of Calgary, Alberta
(hereinafter referred to as the "Purchaser")

(In this Agreement, the Vendor and the Purchaser are collectively referred to as the "Parties" and each individually as a "Party".)

WHEREAS the Vendor and the Purchaser have executed an agreement, specifically an Asset Purchase Agreement, which is dated March 04, 2020 (hereinafter the "Purchase Agreement");

AND WHEREAS certain of the assets that are the subject of the Purchase Agreement (hereinafter collectively the "Assets") are presently located on premises municipally described as 4243 – 17A Street S.E., Calgary, Alberta and 217 Wilkinson Road, Brampton, Ontario (collectively, the "Premises");

AND WHEREAS, pursuant to the terms of the Purchase Agreement, the Purchaser is required to remove the Assets from the Premises following the Closing Date (as such term is defined in the Purchase Agreement) and is required to have the Assets removed from the Premises by no later than 12:00 p.m. Mountain time on March 31, 2020;

AND WHEREAS the Parties wish to enter into this Agreement and to provide for certain indemnities to the Vendor with respect to the removal of the Assets from the Premises;

NOW THEREFORE, in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties hereby agree as follows.

1. Indemnity

- (a) Subject to the limitations set out herein, the Purchaser hereby agrees to indemnify and save harmless the Vendor to the maximum amount of [REDACTED] (the "Indemnity Amount", such amount being 25% of the Purchase Price, as such term is defined in the Purchase Agreement) from and against any and all claims which may be brought against, issued or suffered by the Vendor by reason of any matter or thing arising out of, or resulting from: (i) the Purchaser's removal of the Assets from the Premises; and (ii) any

failure by the Purchaser to have all of the Assets removed from the Premises on or before 12:00 p.m. Mountain time on March 31, 2020.

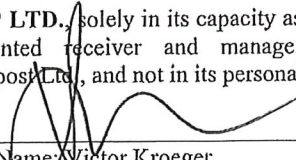
2. General

- (a) This Agreement shall terminate forty-five days (45) days following the Closing Date (as such term is defined in the Purchase Agreement).
- (b) This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior written, oral or implied agreements or understandings among them with respect to the subject matter hereof. This Agreement may be amended, modified or supplemented only by an agreement in writing executed by the Parties.
- (c) The division of this Agreement into articles, sections and subsections is for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- (d) The Parties acknowledge that their respective legal counsel have reviewed and participated in settling the terms of this Agreement, and the Parties hereby agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting party will not be applicable in the interpretation of this Agreement.
- (e) This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and the Parties irrevocably attorn to the non-exclusive jurisdiction of the courts of the Province of Alberta in respect of all disputes arising under or in relation to this Agreement.
- (f) No waiver by a Party shall be effective unless it is set out in a written instrument signed by such Party and any waiver shall affect only the matter, and the occurrence thereof, specifically identified in the applicable written instrument and shall not extend to any other matter or occurrence.
- (g) Each Party shall, from time to time and at all times hereafter, at the request of the other Party, but without further consideration, do all such further acts, and execute and deliver all such further documents and instruments as the other Party may reasonably request in order to fully perform and carry out the terms and intent of this Agreement.
- (h) If any one or more of the provisions (or any part thereof) of this Agreement is determined to be invalid, illegal or unenforceable in any respect in any jurisdiction, such provision or provisions (or part or parts thereof) shall be, and shall be conclusively deemed to be, as to such jurisdiction, severable from the balance of this Agreement and:
 - (i) the validity, legality or enforceability of the remaining provisions of this Agreement will not in any way be affected or impaired by the severance of the provisions (or parts thereof) so severed; and
 - (ii) the invalidity, illegality or unenforceability of any provision (or part thereof) of this Agreement in any jurisdiction shall not affect or impair such provision (or part thereof) or any other provisions of this Agreement in any other jurisdiction;

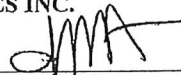
- (i) This Agreement may be executed in counterparts, and by facsimile or portable document format (PDF), each of which, when taken together, shall be deemed an original, and all of which together constitute one and the same agreement.
- (j) Nothing in this Agreement shall be construed to give any person or entity other than the Parties any legal or equitable claim, right or remedy; rather, this Agreement is intended to be for the sole and exclusive benefit to the Parties.
- (k) This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and assigns; provided that this Agreement may not be assigned by either Party without the prior written consent of the other Party.

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

MNP LTD., solely in its capacity as the Court-appointed receiver and manager of Hop Compost Ltd., and not in its personal capacity

Per: 
Name: Victor Kroeger
Title: Senior Vice President

SOILED DIAPERS COMPOSTING SERVICES INC.

Per: 
Name: Mark Arishenkoff
Title: President

APPENDIX B

Hop Compost Ltd. - in Receivership
Interim Statement of Receipts and Disbursements
For the Period December 5, 2019 to March 3, 2020

Receipts:

Cash on Hand	\$ 147,504.36
Receiver's certificate borrowings	175,000.00
Collection of accounts receivable	<u>90,136.27</u>

Total receipts:

412,640.63

Disbursements:

Advertising	1,687.99
Appraisal Fees	1,000.00
Bank charges	12.40
Cleanup costs and contracted labour	15,654.50
GST/HST paid	10,782.29
Insurance	16,836.44
Occupation rent	139,803.70
Receiver's Fees and Disbursements to January 31, 2020 ¹	105,076.98
Receiver's legal counsel Fees and Disbursements to February 24, 2020 ¹	12,136.02
Security	65.03
Utilities	<u>2,815.67</u>

Total disbursements:

305,871.02

Excess of receipts over disbursements represented by cash in bank:

106,769.61

Notes:

1 See Schedule 1 attached regarding professional fees.

Hop Compost Ltd. - In Receivership
Schedule 1 - Summary of Professional Fees and Disbursements
For the Period December 5, 2019 to March 2, 2020

Description	Invoice Number	Invoice Date	Total Hours	Fees \$	Disbursements \$	Subtotal \$	GST \$	Total \$	Amount Paid (Net of GST) \$
Receiver's Fees and Disbursements									
For the period December 5, 2019 to December 31, 2019	9089167	06-Jan-20	121.15	48,825.50	817.00	49,642.50	2,482.12	52,124.62	49,642.50
For the period January 1, 2020 to January 31, 2020	9123946	05-Feb-20	129.30	49,643.00	5,791.48	55,434.48	2,771.72	58,206.20	55,434.48
Total MNP Ltd.'s Fees and Disbursements			250.45	98,468.50	6,608.48	105,076.98	5,253.84	110,330.82	105,076.98
Receiver's Legal Fees and Disbursements									
CARON & PARTNERS LLP									
For the period December 5, 2019 to January 19, 2020	119601	10-Jan-20	13.22	6,616.02	-	6,616.02	330.45	6,946.47	6,616.02
For the period January 20, 2020 to February 24, 2020	120302	24-Feb-20	8.40	4,200.00	-	4,200.00	210.00	4,410.00	4,200.00
Blaney McMurtry LLP									
For the period December 3, 2019 to December 5, 2019	675990	13/12/2019	2.2	1,320.00	-	1,320.00	171.60	1,491.60	1,320.00
Total Receiver Legal Fees and Disbursements			23.82	12,136.02	-	12,136.02	712.05	12,848.07	12,136.02