

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)

Court No. 32-2427544

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
ALFACON SOLUTIONS LIMITED
OF THE TOWN OF MILTON,
IN THE PROVINCE OF ONTARIO

SECOND REPORT TO THE COURT
SUBMITTED BY MNP LTD.

NOVEMBER 16, 2018

I. INTRODUCTION

1. On October 2, 2018, Alfacon Solutions Limited (“**Alfacon**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to section 50.4 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), wherein MNP Ltd. (“**MNP**”) was named as proposal trustee (the “**Proposal Trustee**”) of the Company. Copies of the NOI are attached hereto and marked as **Exhibit “A”**.
2. On October 30, 2018, the Company filed Notice of Motion and a Motion Record returnable November 1, 2018 (the “**November 1 Motion**”), seeking, among other things, a Court Order extending the time within which the Companies had to file a proposal and approving a contemplated sale and investment solicitation process (“**SISP**”). The Proposal Trustee served its first report, dated October 30, 2018 (the “**First Report**”). A copy of the First Report, without exhibits, is attached hereto and marked as **Exhibit “B”**.

3. On October 31, 2018, counsel for Royal Bank of Canada (“**RBC**”) filed and served the Affidavit of Wojciech Karwala (the “**Karwala Affidavit**”) in connection with RBC’s opposition to the November 1 Motion. A copy of the Karwala Affidavit, is attached hereto and marked as **Exhibit “C**”.
4. Prior to the November 1 Motion being heard, the Proposal Trustee presented revised cash flow and other information to RBC in contemplation of a short two (2) week extension of the period to file a proposal (the “**First Extension**”). Following discussion with RBC, the Company and the Proposal Trustee, RBC agreed to support the proposed First Extension in contemplation of the appointment of a receiver.
5. On November 1, 2018, the Court granted an order (the “**First Extension Order**”) which, among other things, ordered the date for the filing of the Company’s proposal be extended to November 16, 2018 (the “**First Extension Deadline**”). A copy of the First Extension Order is attached hereto and marked as **Exhibit “D**”.
6. Information regarding the proceedings has been posted to the Proposal Trustee’s website at <https://mnpdebt.ca/en/corporate/Engagements/alfacon-solutions-limited>.
7. The primary purpose of these proceedings is to provide stability to Alfacon’s business while Alfacon, under the supervision of the Proposal Trustee and in consultation with Alfacon’s majority shareholder, Monteco Ltd. (“**Monteco**”), and Alfacon’s legal counsel seeks a purchaser of and/or investor in its business, and would form the basis for the Company to formulate and present a viable proposal to its creditors.

II. RESTRICTIONS

8. In preparing this Report and making the comments herein, the Proposal Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, the Company’s books and records, discussions with employees and management of the Company, the Karwala Affidavit and information from other third-party sources (collectively, the “**Information**”). Except as described in this Report, the Proposal Trustee 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 of the Chartered Professional Accountants of Canada.

9. The Proposal Trustee also bases its report on the Company's cash flow projections and underlying assumptions and notes that its review and commentary thereon were performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals' Standards of professional Practice No. 99-5 (Trustee's Report on Cash Flow Statement). Certain of the information referred to in this report consists of financial forecasts and/or projections. An examination or review of financial forecasts and projections and procedures, in accordance with standards set by Chartered Professional Accountants Canada, has not been performed. Future oriented financial information referred to in this report was prepared based on estimates and assumptions provided by the Company' management. Readers are cautioned that, since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, and such variations could be material.

III. PURPOSE OF THIS REPORT

10. The purpose of this Report is to:

- a. Provide information to the Court with respect to the administration of the Company's proposal proceedings, including
 - i. The Company's activities since the First Report, including the Letter of Intent ("LOI"), dated November 16, 2018 (the "**Revised LOI**") received from JMP Solutions Limited ("**JMP**") in connection with a proposed asset sale transaction;
 - ii. In respect of the Company's request for an extension of time to file a Proposal; and
- b. Provide the Court with the Proposal Trustee's recommendation for an Order(s), *inter alia*, extending the time for filing a proposal to November 23, 2018.

IV. BACKGROUND INFORMATION

11. Alfacon is an Ontario corporation carrying on business from rented premises in Milton, Ontario. Alfacon provides custom design, engineering, manufacturing, and installation support of material handling systems. Alfacon's products include lifting equipment, package and pallet handling conveyors and sortation systems, truck loaders, extendable and vertical conveyors, and belt and roller conveyor systems. Alfacon services, amongst others, the courier/postal, manufacturing, distribution and food and beverage industries.
12. The Company employs fifteen (15) full time employees at its facility in Milton.
13. Monteco is majority shareholder of Alfacon and owns 75% of the common shares of the Company. Monteco acquired a majority interest in Alfacon in 2015.
14. RBC is the primary operating lender to the Company and as per the Karwala Affidavit, "RBC has a first-ranking security interest as against Alfacon's inventory, equipment and accounts, among other collateral." The indebted owing by the Company to RBC was approximately \$2.159 million as at the date of the filing of the NOI.
15. Details and listing of the salient other creditors are set-out in the First Report.

V. CASH FLOW PROJECTIONS

16. Attached hereto as **Appendix "E"** is the Company's updated cash flow (the "**Updated Cash Flow**") for the 2nd Extension Period (as such term is later defined).
17. Under the terms of the Revised LOI, JMP is funding the operating costs of the Alfacon for the 2nd Extension Period in the amount of approximately \$48,300. Such fund from JMP is to be provided in advance on the acceptance of the Revised LOI.
18. With the funding from JMP for the 2nd Extension Period the Company should have sufficient funds to pay its post-filing services and supplies during this period.

VI. JMP LOI

19. Over the last several months, has endeavored to solicit offers for the purchase and/or investment in Alfacon's business. The Company had received two (2) offers. The JMP

offer appeared to the Company as the most viable option as the other offer was contingent on it obtaining a certain level

20. Since November 1, 2018, Alfacon has been in discussion with JMP and JMP has performed its own due diligence, with the view of acquiring Alfacon's business through an asset purchase transaction and asset/operations purchase agreement ("**AOPA**").
21. An initial LOI was presented to Alfacon on or about November 13, 2018, which was then provided to RBC for consideration. Following feedback from RBC and discussions with JMP by the Company and the Proposal Trustee, JMP submitted the Revised LOI.
22. The salient terms of the Revised LOI contemplates the following:
 - a. The purchase on "as is where is" basis of all of the Company's assets, including all accounts receivables, inventory (raw and WIP), capital assets and intangibles (the "**Assets**");
 - b. Providing a \$50,000 non-refundable deposit if the terms of the Revised LOI are accepted by the Company and RBC, and on the granting of an extension for the filing of a proposal for a one (1) week period (the "**2nd Extension Period**");
 - c. The funding of Alfacon's operations for the 2nd Extension Period while JMP and Alfacon negotiate the terms of the AOPA; and
 - d. JMP obtaining an Approval and Vesting Order in connection with the Assets by November 23, 2018.
23. Should the contemplated transaction close, the Proposal Trustee believes that it would provide a better return to stakeholders, as compared to a liquidation scenario, based on the information currently available to the Proposal Trustee. In addition, the contemplated transaction would save jobs and employment for fifteen (15) employees, a potential tenant for the landlord, as well as preserve business opportunities for Alfacon's customers and suppliers in the future.

VII. OTHER CONSIDERATIONS

24. As a condition of RBC's support of the Company's request for the 2nd Extension Period, RBC has required that the guarantors¹ confirm that they support and agree that the Company should enter into the proposed transaction with JMP as being the best outcome reasonably possible.
25. The Proposal Trustee has been advised by Alfacon and JMP that without an extension and the prospects of the continuation of Alfacon's business under/sale to JMP, key employees will be lost upon bankruptcy. The JMP has further advised that their primary motivation in pursuing this transaction so quickly is to retain Alfacon's skilled workforce.
26. Should the 2nd Extension Period being sought by the Company not be granted, Alfacon will be deemed bankrupt at 12 midnight on November 16, 2018, wherein the Proposal Trustee anticipate that the Assets will be liquidated by RBC's receiver.

VIII. REQUEST FOR AN EXTENSION OF TIME FOR FILING A PROPOSAL

27. In view and in consideration of the foregoing, the Proposal Trustee supports the Company's request for an extension of the time for filing of a proposal to November 23, 2018 on the basis that:
 - a. The Company has been and is acting in good faith and with due diligence;
 - b. The extension should not adversely affect or prejudice creditors, as the Company is projected to have sufficient funds to pay the post-filing services and supplies in the amounts contemplated in the Updated Cash Flow; and
 - c. The extension provides the necessary time for the Company to finalize an AOPA with JMP, and subject to the Court's also approval of the transaction, close same;

¹ Those parties that have guaranteed the indebtedness to RBC.

IX. CONCLUSION AND RECOMMENDATION

28. Based on the foregoing, the Proposal Trustee respectfully recommends that the Court make an order granting the relief detailed in paragraph 10.

All of which is respectfully submitted on this 16th day of November, 2018.

MNP Ltd.

In its capacity as Trustee under
The Notice of Intention to Make a Proposal of
Alfacon Solutions Limited.

Per:

A handwritten signature in blue ink, appearing to read 'M. Lem', is written over a horizontal line.

Matthew Lem, CIRP, LIT

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF ALFACON SOLUTIONS LIMITED, OF THE TOWN OF MILTON, IN THE PROVINCE OF ONTARIO**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
(IN BANKRUPTCY AND INSOLVENCY)**

SECOND REPORT TO THE COURT

MNP LTD.
300-111 Richmond Street West
Toronto, ON M5H 2G4
Matthew Lem
Tel: (416) 515-3882
Fax: (416) 323-5242
Email: Matthew.Lem@MNP.ca

EXHIBIT "A"

District of:
Division No. -
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the matter of the proposal of
Alfacon Solutions Limited
of the Town of Milton
in the Province of Ontario

Take notice that:

1. I, Alfacon Solutions Limited, an insolvent person, state, pursuant to subsection 50.4(1) of the Act, that I intend to make a proposal to my creditors.
2. MNP LTD. of 300 - 111 Richmond Street West, Toronto, ON, M5H 2G4, a licensed trustee, has consented to act as trustee under the proposal. A copy of the consent is attached.
3. A list of the names of the known creditors with claims of \$250 or more and the amounts of their claims is also attached.
4. Pursuant to section 69 of the Act, all proceedings against me are stayed as of the date of filing of this notice with the official receiver in my locality.

Dated at the City of Toronto in the Province of Ontario, this 1st day of October 2018.



Alfacon Solutions Limited
Insolvent Person

To be completed by Official Receiver:

Filing Date

Official Receiver

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)

Court No. 32-2427544

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
ALFACON SOLUTIONS LIMITED
OF THE TOWN OF MILTON,
IN THE PROVINCE OF ONTARIO

FIRST REPORT TO THE COURT
SUBMITTED BY MNP LTD.

OCTOBER 30, 2018

I. INTRODUCTION

1. On October 2, 2018, Alfacon Solutions Limited (“**Alfacon**” or “**the Company**”) filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to section 50.4 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), wherein MNP Ltd. (“**MNP**”) was named as proposal trustee (the “**Proposal Trustee**”) of the Company. Copies of the NOI are attached hereto and marked as **Exhibit “A”**.
2. Notice of the NOI as prescribed by the BIA was sent on October 5, 2018 to all of Alfacon’s known creditors with claims greater than \$250. A copy of such notice is attached hereto and marked **Exhibit “B”**.
3. Information regarding the proceedings has been posted to the Proposal Trustee’s website at <https://mnpdebt.ca/en/corporate/Engagements/alfacon-solutions-limited>.
4. The primary purpose of these proceedings is to provide stability to Alfacon’s business while Alfacon, under the supervision of the Proposal Trustee and in consultation with

Alfacon's majority shareholder, Monteco Ltd. ("**Monteco**"), and Alfacon's legal counsel ("**Counsel**" and together with the Proposal Trustee, and Monteco, collectively the "**SISP Team**") conducts a sale and investment solicitation process ("**SISP**"), and works on formulating and presenting a viable proposal to its creditors.

II. RESTRICTIONS

5. In preparing this Report and making the comments herein, the Proposal Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, the Company's books and records, discussions with employees and management of the Company and information from other third-party sources (collectively, the "**Information**"). Except as described in this Report, the Proposal Trustee 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 of the Chartered Professional Accountants of Canada.
6. The Proposal Trustee also bases its report on the Company's cash flow projections and underlying assumptions and notes that its review and commentary thereon were performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals' Standards of professional Practice No. 99-5 (Trustee's Report on Cash Flow Statement). Certain of the information referred to in this report consists of financial forecasts and/or projections. An examination or review of financial forecasts and projections and procedures, in accordance with standards set by Chartered Professional Accountants Canada, has not been performed. Future oriented financial information referred to in this report was prepared based on estimates and assumptions provided by the Company' management. Readers are cautioned that, since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, and such variations could be material.

III. PURPOSE OF THIS REPORT

7. The purpose of this Report is to:

- a. Provide information to the Court with respect to the administration of the Company's proposal proceedings, including
 - i. background information regarding the Company's operations, management structure, historical financial results and the circumstances leading to the filing of the NOI;
 - ii. the proposed SISP to be conducted by Alfacon, as described in detail later in this Report;
 - iii. in respect of the Company's request for an extension of time to file a Proposal; and
- b. Provide the Court with the Proposal Trustee's recommendation for an Order(s), *inter alia*:
 - i. authorizing and directing Alfacon to carry out the SISP;
 - ii. approving a charge in favour of the legal advisors retained by the Company, the Proposal Trustee and its legal counsel (collectively, the "**Administrative Professionals**") to secure payment of their respective reasonable fees and disbursements;
 - iii. extending the time for filing a proposal to December 15th, 2018; and
 - iv. approving the activities of the Proposal Trustee as set out in this Report.

IV. BACKGROUND INFORMATION

8. Alfacon is an Ontario corporation carrying on business from rented premises in Milton, Ontario. Alfacon provides custom design, engineering, manufacturing, and installation support of material handling systems. Alfacon's products include lifting equipment, package and pallet handling conveyors and sortation systems, truck loaders, extendable

and vertical conveyors, and belt and roller conveyor systems. Alfacon services, amongst others, the courier/postal, manufacturing, distribution and food and beverage industries.

9. Monteco is majority shareholder of Alfacon and owns 75% of the common shares of the Company. Monteco acquired a majority interest in Alfacon in 2015.

10. Alfacon advises that the causes of its financial difficulties are attributable to the following:

- a. A legal dispute with a customer began in calendar year 2013. The Company has incurred significant expenses for legal fees and a settlement was not reached until calendar year 2018;
- b. Alfacon suffered from disputes between the current management and the Company's founder. The founder and his son, key drivers of sales, left the day-to-day operations of Company, and their departure caused a significant decline in sales for fiscal year 2018;
- c. Upon the departure of the Company's founder, the facility being used was sold causing an unplanned facility relocation. This relocation caused a four week loss in production. The estimated costs of the move to the new facility is estimated at \$250,000, and does not include the income lost from production delays of over four weeks; and
- d. Alfacon received an injection of new capital in 2017. The new funding created an opportunity to expand and provided the funding needed for two large contracts undertaken by Alfacon. The estimating for the contracts had significant errors that resulted in substantial losses to the Company.

11. A summary of the Company's combined historical financial results is set out below:

Year Ended April 30 (CAD\$)	F2015	F2016	F2017	F2018
	Unaudited			
Revenue	\$ 9,588,045.00	\$ 16,293,679.00	\$ 19,011,151.00	\$ 8,161,850.00
% Growth	N/A	70%	17%	-57%
Cost of Goods Sold	\$ 7,483,991.00	\$ 13,272,327.00	\$ 16,807,270.00	\$ 6,943,428.00
Gross Margin	\$ 2,104,054.00	\$ 3,021,352.00	\$ 2,203,881.00	\$ 1,218,422.00
Gross Margin (%)	22%	19%	12%	15%
Operating Expenses	\$ 2,691,955.00	\$ 3,058,693.00	\$ 4,767,326.00	\$ 5,582,841.00
Operating Expenses (%)	28%	19%	25%	68%
EBITDA	-\$ 587,901.00	-\$ 37,341.00	-\$ 2,563,445.00	-\$ 4,364,419.00

12. Additional information in respect of Alfacon, including its assets and liabilities, is set out in the affidavit of John Murdoch, sworn on October 30th, 2018 (the “**Murdoch Affidavit**”), filed separately in these proceedings.

V. ASSETS

13. Alfacon's realizable assets consist of its receivables, raw materials and its current work in progress. All of the Company's assets are encumbered by its secured creditors.

14. Substantially all of Alfacon's engineering, manufacturing and assembly equipment is subject to capital leases.

15. Alfacon maintains a minimal level of supply stock, consisting of metal and spare parts. Management of the Company has advised that the existing stock would have minimal value due to the specialized nature of the parts in stock.

16. On October 25th, 2018, Alfacon accepted the terms and conditions of a financing facility proposal (the “**Factoring Proposal**”) with Liquid Capital Exchange Corp. (“**Liquid**”).

VI. CREDITORS

17. Alfacon's NOI lists creditors with claims (claims greater than \$250) of approximately \$10.8 million.

18. A search of the Ontario *Personal Property Security Act* registry (the “**Registry**”), as of October 23, 2018, and Alfacon’s records, includes the following parties as secured creditors of Alfacon:

Creditor	Estimated Amount Owed at the Filing Date
John Murdoch / Monteco Ltd. / Patrick Birmingham Holdings Inc.	\$ 3,435,000
Royal Bank of Canada	2,158,586
BDC Capital Inc.	780,000
Richard Abbott / Doreen Abbott	250,000
Shannon Monteith	100,000
Liftcapital Corporation	11,084
National Leasing Group Inc	9,740
RCAP Leasing Inc.	3,192
Dell Financial Services Canada Limited	1,579
Vault Credit Corporation	1

19. The Proposal Trustee has not yet sought an independent legal opinion on the validity and enforceability of any of the security agreements of the aboved noted secured creditors, nor the validity and enforceability of the Factoring Proposal.

20. The Royal Bank of Canada (“**RBC**”) has been identified by the Company as holding the senior most secured position as registered against the Company. RBC has requested additional documents from the Company to assess their position with regards to the relief being sought by the Company in these proceedings. RBC and/or the Proposal Trustee shall report on this issue at the motion hearing scheduled for November 1, 2018.

VII. CASH FLOW PROJECTIONS

21. To date, the Company has provided the Proposal Trustee with its full co-operation and unrestricted access to its premises, books and records.

22. In accordance with the provisions of the BIA, the Company filed with the Official Receiver a projected cash flow statement dated October 12, 2018, which was reviewed by the Proposal Trustee for reasonableness and signed by the Proposal Trustee and the Company (the “**Cash Flow Projections**”). A copy of the Cash Flow Projections and related reports, are attached hereto as **Exhibit “C”**.

23. The principal assumptions of the Cash Flow Projections are that:

- a. Financing will be obtained by the factoring of all amounts that will be billed. All figures used for future billables are based on managements expectations from current work in progress and expected sales;
- b. Additional financing will be obtained for any cash required in addition to the funds from factoring. This additional financing will be made on terms that are agreeable to by management and with support of Alfacon’s senior secured lender, RBC;
- c. The supply of goods and services are assumed to be on a cash on delivery basis or alternative arrangements have been made with customers for advances or material purchases;
- d. Support by secured creditors, including the postponement of all principal payments; and
- e. Source deductions are current and are remitted through the Company's payroll service.

24. The Company has some customer orders that require additional material purchases to complete the work in progress. The Company needed additional financing to place orders for the required materials. The Cash Flow Projections, as filed, reflects that the Company would obtain this financing in the form of receivables factoring. However, as at the date of the filing of the Cash Flow Projections, the Company did not yet know the exact costs of the Factoring Proposal. As such, a revised cash flow for the 13 week period ending December 31, 2018 (the “**Revised Cash Flow**”) was prepared to show the effects of obtaining financing via the terms of the Factoring Proposal. The Revised Cash Flow was

reviewed by the Proposal Trustee for reasonableness and signed by the Proposal Trustee and the Company. The Revised Cash Flow was filed with the Official Receiver on October 26, 2018. A copy of the Revised Cash Flow and related reports are attached hereto as **Exhibit “D”**.

25. The additional and/or revised principal assumptions of the Revised Cash Flow are that:
- a. The sales projected are based on management’s revised expectations for the completion of sales orders, including work already in progress; and
 - b. Utilization of the factoring credit facility provided by the Factoring Proposal.
26. The Proposal Trustee has implemented procedures for monitoring the Company’s receipts and disbursements and monitoring the business in order to ensure that operations are continuing in the normal course of business and in accordance with the Revised Cash Flow.
27. Based on the Proposal Trustee’s review of the Cash Flow Projections and the Revised Cash Flow, there are no material assumptions which seem unreasonable in the Company’s circumstances or are inconsistent with purpose of the projections. The Proposal Trustee’s report on the Cash Flow Projections, as required by Section 50.4(2)(b) of the BIA is attached hereto and marked as **Exhibit “E”**.
28. Based on the Cash Flow Projections, the Revised Cash Flow and the Factoring Proposal, the Company appears to have sufficient funding through to the end of the requested extension of the NOI.

VIII. SISP

29. Alfacon, under the supervision of the Proposal Trustee, seeks to conduct the SISP to identify one or more purchasers of the business and/or assets of Alfacon, and/or a party or parties interested in investing in Alfacon, as set out in **Exhibit “F”**, attached hereto. In summary, the SISP contemplates a two step sale of the business assets, or investment in the business of, Alfacon on an “as is, where is” basis subject to Court approval, and will proceed on the following timetable:

- a. Upon an order being issued by the Court approving and authorizing the SISP, Alfacon is to (i) in conjunction with the SISP Team, begin identifying prospective purchasers (ii) contacting prospective purchasers directly and with “teaser” mail-outs (iii) distribute to those interested a form of confidentiality agreement (“CA”) and (iv) distribute to those that have signed the CA, the confidential information memorandum, prepared by the Company with the assistance of the SISP Team, and, if necessary, (v) establish and provide access to an electronic data room to those parties having signed a CA;
- b. Within five (5) business days of the Commencement Date, the Proposal Trustee is to place an advertisement of the sale in a nationally circulated newspaper and, if appropriate, such other trade and industry publications identified by the SISP Team;
- c. Letters of Interest (“LOIs”) shall be due by no later than 5:00 P.M. (Toronto Time) on November 30th, 2018;
- d. Parties that have submitted Qualified LOIs (as such term is defined in Exhibit “F”), will be provided additional information and time to conduct site visits and further due diligence beginning December 10th, 2018 and ending January 15th, 2019;
- e. The deadline for Final Bids (as such term is defined in Exhibit “F”) will be 5:00 P.M. (EST) on January 15th, 2019 (the “**Final Bid Deadline**”);
- f. Selection of the Successful Bid (as such term is defined in Exhibit “F”) will be made on or before January 18th, 2019;
- g. The Company or the Proposal Trustee will seek Court approval of the APS (as such term is defined in Exhibit “F”) and a vesting order on or prior to January 25th, 2019; and
- h. The parties will then seek to close the transaction.

30. The SISP contemplated by the Company provides a means for testing the market, and determining whether a transaction that would result in realizations greater than liquidation value is available or alternatively provide the necessary investment/working capital to

address the Company's operational needs. The SISP permits Alfacon to carry on its business in the ordinary course while seeking to identify a strategic purchaser or investor, with the view of enhancing recoveries for stakeholders.

31. The SISP envisions submissions of offers within the period of the extension contemplated in paragraphs 38 and 39, below.
32. The Proposal Trustee recommends the SISP be approved as it is consistent with insolvency industry practices in such proceedings and in like circumstances, and will provide an opportunity to maximize value for the stakeholders generally.

IX. ADMINISTRATION CHARGE

33. In order to protect the fees and expenses of the Company's legal counsel for these proceedings, the Proposal Trustee and the Proposal Trustee's counsel (the "**Administrative Professionals**"), the Company is seeking a charge (the "**Administration Charge**") on the property and assets of the Company to secure payment of the reasonable fees and expenses of the Administrative Professionals in an amount of \$50,000.
34. The Company is requesting that the Administration Charge rank in priority to the claims of all secured and unsecured creditors over the property and assets of the Company, and the rights of parties with properly perfected purchase-money-security-interests.
35. The Proposal Trustee recommends the Administrative Charge be approved for the following reasons:
 - a. each of the professionals whose fees are to be secured by the Administration Charge has played and will continue to play a critical role in the Company's restructuring or refinancing; and
 - b. the Company intends to satisfy the fees and disbursements of the Administrative Professionals from cash flow during the NOI proceedings. The Administration Charge is sought to protect the Administrative Professionals in the event that the restructuring is not successful.

X. EFFORTS TO RESTRUCTURE

36. Since filing the NOI, the Company has sourced and negotiated satisfactory refinancing of operations via the Factoring Proposal. The Factoring Proposal should provide the cash required, and within the time constraints that it is needed in order to stabilize the Company's operations.

37. During the extension period, the Company, with the assistance of the Proposal Trustee, will continue to operate while working to obtain interest from prospective purchasers or investors.

XI. REQUEST FOR AN EXTENSION OF TIME FOR FILING A PROPOSAL

38. In order to allow the Company sufficient time to carry out a financial restructuring or refinancing of its business, and work towards filing a proposal to its creditors, the Company seeks an extension of the time for filing of a proposal to December 15, 2018.

39. In view of the foregoing, the Trustee supports the Company's request for an extension and has also considered:

- a. that the Company is acting in good faith and with due diligence;
- b. that the extension should not adversely affect or prejudice creditors, save and except possibly RBC¹, as the Company is projected to have sufficient funds to pay post-filing services and supplies in the amounts contemplated in the Revised Cash Flow;
- c. that the SISP could generate Qualified LOIs before the end of the requested extension period; the outcome of which will be reported to the Court prior to seeking a second extension, if appropriate, in order to complete the SISP; and

¹ There is a potential erosion of RBC's security over the extension period being sought, should no viable LOI be received. Accordingly, RBC is currently evaluating their position with respect to the relief being sought by the Company. The Proposal Trustee is in contact with RBC and RBC or the Proposal Trustee shall report to the Court at the motion hearing on November 1, 2018 with respect to RBC's position.

- d. the continuation of the going concern business of Alfacon, whether sold or through new investments, creates the best opportunity to maximize value for the stakeholders generally, as compared to a liquidation under a bankruptcy or receivership scenario.

XII. CONCLUSION AND RECOMMENDATION

- 40. Based on the foregoing, the Proposal Trustee respectfully recommends that the Court make an order granting the relief detailed in paragraph 7.

All of which is respectfully submitted on this 30th day of October, 2018.

MNP Ltd.

In its capacity as Trustee under
The Notice of Intention to Make a Proposal of
Alfacon Solutions Limited.

Per:



Matthew Lem, CIRP, LIT

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF ALFACON SOLUTIONS LIMITED, OF THE TOWN OF MILTON, IN THE PROVINCE OF ONTARIO**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
(IN BANKRUPTCY AND INSOLVENCY)**

FIRST REPORT TO THE COURT

MNP LTD.
300-111 Richmond Street West
Toronto, ON M5H 2G4

Matthew Lem
Tel: (416) 515-3882
Fax: (416) 323-5242
Email: Matthew.Lem@MNP.ca

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF ALFACON SOLUTIONS LIMITED OF THE TOWN OF
MILTON, IN THE PROVINCE OF ONTARIO**

**AFFIDAVIT OF WOJCIECH KARWALA
(SWORN OCTOBER 31, 2018)**

I, WOJCIECH KARWALA, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

1. I am a Senior Manager, Special Loans and Advisory Services, with Royal Bank of Canada (“**RBC**”) and, as such, have knowledge of the matters deposed to in this affidavit. Where the information set out in this affidavit is based upon information which I have received from others, I have stated the source of that information and believe it to be true.
2. This affidavit is sworn in response to the motion brought by Alfacon Solutions Limited (“**Alfacon**”), including the affidavit of John Murdoch (“**Murdoch**”) sworn October 30, 2018 (the “**Murdoch Affidavit**”) and the First Report to the Court of the proposal trustee (the “**Proposal Trustee**”), MNP Ltd., dated October 30, 2018 (the “**First Report**”), for, among other things, an order extending the time for filing a proposal by Alfacon in this proceeding and approving a sale and investment solicitation process (the “**SISP**”) to be undertaken by Alfacon in consultation with its proposal trustee, MNP Ltd. (the “**Proposal Trustee**”).
3. As set out in greater detail below, RBC opposes the relief sought by Alfacon on the basis that Alfacon’s proposed method of funding its operations during the course of the SISP

requires that RBC postpone and subordinate its first-ranking security interest in Alfacon's accounts receivable which would be prejudicial to the Bank and is, thus, unacceptable. As a result, Alfacon will not have the necessary funding to fund its operations without using its accounts receivable which will result in erosion of the value of RBC's security position.

4. As set out in the Murdoch Affidavit, RBC acted as Alfacon's operating lender pursuant to a credit agreement dated October 9, 2014, as amended (the "**Credit Agreement**"). With the exception of security registrations registered by certain equipment lessors, RBC has a first-ranking security interest as against Alfacon's inventory, equipment and accounts, among other collateral.
5. Alfacon and RBC entered into a forbearance agreement in April 2018, which agreement was extended in July 2018 (the "**Forbearance Agreement**"), pursuant to which RBC agreed to forbear from enforcing its security notwithstanding that Alfacon was in default under the terms of the Credit Agreement.
6. RBC issued a demand for repayment and a Notice of Intention to Enforce Security under the *Bankruptcy and Insolvency Act* (Canada) to Alfacon on September 27, 2018 after Alfacon breached the terms of the Forbearance Agreement. Alfacon subsequently filed a Notice of Intention to Make a Proposal (the "**NOI**") on October 2, 2018. Alfacon was indebted to RBC in the amount of approximately \$2,158,586 as at the date of the filing of the NOI.
7. Alfacon seeks, among other things, the extension of the time to file a proposal in its NOI proceeding, which is currently set to expire on November 2, 2018, until December 15, 2018 and the Court's approval of the SISP. As set out in the Murdoch Affidavit, Alfacon believes that the SISP will likely involve a sale of its business and the purpose of the SISP is to identify one or more financiers, purchasers or investors in Alfacon's business with a projected completion date for any transaction(s) to take place by the end of January 2019.

Liquid Capital Factoring Agreement

8. The Murdoch Affidavit states that after the filing date of the NOI, and in consultation with the Proposal Trustee and RBC, Alfacon will implement a factoring arrangement with Liquid Capital Exchange Corp. (“**Liquid Capital**”) to accelerate collection of Alfacon’s accounts receivable (the “**Liquid Capital Factoring Proposal**”).
9. As set out in the First Report, the cash flow projections filed by Alfacon with the Official Receiver and reviewed by the Proposal Trustee (the “**Cash Flow Projections**”) assume that financing will be obtained through the Liquid Capital Factoring Proposal by factoring all amounts billed by Alfacon. The proceeds from the factoring of Alfacon’s accounts receivable will serve to fund the company’s operations during the SISP. A copy of the Cash Flow Projections is attached as Exhibit “C” to the First Report.
10. The First Report states that Alfacon has certain customer orders that will require additional material purchases and in preparing the Cash Flow Projections, Alfacon assumed that it would receive the additional financing needed to make those purchases through the Liquid Capital Factoring Proposal. However, as at the date of its filing the Cash Flow Projections with the Official Receiver, Alfacon allegedly did not yet know the exact costs of the Liquid Capital Factoring Proposal.
11. An executed copy of the Liquid Capital Factoring Proposal was first provided to RBC on October 25, 2018 and a copy is attached hereto as Exhibit “A”. Alfacon filed revised cash flow projections with the Official Receiver on October 26, 2018 incorporating the costs of the Liquid Capital Factoring Proposal and a copy of the revised cash flow projections is attached as Exhibit “D” to the First Report.
12. The statement in the Murdoch Affidavit that RBC was consulted with respect to the Liquid Capital Factoring Proposal is somewhat misleading in that RBC was advised by Alfacon that it would look to factor its accounts receivable to fund its operations during the SISP but RBC had no involvement with any negotiation in respect of the Liquid Capital Factoring Proposal and RBC’s position with respect to any factoring arrangement

always remained subject to the terms of any such arrangement and the definitive documentation in respect thereof being satisfactory to RBC.

13. On October 25, 2018, I received an email from Mike Brandt (“**Brandt**”), the Chief Executive Officer of Monteco Ltd. (“**Monteco**”), Alfacon’s parent, attaching the Liquid Capital Factoring Proposal and on October 28, 2018, I advised Brandt via email that RBC had requested additional information from the Proposal Trustee prior to making a final determination as to whether RBC had any concerns with the Liquid Capital Factoring Proposal. Attached hereto as Exhibit “**B**” is a copy of my email correspondence with Brandt.
14. The Liquid Capital Factoring Proposal contemplates that Liquid Capital will factor Alfacon’s current and future accounts receivable. Furthermore, Liquid Capital requires priorities, subordination and postponement agreements from all existing secured creditors so as to provide Liquid Capital with a first-ranking secured position on all of Alfacon’s accounts receivable subject to the Liquid Capital Factoring Proposal.
15. As set out in the Murdoch Affidavit, Alfacon’s accounts receivable account for the majority of the company’s asset value and are subject to RBC’s first-ranking security interest. RBC will not agree to subordinate and postpone its security interest to Liquid Capital in Alfacon’s accounts receivable as contemplated by the Liquid Capital Factoring Proposal as that will result in existing accounts receivable being used to fund Alfacon’s operations, creating new accounts receivable that will be assigned to Liquid Capital under the factoring agreement. The result will be the creation of value for Liquid Capital under the factoring agreement to the detriment of RBC’s security position.
16. Furthermore, RBC has little confidence that the SISP will result in a transaction whose proceeds will be sufficient to repay RBC’s indebtedness and, as such, RBC will prejudice its own security position and bear the risk that the SISP is unsuccessful, which would be the case if it were to postpone and subordinate to Liquid Capital.

17. As such, absent Liquid Capital's agreement to waive the postponement and subordination precondition to the Liquid Capital Factoring Proposal, Alfacon will not be able to close the factoring transaction contemplated therein and will not have sufficient funding to fund its operations throughout the SISP. Alfacon would have to resort to using the accounts receivable subject to RBC's first-ranking security interest to fund its operations which is unacceptable to RBC and would represent a substantial erosion of the value of RBC's security.

18. As noted in the footnote included in paragraph 39 of the First Report, it cannot be said that an extension of the time for filing a proposal by Alfacon will not affect or prejudice creditors as the Proposal Trustee concedes that there is a potential erosion of RBC's security in the event an extension is granted. In light of the terms of the Liquid Capital Factoring Proposal and the fact that RBC will not agree to postpone and subordinate its security interest in Alfacon's accounts receivable, RBC respectfully submits that the erosion of RBC's security is inevitable.

SISP Prospects

19. As noted earlier, Alfacon and RBC entered into the Forbearance Agreement in April 2018. During the nearly six month period that it had to source financing or to find a purchaser for its business, Alfacon did not provide RBC with any evidence to indicate that any parties had expressed a legitimate interest in pursuing a transaction with the company. Furthermore, Alfacon's financial prospects remain dire and it is highly speculative that the SISP will result in a satisfactory purchase or investment offer.

20. As noted in the Murdoch Affidavit and the First Report, market conditions are challenging for Alfacon due to persistent working capital shortages and the company's negative financial position has been exacerbated by disputes, both internal to Alfacon and external with customers, and gross miscalculations that have resulted in substantial losses for the company.

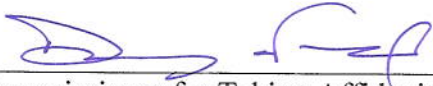
21. In the First Report, the summary of Alfacon's historical financial results for the fiscal years 2015 to 2018 show that the company has generated negative EBITDA every year. In the most recent fiscal year, 2018, Alfacon generated negative EBITDA in the amount of \$4,364,419, nearly doubling the negative EBITDA amount generated during fiscal year 2017. Based on the company's historical financial results, RBC does not believe that the SISP is likely to generate any satisfactory investment or purchase offers and that Alfacon will simply continue to lose money throughout the course of the SISP to the detriment and prejudice of its creditors, particularly RBC given its first-ranking security position.

Alfacon's Creditors

22. Finally, the First Report sets out a list of Alfacon's secured creditors starting with Murdoch, Monteco and Patrick Bermingham Holdings Inc. ("PBHI"), who are collectively owed \$3,435,000.
23. RBC respectfully submits that the Proposal Trustee's listing of the secured creditors is misleading as it appears to diminish the prejudice to RBC of the relief sought by Alfacon in failing to account for the proper priorities between the parties and apparently elevating the claims of Murdoch, Monteco and PBHI.
24. Attached as Exhibit "C" to the Murdoch Affidavit is a copy of Alfacon's creditor list as attached to the NOI. Contrary to the First Report which aggregates the amount owed to the aforementioned creditors, the amounts owed to each of the creditors, according to the creditor list, is \$554,829.40 (Murdoch), \$2,935,000 (Monteco) and \$100,000 (PBHI).
25. While RBC has no knowledge regarding the accuracy of the amounts claimed by Murdoch, Monteco and PBHI, the Proposal Trustee's listing of secured creditors gives the impression that those claims rank in priority to RBC's secured claim when, in fact, RBC has received postponements from Murdoch and Monteco of all indebtedness owed to each of them by Alfacon as part of guarantees that each of them provided to RBC.

26. I swear this affidavit in response to Alfacon's motion for, among other things, an order extending the time for filing a proposal by Alfacon in this proceeding and approving the SISP and for no other or improper purpose.

Sworn before me at the City of Toronto,)
in the Province of Ontario, this 31st day of)
October, 2018.)



Commissioner for Taking Affidavits

DANNY NUNES



WOJCIECH KARWALA

This is Exhibit ^{"A"} referred to in the
affidavit of WOJCIECH KARWALA
sworn before me, this 31st
day of OCTOBER 2018



A COMMISSIONER FOR TAKING AFFIDAVITS

DANNY NUNES



October 25, 2018

Alfacon Solutions Limited

Attention: Mike Brandt

Dear Mr. Brandt

Re: Financing Facility Proposal

Liquid Capital Exchange Corp. ("LCX") is pleased to express its interest in providing the financing program outlined below for Alfacon Solutions Limited.

1. **Client:** Alfacon Solutions Limited ("Client").
2. **Facilities:** (a) Maximum \$1.5 Million Accounts Receivable Facility (the "AR Facility").

Eligible accounts receivable for the AR Facility are Client's fully earned accounts receivable that are acceptable to LCX and within credit limits as established by LCX from time to time.

Advances under the AR Facility will be the face value of eligible accounts receivable, net of any discounts, contras or offsets, less a reserve of 15%.
3. **Term:** Fully open Facilities. Client may terminate the Facilities at any time provided that LCX is given 60 days written notice.
4. **Interest, Fees and Expenses:**
 - (a) Fees for invoices purchased will be as follows: 3.50 % day one based on face value of the invoice (not including credit insurance fees) for the first 45 days with an additional 10bps per day on the outstanding balance for the period outstanding.
 - (b) A non-refundable Work/Closing Fee of \$15,000, \$7,500 payable upon signing with the balance payable on closing, for setting up the Facilities and for LCX's preparation of the Security in LCX's standard forms, where applicable, any and all searches and registrations relative to the Security will be completed by LCX's in-house lawyer.
5. **Documents/ Security:** A definitive Financing Facility Agreement and the usual and customary documents for facilities of this nature and all supporting authorizations,

certificates, acknowledgments, waivers, assurances, security registrations and legal opinions as LCX may reasonably require, including in part the documents listed below:

- (a) Facility Agreement;
 - (b) Promissory Note of Client;
 - (c) Guarantees from shareholders controlling in excess of 20% of the shares;
 - (d) Discharges and Priorities, Subordination or Postponement Agreements with existing secured creditors of Client so that LCX is in first secured position on all accounts receivables subject to the Facilities.
6. **Events of Default:** Usual and customary events of default for facilities of this type.
7. **Other Covenants:** Usual and customary covenants for facilities and transactions of this type.
8. **Conditions:** Usual and customary conditions precedent to facilities of this type.
9. **Ongoing Reporting:** Weekly, monthly and annual financial and other information relative to the Facilities and the Security as LCX may request from time to time.
10. **Confidentiality:** This Financing Facility Proposal is confidential to Client, Guarantors, specified creditors and their respective legal advisors and accounting professionals, and may not be copied or its contents disclosed to other parties without LCX's prior written consent.
11. **Other:** LCX (and its affiliates and their respective officers, directors, employees, advisors, agents and franchisees) will have no liability for, and will be indemnified by Client and Guarantors and held harmless, against any loss, liability, cost or expense incurred in respect of the financing contemplated hereby or the use or proposed use of proceeds thereof (except to the extent resulting from the gross negligence or willful misconduct of the indemnified party), such indemnity to include, without limitation, reasonable legal fees and settlement costs.
12. **Language:** The parties hereto acknowledge that they have requested and are satisfied that the foregoing as well as all notices, actions and legal proceedings be drawn up in the English language./Les parties à ce document reconnaissent qu'elles ont exigé que ce qui précède ainsi que tous avis, actions ou procédures légales soient rédigés et exécutés en anglais et s'en déclarent satisfaites.

If you would like to proceed on the basis outlined here, please sign where indicated below and return a copy of this Financing Facility Proposal so signed, together with payment of \$7,500 to Liquid Capital Exchange Corp. for the initial installment of the non-refundable Work/Closing fee.

The terms of this Financing Facility Proposal are subject to completion by LCX of its due diligence and LCX's credit committee approval.

Yours truly,

Liquid Capital Exchange Corp.



per: Robert Thompson-So, Chief Strategy Officer

Client and Guarantors hereby accept the terms and conditions of this Financing Facility Proposal

Dated this 25th day of October, 2018.

Alfacon Solutions Ltd.

(Client)

By: 

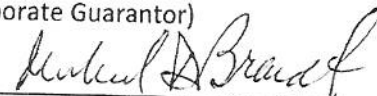
Name: JOHN MURDOCH

Title: CEO

Email: john.murdoch@alfaconsolutions.com

Monteco Ltd.

(Corporate Guarantor)

By: 

Name: MIKE BRANDT

Title: CEO

Email: mbrandt@monteco.com

This is Exhibit...⁸...referred to in the
affidavit of...WJCIKCH KARNALA.....
sworn before me, this...31st.....
day of...OCTOBER.....20...18.....


.....
A COMMISSIONER FOR TAKING AFFIDAVITS
DANNY NUNES

Nunes, Danny

Subject: FW: [EXTERNAL] RE: Liquid Capital term sheet
Attachments: Liquid Capital.pdf
Importance: High

From: Karwala, Wojtek (Mr.) [mailto:wojtek.karwala@rbc.com]
Sent: October 29, 2018 11:09 AM
To: Mike Brandth (mbrandt@monteco.com)
Cc: Matthew Lem (Matthew.Lem@mnp.ca)
Subject: [EXTERNAL] RE: Liquid Capital term sheet
Importance: High

Good morning Mr. Brandt,

We have asked Mr. Lem to provide us with more information prior to make a decision as to the proposal. Mr. Lem, could you forward me a draft of the proposal?

Thanks,

Wojtek Karwala
Royal Bank of Canada
416-974-3557

*****We are moving to 20 King Street West, 2nd Floor, Toronto, ON., M5H 1C4 on DEC. 9, 2018*****

From: Michael Brandt [mailto:mbrandt@monteco.com]
Sent: 2018, October, 25 8:41 PM
To: Karwala, Wojtek (Mr.)
Cc: Manski, Juergen; Matthew Lem; Michael Litwack; Michael Psotka; John Murdoch; Kathryn Harrison
Subject: Liquid Capital term sheet
Importance: High

Wojtek

Please find attached an executed copy of the Liquid factoring term sheet. We realize that with Alfacon as a new transition account for you, it was best to provide you some background.

A number of weeks ago Matt and I had a conversation with Juergen on the perspective of factoring the Alfacon AR, both current and future billings, which Juergen had agreed to, subject to definitive documents. As you will note from the attached, Liquid would only have a priority on the on AR. Mike P and I had a confirming discussion with Juergen in the last week. We have worked with Mike L in the past week to ensure the term sheet attached was aligned to our discussions with Juergen which we believe does meet the requirements.

MNP are about to file the next set of documents (motion materials) for NOI purposes tomorrow, so it would be helpful to confirm there is nothing that RBC is opposed to in the attached term sheet. The court date is scheduled for November 1st.

Would appreciate your no opposition confirmation, however, if you have any questions, please give me a call on my cell (416 318 6615) at your convenience tomorrow.

Regards,
Mike and the Alfacon team

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF ALFACON SOLUTIONS LIMITED OF THE TOWN OF MILTON, IN THE PROVINCE OF ONTARIO

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

PROCEEDINGS COMMENCED AT TORONTO

AFFIDAVIT OF WOJCIECH KARWALA
(sworn October 31, 2018)

DLA PIPER (CANADA) LLP
1 First Canadian Place, Suite 6000
100 King Street West
Toronto, ON M5X 1E2

Bruce Darlington (LSUC No. 25310K)
Tel.: 416.365.3529
Fax: 416.369.5210
Email: bruce.darlington@dlapiper.com

Danny M. Nunes (LSUC No. 53802D)
Tel.: 416.365.3421
Fax: 416.369.7945
Email: danny.nunes@dlapiper.com

Lawyers for Royal Bank of Canada

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE
JUSTICE HAINEY

) THURSDAY, THE 1st DAY OF
)
) NOVEMBER, 2018



IN THE MATTER OF THE PROPOSAL OF
ALFACON SOLUTIONS LIMITED
OF THE TOWN OF MILTON, IN THE PROVINCE OF ONTARIO

ORDER

THIS MOTION, made by Alfacon Solutions Limited ("**Alfacon**") pursuant to the *Bankruptcy and Insolvency Act*, R.S.C 1985, c B-3, as amended (the "**BIA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of John Murdoch sworn October 30, 2018 and the Exhibits thereto (the "**Murdoch Affidavit**"), the First Report of MNP Ltd. (the "**Proposal Trustee**") dated October 30, 2018 (the "**First Report**") and on being advised that the creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for Alfacon, the Proposal Trustee and any other parties who signed the counsel slip:

Service

1. **THIS COURT ORDERS** that the time for service of the Alfacon's Notice of Motion and Motion Record and the First Report is hereby abridged so that this Motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of

documents made in accordance with the Protocol (which can be found on the Commercial List website at: <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the *Rules of Civil Procedure* and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL <https://mnpdebt.ca/en/corporate/engagements/alfacon-solutions-limited>

3. **THIS COURT ORDERS** that the E-Service List Keeper and the WebHost (as such terms are defined in the Protocol) for the purpose of this proceeding shall be the Proposal Trustee.

Extension of Time to File Proposal

4. **THIS COURT ORDERS** that the time for filing of the Proposal, and the stay of proceedings herein, are extended in accordance with Section 50.4(9) of the BIA for a period of 15 days, to and including November 16, 2018.

5. **THIS COURT ORDERS** that the exercise by the Proposal Trustee of any of its powers, the performance by the Proposal Trustee of any of its duties, or the use or employment by the Proposal Trustee of any person in connection with its appointment and the performance of its powers and duties shall not constitute the Proposal Trustee the employer, successor employer or related employer of the employees of Alfacon within the meaning of any provincial, federal or municipal legislation or common law governing employment, pensions or labour standards or any other statute, regulation or rule of law or equity for any purpose whatsoever or expose the Proposal Trustee to liability to any individuals arising from or relating to their previous employment by Alfacon.

6. **THIS COURT ORDERS** that the Proposal Trustee is not, and shall not be or be deemed to be, a director, officer or employee of Alfacon.

7. **THIS COURT ORDERS** that Alfacon shall continue to have the benefit of all of the protections and priorities as set out in the BIA, or this Order, and any such protections and

priorities shall apply to the Proposal Trustee in fulfilling its duties and exercising any of its powers under this Order or any other Order of this Court.

8. **THIS COURT ORDERS** that Alfacon its management and advisors shall cooperate fully with the Proposal Trustee and any directions it may provide pursuant to this Order or any other Order of this Court and shall provide the Proposal Trustee with such assistance as the Proposal Trustee may request from time to time to enable the Proposal Trustee to carry out its duties and powers as set out in this Order or any other Order of this Court.

9. **THIS COURT ORDERS** that nothing in this Order shall constitute or be deemed to constitute the Proposal Trustee as a receiver, assignee, liquidator, administrator, receiver manager, agent of the creditors or legal representative of Alfacon within the meaning of any relevant legislation and that any distribution made to creditors of Alfacon by the Proposal Trustee will be deemed to have been made by Alfacon itself.

10. **THIS COURT ORDERS** that the Proposal Trustee shall not take possession of the Property, and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the business or Property of Alfacon, or any part thereof.

11. **THIS COURT ORDERS** that nothing herein contained shall require the Proposal Trustee to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the Canadian *Environmental Protection Act*, the Ontario *Environmental Protection Act*, the Ontario *Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Proposal Trustee from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Proposal Trustee shall not, as a result of this Order or anything done in pursuance of the Proposal Trustee's duties and powers under this Order, be deemed to be

in possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

12. **THIS COURT ORDERS** that the Proposal Trustee shall provide any creditor of Alfacon with information provided by Alfacon in response to reasonable requests for information made in writing by such creditor addressed to the Proposal Trustee. The Proposal Trustee shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Proposal Trustee has been advised by Alfacon is confidential, the Proposal Trustee shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Proposal Trustee and Alfacon may agree.

13. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Proposal Trustee under the BIA or as an officer of this Court, the Proposal Trustee shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Proposal Trustee by the BIA or any applicable legislation.

General


14. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist Alfacon, the Proposal Trustee and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to Alfacon and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist Alfacon and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

15. **THIS COURT ORDERS** that each of Alfacon and the Proposal Trustee be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the

terms of this Order, and that the Proposal Trustee is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

16. THIS COURT ORDERS that Alfacon, the Proposal Trustee and their counsel are at liberty to serve or distribute the Order, any other materials and orders in these proceedings, any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicant's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements, within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).


17. **THIS COURT ORDERS** that any interested party (including Alfacon and the Proposal Trustee) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.



May Nikolaidis
Registrar, Superior Court of Justice

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:

NOV 01 2018

PER / PAR: 

IN THE MATTER OF THE PROPOSAL OF ALFACON
SOLUTIONS LIMITED OF THE TOWN OF MILTON, IN
THE PROVINCE OF ONTARIO

Court File No. 32-2427544

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

ORDER

PALLET VALO LLP

Lawyers & Trade-Mark Agents
77 City Centre Drive, West Tower
Suite 300
Mississauga, Ontario
L5B 1M5

ALEX ILCHENKO, C.S. (LSUC NO. 33944Q)

Tel: (905) 273-3300
Fax: (905) 273-6920

Lawyers for Alfacon Solutions Limited

