

Court File No. 35-1979333T

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

BETWEEN:

THE BANK OF NOVA SCOTIA

Plaintiff

and

ENTROPEX, 629728 ONTARIO LIMITED and UNITEC INC.

Defendants

**FOURTH REPORT TO THE COURT SUBMITTED BY MNP LTD.,
IN ITS CAPACITY AS RECEIVER OF
ENTROPEX, 629728 ONTARIO LIMITED and UNITEC INC.**

October 6, 2016

Table of Contents

	<u>Page</u>
1.0 Introduction and Purpose of Report	3
1.1 Introduction	3
1.2 Purpose of the Receiver’s Fourth Report	4
2.0 Receiver Activities since the First Report	6
2.1 Lougar Property and Environmental Protocols	6
2.2 Rail Car Sale	6
2.3 Accounts Receivable	6
2.4 Inventory	6
2.5 Government Accounts	7
2.6 Website	7
3.0 Marketing and Sale of the Companies’ Assets	8
4.0 Order Sought	10

Listing of Appendices

- Appendix A - Initial Order
- Appendix B - Receiver's First Report (without appendices)
- Appendix C - Order approving First Report, Endorsement of Justice Garson dated August 16, 2016 and Endorsement of Justice Leitch dated August 23, 2016
- Appendix D - Receiver's Second Report (without appendices)
- Appendix E - Endorsements and Order approving the Fourth Report dated September 13, 2016 and September 27, 2016
- Appendix F - Receiver's Third Report (without appendices)
- Appendix G - Endorsement and Orders approving the Third Report dated October 4, 2016

1.0

Introduction and Purpose of Report

1.1 Introduction

1.1.1 Entropex is a general partnership carrying on business as a plastics recycler from the land known municipally as 1271 Lougar Avenue, Sarnia, Ontario (the “**Lougar Property**”).

1.1.2 629728 Ontario Limited (“**629**”) and Unitec Inc. (“**Unitec**”) are corporations incorporated pursuant to the laws of the Province of Ontario and are the partners of Entropex.

1.1.3 Entropex, 629 and Unitec (collectively referred to as the “**Companies**”) are registered as the joint title holders to the Lougar Property.

1.1.4 Entropex is indebted to the Bank of Nova Scotia (“**BNS**”) for approximately \$3,500,000 CDN. Entropex is indebted to Roynat Inc. (“**Roynat**”) for approximately \$3,260,000 million USD. The debts owing by Entropex to BNS and Roynat are guaranteed by 629 and Unitec.

1.1.5 The debt owing to BNS is secured by the following:

- A collateral charge registered against the Lougar Property in the principal amount of \$5,000,000 CDN;
- General security agreements dated May 13, 2014 from Entropex, 629 and Unitec; and,
- Guarantees and general security agreements from various parties related to the Companies, including Nxgen Holdings Inc., Entropex Logistics Inc. and Entropex Rigidreclaim Inc. (collectively referred to as the “**Guarantors**”).

1.1.6 The debt owing to Roynat is secured by the following:

- A debenture, granting a security interest in all real and personal property, registered against the Lougar Property in the principal amount of \$3,863,000 USD; and,
- Guarantees dated July 31, 2014 from 629 and Unitec.

In addition Roynat has received guarantees of its indebtedness from the Guarantors.

1.1.7 On March 18, 2016, due to various events of default under the terms of the financing agreement, BNS issued demand for payment and notice of intention to enforce security to the Companies and the Guarantors.

1.1.8 On April 8, 2016, BNS, the Companies and the Guarantors entered into a forbearance agreement, wherein, among other terms, BNS provided a period of forbearance to July 8, 2016 to permit Entropex to complete the sale of its business and/or refinance.

1.1.9 On March 23, 2016, Roynat issued a demand for payment and a notice of intention to enforce security to Entropex. Entropex and Roynat also entered into a forbearance agreement dated April 8, 2016, which expired on July 8, 2016.

- 1.1.10** The Companies were unable to finalize a sale or refinance by the end of the forbearance period. On July 7, 2016, counsel for BNS and Roynat advised Entropex, 629 and Unitec that neither lender would extend the forbearance agreements or ongoing credit.
- 1.1.11** During the week of July 10, 2016, due to the lack of ongoing credit and inability to pay suppliers, Entropex initiated a wind down of its operations.
- 1.1.12** On July 14, 2016, the Honourable Justice Grace of the Ontario Superior Court of Justice, issued an Order appointing MNP Ltd. as receiver (the "**Receiver**") of the Companies (the "**Initial Order**"). A copy of the Initial Order is attached as **Appendix A**. The Initial Order is substantially in the form of the Model Receivership Order.
- 1.1.13** The Initial Order authorized, but did not obligate, the Receiver, among other things, to do the following where the Receiver considers it necessary or desirable:
- a) Take possession of and exercise control over the property of the Companies;
 - b) Manage, operate and carry on the business of the Companies;
 - c) Initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Companies, the Property or the Receiver, and to settle or compromise any such proceedings; and,
 - d) Market any or all of the property of the Companies and negotiate such terms and conditions of sale as the Receiver may deem appropriate.
- 1.1.14** The Receiver has submitted three previous reports to the Court, as follows:
- a) Report dated August 5, 2016 (the "**First Report**"), which included a confidential supplemental report to the Court. A copy of the First Report, without appendices, is attached as **Appendix B**. A copy of the Order approving the First Report and the endorsement of Justice Garson dated August 16, 2016 and the endorsement of Justice Leitch dated August 23, 2016 are attached as **Appendix C**.
 - b) Report dated August 31, 2016 (the "**Second Report**"). A copy of the Second Report, without appendices, and Order dated September 13, 2016 approving same, along with the Order dated September 27, 2016 and Endorsements are attached as **Appendix D** and **Appendix E** respectively.
 - c) Report dated September 22, 2016 (the "**Third Report**"), which included a confidential supplemental report to the Court. A copy of the Third Report, without appendices is attached as **Appendix F**. A copy of the Endorsement of Justice Leitch and Orders dated October 4, 2016 approving same are attached as **Appendix G**.

1.2 Purpose of the Receiver's Fourth Report

- 1.2.1** This constitutes the Receiver's Fourth Report to the Court (the "**Fourth Report**") in this matter and is filed to:
- a) Report on the Receiver's Activities since the First Report;

- b) Obtain an Order approving the Fourth Report and the confidential supplement thereto, along with the activities of the Receiver detailed therein;
- c) Obtain an Order approving the Agreement of Purchase and Sale between the Receiver and 2532612 Ontario Inc. (“**2532612**”);
- d) Obtain an Order vesting title to the purchased assets in and to 2532612; and,
- e) Obtain an Order sealing the Confidential Supplement to the Receiver’s Fourth Report.

2.0

Receiver Activities since the First Report

2.1 **Lougar Property and Environmental Protocols**

2.1.1 As discussed in the First Report and ordered in the August 23, 2016 endorsement of Justice Leitch (attached as Appendix C), the Receiver has retained former Entropex employees to maintain attendance at the Lougar Property with four people, twenty four hours a day seven days a week, in order to manage storm water flow in the event of rain.

2.2 **Rail Car Sale**

2.2.1 As discussed in the Second Report and approved in the October 4, 2016 Order of Justice Leitch (attached as Appendix G), the Receiver is in the process of completing the sale of 27 rail cars (the "Rail Cars") to Vidal Street Industrial Park Inc.

2.3 **Accounts Receivable**

2.3.1 The book value of accounts receivable at the date of receivership was \$258,000 CAD and \$2,698,000 USD, for a converted total balance of approximately \$3,766,000 CAD (converted at an estimated exchange rate of 1.30).

2.3.2 The Receiver has confirmed that \$249,000 of the outstanding accounts receivable are subject to contra set-off claims for accounts payable due by Entropex to its customers and therefore not collectible.

2.3.3 A further \$152,000 is uncollectible due to invoicing errors, quality disputes and weight discrepancies.

2.3.4 The net balance outstanding after these adjustments was \$3,365,000.

2.3.5 The Receiver has collected \$124,000 CAD and \$2,001,000 USD, for a converted total balance of approximately \$2,725,000. All collections were converted to Canadian Dollars and deposited to the Receiver's trust account. The Receiver is continuing to pursue collections on the outstanding balance of \$639,000.

2.3.6 As reported in the Receiver's Third Report, the Receiver has paid \$30,000 to a shipping company who provided services to Entropex prior to the receivership. The shipping company claimed the right to hold Entropex customers responsible for invoices totaling \$105,000 under Section 7.1 of the *Mercantile Law Amendment Act* and Section 2 of the *Bills of Lading Act*. The Receiver's legal counsel reviewed these statutes and provided an opinion that a portion of the claim was valid and the Receiver subsequently reached an agreement with the shipping company to pay \$32,000 in full and final settlement of its claims. To avoid confusion to the customers of where to direct payment, the Receiver and the shipping company agreed that the Receiver would collect the outstanding accounts and remit payments to the shipping company for their claims. There is \$2,000 of this settlement still outstanding as the Entropex customer has not yet paid their pre-receivership receivable.

2.4 **Inventory**

2.4.1 The Receiver conducted a count of the raw material and finished goods inventory at the Lougar Property upon its appointment. This did not include 2.0 million kilograms of plastic that could

not be used in Entropex's recycling operations that were stored in a third party warehouse and abandoned by the Receiver, as discussed in the First Report.

- 2.4.2 The book value of the counted inventory was \$484,000. The book value of this inventory was higher than current market value due to declining prices.
- 2.4.3 The Receiver sold the majority of this inventory generating proceeds of \$273,000.
- 2.4.4 The book value of the remaining inventory is approximately \$50,000, which is included in the contemplated sale to 2532612 as discussed below.

2.5 Government Accounts

- 2.5.1 The Receiver has filed all returns for HST and employee deductions as required by CRA.

2.6 Website

- 2.6.1 The Receiver has posted all public Court material and receivership notices on its website at mnpdebt.ca.

3.0

Marketing and Sale of the Companies' Assets

- 3.1.1** Pursuant to the Initial Order, the Receiver was authorized to market any or all of the assets and operations of the Companies (the “Assets”), including advertising and soliciting offers and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate.
- 3.1.2** Pursuant to the sales process described in the First Report and approved by the Court (the “Sales Process”), the Receiver took the following actions to market the Assets:
- On August 16 and 17, 2016, the Receiver mailed or emailed the Invitation for Proposals included in the First Report to one hundred potentially interested parties in Canada and the United States as identified by the Receiver and MNP Corporate Finance Ltd.
 - On August 19, 2016, the Receiver advertised the Invitation for Proposals in the Globe and Mail.
 - As a result of the marketing described above, thirty parties came forward, executed confidentiality agreements and were granted access to the virtual data room set up by the Receiver. The virtual data room contained a copy of the Confidential Information Memorandum prepared by the Receiver and all relevant information on the Assets available to the Receiver.
 - The Receiver responded to all further requests for information and tours of the Entropex facilities by potential purchasers in a timely manner.
- 3.1** The Sales Process resulted in the submission of seven proposals. Due to the confidential nature of the proposals, the Receiver is disclosing their details to the Court via the Confidential Supplement to the Receiver’s Fourth Report (the “Confidential Supplement”), which we request that the Court keep sealed pending the closing of a transaction for the Assets.
- 3.2** As discussed in further detail in the Confidential Supplement, 2532612 offered to purchase the Receiver’s right title and interest in and to all of the property and assets of the Companies, expressly including the following:
- The Lougar Property;
 - All machinery, vehicles, equipment, fixtures and other fixed assets;
 - Inventory;
 - All leased equipment where the Receiver’s interest is in priority to that of the leasing company;
 - All computer hardware and software;
 - All intellectual property;
 - Goodwill;
 - All contracts for the supply or sale of any service or product;
 - Any existing or future Scientific Research and Experimental Developmental tax credit grant claims;
 - All orders, permits, approvals, consents, waivers, licenses or similar authorization of any governmental authority; and,
 - Books and records of the Companies excluding any records that relate to the excluded assets (as described below) or income tax paid or payable by the Companies.

The offer excludes the following assets:

- All accounts and other amounts due to the Companies, save and except the SR&ED claims;
- Corporate Records (i.e. corporate seals, articles of incorporation, minute books, tax records, etc.)
- Employee personnel records; and,
- The Rail Cars (which were sold by the Receiver in a separate transaction, as described in the Third Report).

3.1.3 The 2532612 offer is unconditional. The Receiver and 2532612 have executed an Agreement of Purchase and Sale, which is included in the Confidential Supplement.

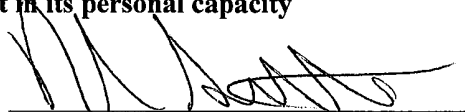
4.0

Order Sought

- 4.1** We submit this **Fourth Report** to this Honourable Court in support of our Motion respectfully requesting this Honourable Court to issue an Order:
- a) Approving the Fourth Report of the Receiver and the Confidential Supplement thereto, and the activities of the Receiver described therein;
 - b) Approving the Agreement of Purchase and Sale between the Receiver and 2532612 Ontario Inc.;
 - c) Vesting title to the purchased assets in and to 2532612; and,
 - d) Approving the sealing of the Confidential Supplement to the Fourth Report and its contents.

All of which is respectfully submitted this 6th day of October, 2016.

**MNP Ltd. in its capacity as
Receiver of
Entropex, 629728 Ontario Limited and Unitec Inc.
and not in its personal capacity**



Per: Robert W. Smith CPA, CA, CIRP, LIT
Senior Vice President



Court File No. 35-1979333T

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

THE HONOURABLE)

THURSDAY, THE 14

JUSTICE GRACE)

DAY OF JULY, 2016)

THE BANK OF NOVA SCOTIA

Plaintiff

- and -

ENTROPEX, 629728 ONTARIO LIMITED, and UNITEC INC.

Defendants

ORDER

(appointing Receiver)

THIS MOTION made by the ^{moving party} Plaintiff for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") ~~and section 101 of the Courts of Justice Act, R.S.O. 1990, c. C.43, as amended (the "CJA")~~ appointing MNP Ltd. ("MNP") as receiver [and manager] (in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of Entropex, 629728 Ontario Limited ("629") and Unitec Inc. ("Unitec") (collectively, the "Debtor") acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 80 Dundas Street, London, Ontario.

ON READING the affidavit of Paul Waters sworn July 11, 2016 and the Exhibits thereto, the affidavit of service of Kelly Bryant sworn July 12, 2016, the consent of MNP to act as the Receiver and on hearing submissions of counsel for the ^{moving party} Plaintiff, ~~and by~~

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion and the Motion is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, MNP is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the "Property").

RECEIVER'S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;

- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (g) to settle, extend or compromise any indebtedness owing to the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;

- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
 - (i) without the approval of this Court in respect of any transaction not exceeding \$250,000, provided that the aggregate consideration for all such transactions does not exceed \$500,000; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;
- and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, or section 31 of the Ontario *Mortgages Act*, as the case may be, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.
- (l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
 - (m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
 - (n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
 - (o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
 - (p) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the

foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;

- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (r) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. THIS COURT ORDERS that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due

to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

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

7. THIS COURT ORDERS that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days notice to such landlord and any such secured creditors.

NO PROCEEDINGS AGAINST THE RECEIVER

8. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "Proceeding"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

9. THIS COURT ORDERS that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

10. THIS COURT ORDERS that all rights and remedies against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

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

CONTINUATION OF SERVICES

12. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's current

telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

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

EMPLOYEES

14. THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

15. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to

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

LIMITATION ON ENVIRONMENTAL LIABILITIES

16. THIS COURT ORDERS that nothing herein contained shall require the Receiver 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 Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver'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.

LIMITATION ON THE RECEIVER'S LIABILITY

17. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order

is hereby charged by way of a fixed and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA ^{and to any purchase money security interest entitled to priority over the moving party under the Personal Property Security Act.}

22. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

23. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.

24. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

SERVICE AND NOTICE

25. 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/e-service-protocol>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to 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 by MNP and found at MNP.debt.ca.

26. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any

other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtor's creditors or other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

27. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

28. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

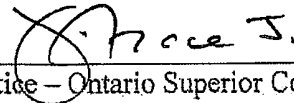
29. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

30. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

31. THIS COURT ORDERS that the ^{moving party - DP} Plaintiff shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the ^{moving party - DP} Plaintiff's security or, if not so provided by the ^{moving party - DP} Plaintiff's security, then on a substantial indemnity basis to be paid by ^{moving party - DP}

the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

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



Justice – Ontario Superior Court of Justice
– In Bankruptcy and Insolvency

Grace J.

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that MNP Ltd., the receiver (the "Receiver") of the assets, undertakings and properties Entropex, 629728 Ontario Limited and Unitec Inc. (collectively, the "Debtor") acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (In Bankruptcy and Insolvency) (the "Court") dated the ___ day of _____, 20__ (the "Order") made in an action having Court file number __-CL-_____, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver

to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the _____ day of _____, 20__.

MNP Ltd., solely in its capacity
as Receiver of Entropex, 629728 Ontario
Limited and Unitec Inc., and not in its personal
capacity or corporate capacity.

Per: _____
Name:
Title:



THE BANK OF NOVA SCOTIA

ENTROPEX ET AL

v.

Plaintiff

Defendants

Court File No. 35-1979333T

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

Proceeding commenced at London

ORDER

Harrison Pensa ^{LLP}
Barristers and Solicitors
450 Talbot Street, P.O. Box 3237
London, Ontario N6A 4K3

Timothy C. Hogan LSUC #36553S
Tel: (519) 679-9660
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Solicitors for the Plaintiff
165075/kbu

Court File No. 35-1979333T

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

BETWEEN:

THE BANK OF NOVA SCOTIA

Plaintiff

and

ENTROPEX, 629728 ONTARIO LIMITED and UNITEC INC.

Defendants

**FIRST REPORT TO THE COURT SUBMITTED BY MNP LTD.,
IN ITS CAPACITY AS RECEIVER OF
ENTROPEX, 629728 ONTARIO LIMITED and UNITEC INC.**

August 5, 2016

Table of Contents

	<u>Page</u>
1.0 Introduction and Purpose of Report	1
1.1 Introduction	1
1.2 Purpose of the Receiver's First Report	3
2.0 Initial Receiver Activities	4
2.1 Possession	4
2.2 Operations	4
2.3 Environmental	4
2.4 Existing Environmental Protocols	5
2.5 Lougar Property Clean Up	5
2.6 Alternate Environmental Protocols	6
2.7 Ube Warehouse	6
2.8 Accounts Receivable	6
2.9 Inventory Liquidation	7
2.10 Employees	7
2.11 Insurance	7
2.12 Third Party Assets	7
2.13 Cash and Banking	7
2.14 Potential Sale Negotiation	8
2.15 Notice	8
2.16 Independent Counsel	8
3.0 Marketing and Sale of Assets	10
4.0 Order Sought	11

Listing of Appendices

- Appendix A - Initial Order
- Appendix B - Receiver's Section 245 Notice
- Appendix C - Invitation for Proposals and Confidentiality Agreement

1.0 Introduction and Purpose of Report

1.1 Introduction

- 1.1.1** Entropex is a general partnership carrying on business as a plastics recycler from the land known municipally as 1271 Lougar Avenue, Sarnia, Ontario (the “**Lougar Property**”).
- 1.1.2** 629728 Ontario Limited (“**629**”) and Unitec Inc. (“**Unitec**”) are corporations incorporated pursuant to the laws of the Province of Ontario and are the partners of Entropex.
- 1.1.3** Entropex, 629 and Unitec (collectively referred to as the “**Companies**”) are registered as the joint title holders to the Lougar Property.
- 1.1.4** Entropex is indebted to the Bank of Nova Scotia (“**BNS**”) for approximately \$3,500,000 CDN. Entropex is indebted to Roynat Inc. (“**Roynat**”) for approximately \$3,260,000 million USD. The debts owing by Entropex to BNS and Roynat are guaranteed by 629 and Unitec.
- 1.1.5** The debt owing to BNS is secured by the following:
- A collateral charge registered against the Lougar Property in the principal amount of \$5,000,000 CDN;
 - General security agreements dated May 13, 2014 from Entropex, 629 and Unitec; and,
 - Guarantees and general security agreements from various parties related to the Companies, including Nxgen Holdings Inc., Entropex Logistics Inc. and Entropex Rigidreclaim Inc. (collectively referred to as the “**Guarantors**”).
- 1.1.6** The debt owing to Roynat is secured by the following:
- A debenture, granting a security interest in all real and personal property, registered against the Lougar Property in the principal amount of \$3,863,000 USD; and,
 - Guarantees dated July 31, 2014 from 629 and Unitec.

In addition Roynat has received guarantees of its indebtedness from Nxgen Holdings Inc. Entropex Logistics Inc. and Entropex Rigidreclaim Inc.

- 1.1.7** According to a PPSA search, the Companies’ secured creditors include the following:

Entropex

- Roynat has registered its debenture against twelve forklifts as well as against all equipment, inventory, receivables and accounts due for rent (also registered against Unitec and 629);
- BNS has registered a general security agreement;
- Unitec has registered a general security agreement;

- Delage Landen Financial Services Inc. has registered a charge against two forklifts (also registered against Unitec);
- Xerox has registered a charge against equipment with no description; and,
- Ryder Truck Rental Canada Ltd. has registered a charge against a vehicle.

Unitec (excluding registrations against both Unitec and Entropex listed above)

- Roynat has registered its debenture;
- BNS has registered a general security agreement;
- Kevin, Timothy, Keith and Christopher Bechard, as well as Carolyn Hannon, Patricia Pequegnat and Joan Hett have registered a general security agreement;
- Deragon Leasing Inc. has registered a charge against one vehicle; and,
- National Leasing Inc. has registered a charge against lighting as described in a lease agreement.

629 (excluding registrations against both 629 and Entropex listed above)

- Roynat has registered a general security agreement; and
- BNS has registered a general security agreement.

- 1.1.8** On March 18, 2016, due to various events of default under the terms of the financing agreement, BNS issued demand for payment and notice of intention to enforce security to the Companies and the Guarantors.
- 1.1.9** On April 8, 2016, BNS, the Companies and the Guarantors entered into a forbearance agreement, wherein, among other terms, BNS provided a period of forbearance to July 8, 2016 to permit Entropex to complete the sale of its business and/or refinance.
- 1.1.10** On March 23, 2016, Roynat issued a demand for payment and a notice of intention to enforce security to Entropex. Entropex and Roynat also entered into a forbearance agreement dated April 8, 2016 (the "**Forbearance Agreement**"), which expired on July 8, 2016.
- 1.1.11** The Companies were unable to finalize a sale or refinance by the end of the forbearance period. On July 7, 2016, counsel for BNS and Roynat advised Entropex, 629 and Unitec that neither lender would extend the forbearance agreements or ongoing credit.
- 1.1.12** During the week of July 10, 2016, due to the lack of ongoing credit and inability to pay suppliers, Entropex initiated a wind down of its operations.
- 1.1.13** On July 14, 2016, the Honourable Justice Grace of the Ontario Superior Court of Justice, issued an Order appointing MNP Ltd. as receiver (the "**Receiver**") of the Companies (the "**Initial Order**"). A copy of the Initial Order is attached as **Appendix A**. The Initial Order is substantially in the form of the Model Receivership Order.

1.1.14 The Initial Order authorized, but did not obligate, the Receiver, among other things, to do the following where the Receiver considers it necessary or desirable:

- Take possession of and exercise control over the property of the Companies;
- Manage, operate and carry on the business of the Companies;
- Initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Companies, the Property or the Receiver, and to settle or compromise any such proceedings; and,
- Market any or all of the property of the Companies and negotiate such terms and conditions of sale as the Receiver may deem appropriate.

1.2 Purpose of the Receiver's First Report

1.2.1 This constitutes the Receiver's First Report to the Court (the "**First Report**") in this matter and is filed to:

- Seek approval of the First Report and the Supplement to the First Report, and the Receiver's activities as outlined therein;
- Seek approval of the proposed changes to the environmental Protocols as outlined therein; and,
- Report to the Court in respect of the realization strategy and process being undertaken by the Receiver and obtain approval of same.

2.0

Initial Receiver Activities

2.1 Possession

- 2.1.1 Upon its appointment the Receiver attended the Lougar Property to serve the principal, Keith Bechard, with a copy of the Initial Order and take possession.
- 2.1.2 The Receiver changed the locks and photographed the Lougar Property and all assets located therein.
- 2.1.3 The Receiver temporarily engaged a security company to conduct period site visits of the Lougar Property.
- 2.1.4 The Receiver conducted a count of Entropex's inventory and prepared lists of the equipment and vehicles.
- 2.1.5 Entropex leased offsite office space where the accounting team worked, and the books and records were stored. The Receiver relocated these books and records to the Lougar Property. The Receiver did not occupy or take possession of the offsite office space.

2.2 Operations

- 2.2.1 Upon the expiry of the Forbearance Agreement on July 8, 2016, BNS and Roynat advised Entropex there would be no more credit under the existing facilities. As such, management of Entropex stopped purchasing new material and began to wind down operations during the week preceding the receivership.
- 2.2.2 Entropex was operating in a cash deficit. Based on an internally prepared forecast, Entropex was expected to lose an average of \$74,600 per week through July and August.
- 2.2.3 The Entropex workforce was unionized and the Receiver faced potential exposure for successor employer liability if operations were carried on by the Receiver.
- 2.2.4 In 2013, after a heavy rain, plastic pellets were washed off the Lougar Property into the municipal drain and sewer system. Entropex spent approximately \$1.4 million to clean the spill. The MOE issued an order requiring Entropex to develop a plan to improve the storm water management and drainage capabilities of the Lougar Property. A plan was submitted and approved by the MOE; however, the enhancements to the Lougar Property have not yet begun. Entropex put in temporary measures to prevent another leak, discussed in more detail below. However, the risk of another environmental spill remains. The Receiver felt this risk would be higher if operations were continued.
- 2.2.5 For these reasons set out above the Receiver did not continue the operations of Entropex. Operations were shut down immediately upon the appointment of the Receiver.

2.3 Environmental

- 2.3.1 Although the operations of Entropex were wound down, the Lougar Property is contaminated with small plastic pellets (Entropex's finished product) from pre-receivership operations and there continues to be risk that these pellets could be washed into the municipal sewer and drainage system in the event of a heavy rain.

2.4 Existing Environmental Protocols

2.4.1 Following the 2013 spill, Entropex initiated environmental protocols (“the **Protocols**”) to mitigate this risk, including:

- Screens were placed in drains to filter plastic pellets from water that flowed through before it was released to the municipal drainage system;
- In the event of rain a team of Unionized employees would go to the parking lot to direct water to these filtered drains and scrape the screens to prevent them getting clogged; and,
- Sandbags were placed around portions of the driveway to contain water while it was filtered and drained properly.

2.4.2 Management of Entropex advised the Receiver that a team of at least four people must be onsite at Entropex 24 hours a day, seven days a week, to ensure the Protocols were followed if it rained.

2.4.3 On July 9, 2016 the Receiver advised the Ministry of the Environment (the “**MOE**”) of the Receivership, the termination of the unionized employees and shut down of the plant.

2.4.4 The Receiver engaged Pinchin Ltd. (“**Pinchin**”), an environmental engineering and consulting firm to attend the Lougar Property, identify risks of environmental contamination and provide advice and recommendations on how to mitigate these risks.

2.4.5 The Receiver has retained sufficient former Entropex staff members and temporary employees through an agency to maintain the Protocols at a cost of approximately \$90,000 per month.

2.5 Lougar Property Clean Up

2.5.1 The Receiver has engaged Diresco Inc. (“**Diresco**”) a local remediation and restoration company to:

- Sweep the entire paved area in front of the plant to remove plastic pellets;
- Sweep all corners and edges to remove plastic pellets;
- Sweep to remove all plastic pellets from outside machinery;
- Clean the screened area in the catch basins to remove plastic pellets; and,
- Vacuum and clean water and pellets in catch basins.

2.5.2 The Receiver and Diresco contacted the MOE to advise of the planned cleanup efforts outlined above. The MOE advised the cleanup efforts were reasonable.

2.5.3 Pinchin is conducting a review of the site for any other potential improvements to redirect and contain water in the event of rain.

2.6 Alternate Environmental Protocols

- 2.6.1 As an alternative to the Protocols, Diresco has provided a quote to supply a response team of five people that would attend the Lougar Property in the event of rain to manage the water flow and carry out the Protocols (the “**Alternate Plan**”). Diresco would require the Receiver maintain one site supervisor familiar with the existing storm water management procedures at the Lougar Property 24 hours a day, 7 days a week, who would alert Diresco when the response team is needed and then immediately commence dealing with the rain water. This would significantly reduce costs to the receivership to monitor and respond to the storm water, from approximately \$90,000 per month to approximately \$22,000 per month.
- 2.6.2 The Receiver has reviewed the Alternate Plan with Pinchin and the MOE. Pinchin has advised that since Entropex is no longer operational and the site has been cleaned by Diresco, thereby significantly reducing the risks of pellet contamination into the municipal sewer and drainage system, the Alternate Plan is a reasonable and appropriate response plan to respond to a storm. The MOE had no concerns with the plan; however, would not provide specific instruction on the appropriate level of monitoring after the cleanup.
- 2.6.3 As such, the Receiver recommends reducing the coverage maintained on the Lougar Property from four people on location 24 hours a day, 7 days a week, to one person, with the Diresco five person response team on standby to attend as needed. This change is expected to save the estate approximately \$68,000 per month in ongoing occupancy costs while at the same time providing sufficient water management coverage given the changed circumstances at the Lougar Property.

2.7 Ube Warehouse

- 2.7.1 Entropex leased a warehouse at 21 Ube Drive, Sarnia, Ontario (the “**Ube Warehouse**”). The warehouse contained some equipment and over 2.0 million kilograms of plastic that could not be used in Entropex’s recycling operations (the “**Ube Inventory**”).
- 2.7.2 Management advised the Receiver that the Ube Inventory had a book value of approximately \$2.3 million; but was not usable and should be disposed of. Management estimated the costs to dispose of the Ube Inventory would be approximately \$175,000.
- 2.7.3 The Receiver met with the landlord of the Ube Warehouse to advise the equipment would be removed and relocated to the Lougar Property and that the Receiver would not occupy the Ube Warehouse or take possession of the Ube Inventory. The Receiver offered that if so requested by the landlord, it would try and find a buyer for the Ube Inventory so it would be removed from the Ube Warehouse. The landlord has not yet confirmed this request of the Receiver.

2.8 Accounts Receivable

- 2.8.1 The book value of accounts receivable at the date of receivership was \$3,742,000.
- 2.8.2 The Receiver, and/or a representative of Entropex, contacted customers who depended on ongoing supply from Entropex to advise of the receivership and shut down. The Receiver felt that receivable collections would be maximized if customers had as much time as possible to find alternate supply.
- 2.8.3 The Receiver engaged the former Entropex Accounts Receivable Clerk to process all outstanding invoices and interact with customers to collect all accounts outstanding.

2.8.4 The Receiver notified the accounts receivable insurer of the receivership.

2.8.5 The Receiver has collected \$954,288 in accounts receivable to date.

2.9 Inventory Liquidation

2.9.1 The book value of raw material and finished goods inventory, excluding the UBE inventory, at the date of receivership was \$168,000 and \$285,000 respectively.

2.9.2 The Receiver engaged the former Entropex Sales Manager to sell the inventory. All sales were conducted on an "as-is/where-is" basis with no representations or warranties by the Receiver.

2.9.3 The Receiver has sold and collected \$127,000 in inventory sales post receivership.

2.10 Employees

2.10.1 Prior to the receivership, Entropex had approximately 30 non-union and 115 unionized employees. Upon the appointment of the Receiver, Entropex management met the employees to advise they had been terminated as a result of the receivership and plant shut down.

2.10.2 The Receiver retained the former Entropex Human Resources Manager to prepare and issue T4's and Records of Employment to all employees, and calculate employee claims for unpaid wages, vacation, and notice pay under the Wage Earner Protection Program ("WEPP").

2.10.3 The Receiver has begun the claim process for the employees as required under the WEPP legislation.

2.10.4 The Receiver released all personally owned tools to former employees.

2.10.5 The Receiver retained 25 former Entropex employees. Eighteen of these individuals were retained to carry out the environmental Protocols that require four people onsite 24/7. The remainder were retained to assist with the inventory count, sales, accounting support and asset identification.

2.11 Insurance

2.11.1 MNP notified the existing insurance provider of its appointment as Receiver and requested to be added to the policy as named insured, which the insurance provider has done. The Receiver is reviewing coverage levels to determine any deficiencies or potential reductions.

2.12 Third Party Assets

2.12.1 Upon receiving confirmation of ownership, the Receiver has released certain third party assets that were at the Lougar Property upon its appointment. These assets included vending machines and employee tools and belongings.

2.13 Cash and Banking

2.13.1 Immediately after its appointment the Receiver requested all BNS accounts be frozen and set to accept deposits only.

2.13.2 The Receiver is not aware of bank accounts at any other institution.

2.13.3 The Receiver opened a trust account to handle all receipts and disbursements with respect to the Receivership administration.

2.14 Potential Sale Negotiation

2.14.1 On July 27, 2016 the Receiver received an offer to purchase the assets of the Companies. The offer contemplated the Receiver would conduct a two-week marketing campaign under a stalking horse sales process. The Receiver worked to negotiate terms of the sale; however, the prospective purchaser was ultimately unable to waive conditions included in the offer.

2.15 Notice

2.15.1 On July 22, 2016, the Receiver issued notice of its appointment pursuant to Section 245 of the *Bankruptcy and Insolvency Act* to all known creditors of the Companies and the Office of the Superintendent of Bankruptcy. A copy of the Section 245 notice is attached hereto as **Appendix B**.

2.15.2 The Receiver has setup a page on it's website at mnpdebt.ca to publically post all relevant receivership documents, including the Initial Order.

2.16 Independent Counsel

2.16.1 The Receiver has retained Advocates LLP ("**Advocates**") as independent counsel to provide an opinion to the Receiver on the validity and enforceability of the secured creditors' claims.

2.16.2 Advocates has reviewed all leases entered into by the Companies for various assets and has advised that all but the following are valid and enforceable:

- Ryder Truck Lease dated June 30, 2015;
- Xerox Lease dated November 9, 2012;
- Pitney Bowes Lease dated November 21, 2013;
- Waste Management Compactor Lease dated November 9, 2011;
- MCS Equipment Lease dated July 25, 2014;
- De Lage Landen Lease dated March 17, 2015;
- Hewitt Material Handling Lease dated July 14, 2014;
- Modspace Lease No. 073812;
- Modspace Lease No. 099726;
- Modspace Lease No. 099726F;
- Modspace Lease No. 154970;
- Modspace Lease dated February 4, 2015; and,

- Procor Lease dated February 1, 2016.

(collectively referred to as the “**Challenged Leases**”)

2.16.3 The Receiver will make arrangements to release or buyout the validly registered leases. The Receiver will notify the impacted leasing companies of the Challenged Leases and the issues identified therein and request additional information, if available.

3.0***Marketing and Sale of Assets***

- 3.1 Pursuant to the Initial Order, the Receiver is authorized to market any or all of the assets and operations of the Companies, including advertising and soliciting offers and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate.
- 3.2 The Receiver describes herein, the sale process it wishes to undertake and will be seeking the Court's approval of same (the "Sale Process").
- 3.3 Working with MNP Corporate Finance, the Receiver developed a list of 124 parties potentially interested in purchasing the assets and undertakings of the Companies (including competitors and other industry players). The Receiver intends to mail the individuals on this list a notice of the Sale Process and invitation for proposals (the "Invitation for Proposals").
- 3.4 The Receiver proposes that it advertise the Invitation for Proposals for the sale of the Companies' assets and/or operations in the financial section of the national edition of the Globe & Mail within one week of the Court's approval of the proposed marketing process.
- 3.5 The deadline to submit offers has been established as 2:00 p.m. on Friday, September 16, 2016. This provides prospective bidders 30 days to complete their due diligence and prepare an offer.
- 3.6 The Receiver has prepared a Confidential Information Memorandum (the "CIM") which provides a brief overview of the Companies' operations and assets, and the Receiver's terms and conditions of sale. Due to the confidential nature of the CIM, the Receiver is disclosing it to the Court via supplementary report, which we request that the Court keep sealed. The Companies' assets being offered for sale include the Receiver's right, title and interest, if any, in the Lougar Property, inventory, equipment, vehicles and intellectual property owned by Entropex.
- 3.7 In addition to the CIM, interested parties must execute a confidentiality agreement (the "Confidentiality Agreement") if they wish to obtain more detailed financial information and perform due diligence. Upon receipt of the executed Confidentiality Agreement potential purchasers will be provided with access to a virtual data room that will provide further details relating to, among other things, the Companies' current and historical financial operating results and position.
- 3.8 A copy of the Invitation for Proposals and the Confidentiality Agreement including legal terms for the use of the data room are attached as **Appendix C**.
- 3.9 The Receiver has commissioned an appraisal of the Lougar Property.
- 3.10 The Receiver anticipates a high number of offers will be received for the personal property from industry players and liquidators. These offers will be used to determine the current realizable value of the personal property, and as such the Receiver does not intend to commission an appraisal of the equipment, inventory or vehicles.

4.0

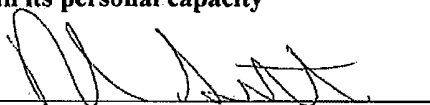
Order Sought

4.1 We submit this **First Report** to this Honourable Court in support of our Motion respectfully requesting this Honourable Court to:

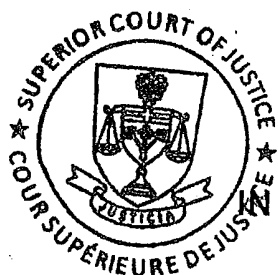
- (a) Approve the First Report of the Receiver and the Supplement to the First Report of the Receiver, and the activities of the Receiver described herein;
- (b) Seek approval of the proposed changes to the environmental Protocols as outlined therein;
- (c) Approve the Sales Process described in Section 3.0 of this First Report; and,
- (d) Approve the sealing of the Supplement to the First Report and its contents.

All of which is respectfully submitted this 5th day of August, 2016.

**MNP Ltd. in its capacity as
Receiver of
Entropex, 629728 Ontario Limited and Unitec Inc.
and not in its personal capacity**



Per: Robert W. Smith CPA, CA, CIRP, LIT
Senior Vice President



Court File No. 35-1979333T

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

THE HONOURABLE)
MISTER JUSTICE GARSON)
TUESDAY, THE 16TH
DAY OF AUGUST, 2016

BETWEEN:

(Court Seal)

THE BANK OF NOVA SCOTIA

Plaintiff

and

ENTROPEX, 629728 ONTARIO LIMITED, and UNITEC INC.

Defendants

ORDER

THIS MOTION, made by the Receiver for an Order approving the Receiver's First Report, as well as other relief, was heard this day at the Court House, 80 Dundas St., London, Ontario, N6A 6A3.

ON READING the Receiver's First Report, and upon reading the Confidential Supplement to the First Report, and upon hearing the submissions of the lawyers for the Receiver, and upon being advised that Keith Bechard, as a representative of the Defendants, is in attendance and consents to the within Order, and upon being advised that all persons listed on the service list were served with the Motion Record as evidenced by the Affidavit of Service filed,



-2-

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and Motion Record be and is hereby abridged and validated, if necessary, such that this Motion is properly returnable today and hereby dispense with further service thereof.

APPROVAL OF REPORT AND ACTIVITIES

2. **THIS COURT ORDERS** that the First Report of the Receiver dated August 5, 2016 (the "First Report") and the Receiver's activities and conduct detailed and reported therein, be and are hereby approved.

3. **THIS COURT ORDERS** that the Confidential Supplement to the First Report dated August 5, 2016 (the "Confidential Supplement") and the Receiver's activities and conduct detailed and reported therein, be and are hereby approved.

SEALING OF CONFIDENTIAL SUPPLEMENT

4. **THIS COURT ORDERS** that the Confidential Supplement, filed with the Court separate and apart from the First Report, shall hereafter be filed in the within Court File in a sealed envelope or other appropriately sealed container and that only the Court and its clerk shall be entitled to open and review the contents without a further Order of the Court. The sealed envelope or container shall be endorsed with the title of proceedings in this action and a label identifying the contents as being "The Confidential Supplement to the First Report of the Receiver dated August 5, 2016", and the words "SUBJECT TO PROTECTIVE ORDER" and a statement in the following form: "THIS ENVELOPE IS NOT TO BE OPENED EXCEPT BY THE COURT OR ITS CLERKS OR BY OTHER PERSONS BY ORDER OF THE COURT".

See 49) attached



4a

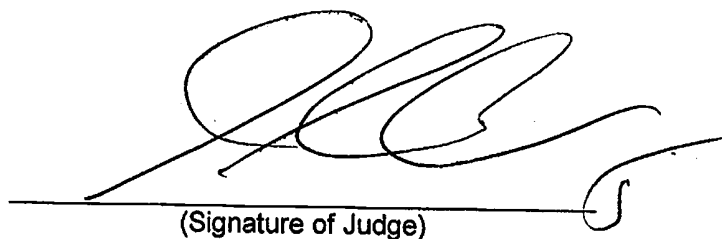
THIS COURT ORDERS that the sealing of the Confidential Supplement shall be in effect until the earlier of ninety (90) days from the date of the within Order and such further Order of this Court terminating, extending or otherwise addressing the sealing Order.

ENVIRONMENTAL PROTOCOLS

5. **THIS COURT ORDERS** that the relief sought relating to changes recommended by the Receiver to the Environmental Protocols presently in place at the property municipally known as 1271 Lougar Avenue, Sarnia, Ontario (the "Real Property"), as detailed in the First Report, be and is hereby adjourned to Tuesday August 23, 2016.

SALES PROCESS

6. **THIS COURT ORDERS** that the sales process recommended by the Receiver and detailed in the First Report and the Confidential Supplement, being an Invitation for Proposals process with a deadline for proposals of September 16, 2016 (the "Sales Process"), be and is hereby approved and the Receiver is hereby authorized to proceed as recommended with the Sales Process.



(Signature of Judge)

RCP-E 59A (July 1, 2007)

THE BANK OF NOVA SCOTIA
Plaintiff

-and- ENTROPEX ET AL.
Defendants

Court File No. 35-1979333T

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

PROCEEDING COMMENCED AT
LONDON

ORDER

ADVOCATES LLP
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255 Queens Avenue
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Lawyers for the receiver

File Number: 16056

THE BANK OF NOVA SCOTIA
Plaintiff

-and-

ENTROPEX ET AL.
Defendants

Court File No. 35-1979333T

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY
PROCEEDING COMMENCED AT
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MOTION RECORD

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Lawyers for the receiver

File Number: 16056

AUG 16 2016

David Swift for ANP
No one else appearing

Upon reviewing materials and
upon hearing and submissions
and upon being satisfied
that actions and proposed
actions of Receiver are the
appropriate and just in the
circumstances and upon being
satisfied that a sealing order is
necessary to protect the remaining
concrete interests of Entropex,
order to be in accordance with
draft signed by me.

[Signature]
CARESON

ENDORSEMENT

Court File No.: 35-1979333T

Date: August 23, 2016

PLAINTIFF: The Bank of Nova Scotia	DEFENDANT: Entropex, 629725 Ontario Limited or Entree Inc.
COUNSEL:	COUNSEL:

MNP Ltd. was appointed Receiver of all the assets of the Defendants July 14, 2016. Subsequently the Receiver's First Report of a sales price has been approved Aug 16, 2016.

The Receiver now seeks an order approving changes to the "Environmental Protocols" "presently in place" at the property of the Ds. Specifically the Receiver asks the court to approve & authorize the reduction of on site coverage 24 hours/day, 7 days a week from 4 people to one person (the supervisor) & the hiring of Diresco Inc to provide a 5 person repair team which is to be available 24 hours/day, 7 days a week to attend the property when notified by the Supervisor in the event of rain. Counsel for the P supports the motion, counsel for the employees' union take no position, the balance of the parties on the Service List have not responded with the exception of Mr Bechard, referred to below, & which he filed an email stating that "understand the concerns" outlined in the "Secured Creditor Objection to alternative Entropex Stormwater Management Plan". This latter document was presented to the court by Mr Bechard who is a director, officer & shareholder of the debtor defendants and also a secured creditor.

(2)

Mr Bechard queries the viability & adequacy of what is proposed, the qualifications of the party (which was not Pollutech, referred below) the Receiver ~~could~~ as well the qualifications, ability & experience of Dirco Inc.

He notes that the DS proposal is motivated by the desire to reduce monthly operating expense but expense ~~concern~~ that office staffing is inadequate; the cleanup completed is insufficient ~~preparation~~ for an acute staff reduction, and the service provider's operational & financial capability is uncertain. Overall, Mr Bechard submits that ~~the~~ that the Receiver proposes puts the property at risk.

The information provided by the Receiver, ~~established~~ ~~that both in the record & by Mr Smith orally~~

- ① an environmental spill occurred in 2013 - as a result of a storm a large amount of pellets entered the city storm sewer
- ② the DS performed remediation work
- ③ by Provincial officers order dated January 29, 2013, the Ministry of the Environment ("MOE") required the DS to improve its stormwater management
- ④ the DS applied for approval of stormwater management works & included a report prepared by Pollutech Environmental Limited ("Pollutech") dated Sept 23, 2014
- ⑤ the MOE issued an Amended Environmental Compliance Approval dated July 28, 2015 respecting sewage works, described in the Sept 2014 application, which were to be completed within 5 years of the approval
- ⑥ this approval required the DS, amongst other

(3)

tray, to install a monitor temporary erosion
+ sediment control & to implement a spill
contingency plan

⑦ The First Report of the Receiver indicates
that a risk of another environmental spill remains,
it believes the risk to less if operations were
discontinued; however notwithstanding the
cessation of operations risk of contamination
continues; to maintain the protocols which the
Ds have followed since the 2013 spill 4 people
have been on site 24/7, seven days/week;
the Receiver has engaged Diresco to "clean up"
the property; the Receiver retained Pinchin Ltd;
an environmental engineering & consultancy firm
it has reviewed the alternate plan it proposes
with Pinchin which has advised the alternate
plan is reasonable & appropriate; the MOE had
no concerns with the alternate plan but "would
not provide specific instructions on the appropriate
level of monitoring after the clean-up."

Having reviewed the First Report in the context of the
information outlined above, I am not satisfied that
the relief requested can be ordered on this
record.

I find that Mr. Bechard, whose interests are
aligned with the Receiver, has raised legitimate
concerns & questions which are not addressed
or answered in the First Report, particularly
when the MOE has taken the positive set out
above.

In these circumstances, the court is not in a
position to authorize a change to the current
environmental protocols.

Jane Porter

Court File No. 35-1979333T

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

BETWEEN:

THE BANK OF NOVA SCOTIA

Plaintiff

and

ENTROPEX, 629728 ONTARIO LIMITED and UNITEC INC.

Defendants

**SECOND REPORT TO THE COURT SUBMITTED BY MNP LTD.,
IN ITS CAPACITY AS RECEIVER OF
ENTROPEX, 629728 ONTARIO LIMITED and UNITEC INC.**

August 31, 2016

Table of Contents

	<u>Page</u>
1.0 Introduction and Purpose of Report.....	4
1.1 Introduction.....	4
1.2 Purpose of the Receiver's Second Report.....	5
2.0 PPSA Searches.....	7
2.1 Entropex.....	7
2.2 Unitec.....	7
2.3 629.....	8
3.0 Security Review and Challenged Leases	9
3.2 Procor Limited	9
3.3 Vacuum Trucks of Canada.....	10
3.4 Ryder Truck Rental Canada Ltd.	11
3.5 De Lage Landen Financial Services Canada Inc.....	12
3.6 Hewitt Material Handling	12
3.7 Modspace Financial Services.....	13
3.8 Waste Management of Canada Corporation	14
3.9 Vincent Corporation.....	14
4.0 Order Sought.....	15

Listing of Appendices

Appendix A	-	Entropex BNS GSA
Appendix B	-	Roynat Debenture
Appendix C	-	Initial Order
Appendix D	-	Receiver's First Report
Appendix E	-	Order approving First Report, Endorsement of Justice Garson dated August 23, 2016 and Endorsement of Justice Leitch dated August 29, 2016
Appendix F	-	Entropex PPSA search
Appendix G	-	Unitec PPSA search
Appendix H	-	629 PPSA search
Appendix I	-	Procor lease
Appendix J	-	Procor Rider No.4
Appendix K	-	Procor Renewal #1
Appendix L	-	Procor Renewal #2
Appendix M	-	Railway Tool search
Appendix N	-	Vacuum Agreement
Appendix O	-	Ryder Agreement
Appendix P	-	July 26 2015 Ryder Email
Appendix Q	-	DeLage Agreement 577211
Appendix R	-	DeLage Agreement 577212
Appendix S	-	Hewitt Agreement
Appendix T	-	Modspace Agreement 73812
Appendix U	-	Modspace Agreement 99726
Appendix V	-	Modspace Agreement 99726F
Appendix W	-	Modspace Agreement 154970

- Appendix X - Modspace 2014 Trailer Agreement
- Appendix Y - Waste Management Agreement
- Appendix Z - Vincent Agreement

1.0 Introduction and Purpose of Report

1.1 Introduction

1.1.1 Entropex is a general partnership carrying on business as a plastics recycler from the land known municipally as 1271 Lougar Avenue, Sarnia, Ontario (the “**Lougar Property**”).

1.1.2 629728 Ontario Limited (“**629**”) and Unitec Inc. (“**Unitec**”) are corporations incorporated pursuant to the laws of the Province of Ontario and are the partners of Entropex.

1.1.3 Entropex, 629 and Unitec (collectively referred to as the “**Companies**”) are registered as the joint title holders to the Lougar Property.

1.1.4 Entropex is indebted to the Bank of Nova Scotia (“**BNS**”) for approximately \$3,500,000 CDN. Entropex is indebted to Roynat Inc. (“**Roynat**”) for approximately \$3,260,000 million USD. The debts owing by Entropex to BNS and Roynat are guaranteed by 629 and Unitec.

1.1.5 The debt owing to BNS is secured by the following:

- A collateral charge registered against the Lougar Property in the principal amount of \$5,000,000 CDN;
- General security agreements dated May 13, 2014 from Entropex, 629 and Unitec; and,
- Guarantees and general security agreements from various parties related to the Companies, including Nxgen Holdings Inc., Entropex Logistics Inc. and Entropex Rigidreclaim Inc. (collectively referred to as the “**Guarantors**”).

A copy of the Entropex BNS general security agreement is attached as **Appendix A**.

1.1.6 The debt owing to Roynat is secured by the following:

- A debenture, granting a security interest in all real and personal property, registered against the Lougar Property in the principal amount of \$3,863,000 USD; and,
- Guarantees dated July 31, 2014 from 629 and Unitec.

A copy of the Roynat debenture is attached as **Appendix B**.

In addition Roynat has received guarantees of its indebtedness from Nxgen Holdings Inc. Entropex Logistics Inc. and Entropex Rigidreclaim Inc.

1.1.7 On March 18, 2016, due to various events of default under the terms of the financing agreement, BNS issued demand for payment and notice of intention to enforce security to the Companies and the Guarantors.

1.1.8 On April 8, 2016, BNS, the Companies and the Guarantors entered into a forbearance agreement, wherein, among other terms, BNS provided a period of forbearance to July 8, 2016 to permit Entropex to complete the sale of its business and/or refinance.

- 1.1.9 On March 23, 2016, Roynat issued a demand for payment and a notice of intention to enforce security to Entropex. Entropex and Roynat also entered into a forbearance agreement dated April 8, 2016 (the "**Forbearance Agreement**"), which expired on July 8, 2016.
- 1.1.10 The Companies were unable to finalize a sale or refinance by the end of the forbearance period. On July 7, 2016, counsel for BNS and Roynat advised Entropex, 629 and Unitec that neither lender would extend the forbearance agreements or ongoing credit.
- 1.1.11 During the week of July 10, 2016, due to the lack of ongoing credit and inability to pay suppliers, Entropex initiated a wind down of its operations.
- 1.1.12 On July 14, 2016, the Honourable Justice Grace of the Ontario Superior Court of Justice, issued an Order appointing MNP Ltd. as receiver (the "**Receiver**") of the Companies (the "**Initial Order**"). A copy of the Initial Order is attached as **Appendix C**. The Initial Order is substantially in the form of the Model Receivership Order.
- 1.1.13 The Initial Order authorized, but did not obligate, the Receiver, among other things, to do the following where the Receiver considers it necessary or desirable:
- a) Take possession of and exercise control over the property of the Companies;
 - b) Manage, operate and carry on the business of the Companies;
 - c) Initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Companies, the Property or the Receiver, and to settle or compromise any such proceedings; and,
 - d) Market any or all of the property of the Companies and negotiate such terms and conditions of sale as the Receiver may deem appropriate.
- 1.1.14 On August 5, 2016, the Receiver submitted a report (the "**First Report**"), attached without appendices as **Appendix D**, and a confidential supplemental report to the Court. A copy of the Order approving the First Report and the endorsement of Justice Garson dated August 16, 2016 and the endorsement of Justice Leitch dated August 23, 2016 and issued on August 29, 2016 are attached as **Appendix E**.
- 1.2 **Purpose of the Receiver's Second Report**
- 1.2.1 This constitutes the Receiver's Second Report to the Court (the "**Second Report**") in this matter and is filed to:
- a) Report the results of a security review conducted by the Receiver's independent legal counsel to the Court; and,
 - b) Request the Court issue an Order:
 - declaring the interests of the lessors and rental companies described therein to be subordinate to that of Roynat and BNS;
 - allowing the Receiver to dispose of the leased assets free and clear of the lessors and rental companies by way of an Approval and Vesting Order to subsequently be obtained by the Receiver; and

- allowing the Receiver to distribute the proceeds of sale of the leased assets to Roynat or BNS in priority to the lessors and rental companies pursuant to a Distribution Order to subsequently be obtained by the Receiver.

2.0

PPSA Searches

2.1 Entropex

2.1.2 According to a search conducted pursuant to the Personal Property Security Registration System ("PPSA Search") dated August 31, 2016 the secured creditors of Entropex include the following:

- a) Roynat has made registrations with respect to three specific lease agreements relating to twelve (12) forklifts;
- b) Roynat has made a registration with respect to its debenture against all equipment, inventory, receivables and accounts (also registered against Unitec and 629);
- c) BNS has made a registration with respect to its general security agreement;
- d) Unitec has made a registration with respect to a general security agreement;
- e) Delage Landen Financial Services Canada Inc. has made a registration with respect to two forklifts (also registered against Unitec);
- f) Xerox has made a registration with respect to equipment with no description;
- g) Ryder Truck Rental Canada Ltd. has made a registration against a vehicle; and,
- h) Hewitt Material Handling has made a registration against a forklift.

2.1.3 A copy of the Entropex PPSA search is attached as **Appendix F**.

2.2 Unitec

2.2.1 According to a PPSA Search dated August 31, 2016 the secured creditors of Unitec include the following (excluding registrations against both Unitec and Entropex listed above):

- a) Roynat has made a registration with respect to a general security agreement;
- b) BNS has made a registration with respect to a general security agreement;
- c) Kevin, Timothy, Keith and Christopher Bechard, as well as Carolyn Hannon, Patricia Pequegnat and Joan Hett have made a registration with respect to a general security agreement;
- d) Deragon Leasing Inc. has made a registration with respect to one vehicle; and,
- e) National Leasing Inc. has made a registration with respect to lighting as described in a lease agreement.

2.2.2 A copy of the Unitec PPSA search is attached as **Appendix G**.

2.3 629

2.3.1 According to a PPSA Search dated August 31, 2016 the secured creditors of 629 include the following (excluding registrations against both 629 and Entropex listed above):

- f) Roynat has registered a general security agreement; and
- g) BNS has registered a general security agreement.

2.3.2 A copy of the 629 PPSA search is attached as **Appendix H**.

3.0 Security Review and Challenged Leases

- 3.1.1** The Receiver's independent legal counsel, Advocates LLP ("Advocates"), has reviewed the security registered by BNS and Roynat, as well as various other leasing/long term rental agreements.
- 3.1.2** Advocates has provided an opinion that the security registered by BNS and Roynat against the Companies is valid and enforceable and that the relative priorities of BNS and Roynat are as follows:
- (i) Entropex – BNS is in first priority position with respect to inventory and accounts while Roynat is in second priority position with respect to all remaining assets, subject to the priority of De Lage Landen and Xerox with respect to their specific secured assets;
 - (ii) 629 – BNS is in first priority position with respect to inventory and accounts while Roynat is in second priority position with respect to all remaining assets; and
 - (iii) Unitec – BNS is in first priority position with respect to inventory and accounts while Roynat is in second priority position with respect to all remaining assets, subject to the potential priority of National Leasing Group with respect to its specific secured asset.
- 3.1.3** Advocates has further provided an opinion that certain of the leasing/long term rental agreements, details of which are set out below, that relate to assets in the possession of the Receiver, represent either unsecured interests or secured interests subordinate to both BNS and Roynat. As such, it is the position of the Receiver that these assets ought to be included in the assets that can be sold by the Receiver free and clear of the interest of the subject lessor with the proceeds to be distributed to either Roynat or BNS as the senior secured creditors.
- 3.2 Procor Limited**
- 3.2.1** Entropex entered into a Rail Car Lease Agreement with Procor Limited ("**Procor**") dated August 27, 2001 (the "**Procor Lease**"). The Procor Lease provides the following:
- (i) Procor will lease to Entropex rail cars as set out in Riders added to the Procor Lease;
 - (ii) The Riders shall be part of the agreement between the parties;
 - (iii) The rental period for each leased rail car will be as set out in the applicable Rider; and
 - (iv) The Procor Lease shall be governed by the laws of the Province of Ontario.
- 3.2.2** In addition to the Procor Lease, the Receiver has located a Rider dated December 20, 2012 and described as Rider No.4 ("**Rider No.4**"), a renewal letter dated November 23, 2015 ("**Renewal #1**") and a renewal letter dated June 21, 2016 ("**Renewal #2**").
- 3.2.3** A copy of the Procor Lease, Rider No.4, Renewal #1 and Renewal #2 are attached as **Appendices I, J, K and L** respectively.
- 3.2.4** Following its appointment, the Receiver determined that Entropex is in possession of 27 rail cars leased from Procor pursuant to the Procor Lease.

3.2.5 A review of Rider No. 4, Renewal #1 and Renewal #2 provides the following information:

- (i) Entropex leased 23 rail cars pursuant to Rider No. 4 with the rental periods starting anywhere from December 20, 2012 to January 25, 2013 but all ending on December 31, 2015. As a result, all were leased for a term of more than one year;
- (ii) Cancellation notice could be provided by either party under the terms of Rider No. 4 however if such notice was not given by the end of the rental period, the rental period would automatically continue on a month-to-month basis;
- (iii) Renewal #1 provides that it is a “renewal proposal for the continued supply of the 23” rail cars which are scheduled to expire at the end of December 2015 and goes on to offer a new revised lease term of three years commencing January 1, 2016. There is a hand written note on Renewal #1 to change the number of rail cars from 23 to 27. Renewal #1 was accepted by Entropex on January 29, 2016;
- (iv) Renewal #2 indicates that it relates to a renewal for 23 rail cars and addition of 4 rail cars that are presently covered by Rider No. 4 and the Procor Lease; and
- (v) Renewal #2 includes an appendix that lists 27 rail cars with 23 of these being the same rail cars listed in Rider No. 4.

3.2.6 The Receiver has received a legal opinion which provides that a lessor of rail cars may perfect a security interest in those rail cars by either registering under the PPSA, or by making a registration through the office of the Registrar General of Canada at Industry Canada pursuant to the Canada Transportation Act (the “CTA”).

3.2.7 As can be seen from a review of Appendix D, Procor did not make a PPSA registration against Entropex.

3.2.8 On August 4, 2016, the Receiver’s legal counsel carried out a Railway Documents search through Industry Canada with respect to Procor and determined that although Procor has made 22 total registrations between January 1, 2000 and August 4, 2016, no registration was made as against Entropex. Attached as **Appendix M** is a copy of the Railway Tool search.

3.2.9 The Receiver has received a legal opinion providing that since Procor does not have a registration under either the PPSA or CTA it does not have a valid and enforceable secured interest in the railcars and therefore is subordinate to the claims of the perfected secured creditors.

3.2.10 The Receiver wrote to Procor on August 9, 2016 to advise of this opinion and request any additional documentation to support its secured claim. Procor’s legal counsel has advised that it disputes the Receiver’s right to sell the rail cars; however, has not yet provided a basis for this position.

3.3 Vacuum Trucks of Canada

3.3.1 Entropex entered into a rental agreement with Vacuum Trucks of Canada (“**Vacuum**”) dated November 20, 2014 (the “**Vacuum Agreement**”). A copy of the Vacuum Agreement is attached as **Appendix N**.

- 3.3.2 The Vacuum Agreement is for a Guzzler Classic Tele Boom Wash with serial number 14-09G-6010 and chassis with VIN 1NKDL70X1FJ436310. In layman's terms it is a chassis with a vacuum attached to it.
- 3.3.3 The Rental Terms and Conditions of the Vacuum Agreement are illegible; however, this is the only copy available to the Receiver. There is a Lessee's Insurance Undertaking attached as part of the Vacuum Agreement that provides the term of the lease is November 26, 2014 to April 19, 2015.
- 3.3.4 We are advised that despite the stated term of the lease, Entropex has had continuous possession of the asset since November, 2014.
- 3.3.5 The legal opinion received by the Receiver is that since Entropex has had possession of the leased asset for more than one year, the PPSA applies to the Vacuum Agreement. Since Vacuum does not have a registration under the PPSA it does not have a valid and enforceable secured interest in this asset.
- 3.3.6 The Receiver wrote to Vacuum on August 11, 2016 to advise of this opinion and request any additional documentation to support its secured claim. As of the date of this report Vacuum has not responded.
- 3.4 Ryder Truck Rental Canada Ltd.**
- 3.4.1 Entropex entered into a Truck Lease and Service Agreement with Ryder Truck Rental Canada Ltd. ("Ryder") dated June 30, 2015 (the "Ryder Agreement"). A copy of the Ryder Agreement, signed by Entropex on July 22, 2015 and by Ryder on July 28, 2015 is attached as **Appendix O**. Also included as part of Appendix J is a completed Ryder Truck Rental Agreement Customer Information form (the "Customer Information Form").
- 3.4.2 The Ryder Agreement is for a 2011 International Prostar truck with serial number 1HSCUAPR2BJ388378.
- 3.4.3 The documents attached as Appendix M were provided to the Receiver by Ryder on July 26, 2016 by way of email. In that email, the Receiver was advised that Entropex took possession of the subject vehicle on September 17, 2015. Attached as **Appendix P** is a copy of the July 26, 2016 email.
- 3.4.4 The PPSA search included at Appendix D shows a registration made by Ryder on June 24, 2016 against equipment and motor vehicle with the same VIN as contained in the Ryder Agreement.
- 3.4.5 The legal opinion received by the Receiver is that the PPSA registration made by Ryder had the effect of perfecting Ryder's security interest; however, since it was made more than 15 days following the date of delivery of the truck, it does not qualify for a Purchase Money Security Interest ("PMSI") priority. It is therefore subordinate to all other security interests perfected prior to June 24, 2016.
- 3.4.6 Since Roynat registered a security interest prior to June 24, 2016 against equipment, with motor vehicle included, the legal opinion obtained by the Receiver is that it has a priority over Ryder.
- 3.4.7 The Receiver wrote to Ryder on July 26, 2016 to advise of this opinion and request any additional documentation to support its secured claim. Ryder's legal counsel has advised Advocates that it

is reviewing the security; however, as of the date of this report no further information has been provided.

3.5 De Lage Landen Financial Services Canada Inc.

- 3.5.1** Entropex entered into two lease agreements with De Lage Landen Financial Services Canada Inc. (“**DeLage**”) dated March 17, 2015 bearing Lease No. 577211, attached as **Appendix Q**, and Lease No. 577212, attached as **Appendix R** (collectively the “**DeLage Agreements**”). These versions of the DeLage Agreements are not signed by a representative of DeLage; however, they are the only versions available to the Receiver and we have assumed that they are final and enforceable.
- 3.5.2** The DeLage Agreements are for a 2011 Caterpillar 2C600 forklift with serial number AT83F31065 and a 2012 Caterpillar 2C600 forklift with serial number AT83F31350.
- 3.5.3** We are advised that Entropex has had possession of these assets since March, 2015.
- 3.5.4** The PPSA search included at Appendix D shows a registration made by DeLage on December 19, 2013 against equipment accounts and other, with motor vehicle included. However, the registration includes specific reference to two 2012 Caterpillar forklifts that are the subject of a different lease.
- 3.5.5** Since the registration contains limiting language (i.e. limiting to the assets described in the registration) it does not perfect an interest in favour of DeLage for the assets described in the DeLage Agreements. As such, DeLage does not have a valid and enforceable secured interest in these assets.
- 3.5.6** The Receiver wrote to DeLage on July 26, 2016 to advise of this opinion and request any additional documentation to support its secured claims. As of the date of this report DeLage has not responded.

3.6 Hewitt Material Handling

- 3.6.1** Entropex entered into a Lift Truck Rental Agreement with Hewitt Material Handling (“**Hewitt**”) on or about July 14, 2014 (the “**Hewitt Agreement**”). A copy of the Hewitt Agreement is attached as **Appendix S**. This version of the Hewitt Agreement is not executed; however, it is the only version available to the Receiver and we have assumed that it is final and enforceable.
- 3.6.2** The Hewitt Agreement is for an A1 2C5000 lift truck with serial number AT3540645.
- 3.6.3** We are advised that Entropex has had possession of the asset since July 14, 2014. This appears to be confirmed by the signed Pre-Shipping Document and Becker Bros. Trucking Inc. invoice attached as part of Appendix, both of which are dated July 14, 2014.
- 3.6.4** The legal opinion received by the Receiver is that since Entropex has had possession of the leased asset for more than one year, the PPSA applies to the Hewitt Agreement. Since Hewitt did not have a registration under the PPSA as of the date the Receiver was appointed it does not have a valid and enforceable secured interest in this asset.
- 3.6.5** The Receiver wrote to Hewitt on July 26, 2016 to advise of this opinion and request any additional documentation to support its secured claim. Counsel for Hewitt responded on August

29, 2016 to advise that a PPSA registration was made by Hewitt on August 25, 2016 and therefore Hewitt had a valid security interest in the leased forklift.

- 3.6.6** The Receiver subsequently obtained an updated legal opinion as a result of the Hewitt PPSA registration. That opinion is that although Hewitt did register security on August, 25, 2016 such that its interest became secured, since the registration was greater than 15 days from the date of delivery of the assets, the registration does not qualify for a PMSI priority. As such, the registration is subordinate to the prior-ranking charges of Roynat, BNS and Unitec.
- 3.6.7** Advocates advised Hewitt's legal counsel of the updated legal opinion and position of the Receiver that Hewitt remains in a subordinate position. Advocates has since been advised by Hewitt's legal counsel that it needs to review further documentation and information before a final position can be determined.

3.7 Modspace Financial Services

- 3.7.1** Entropex entered into five separate lease agreements with Modspace Financial Services ("Modspace"), as follows:

- Lease 73812 dated June 28, 2010, attached as **Appendix T**, for a 2010 Modspace model SNGL10-601411 10 x 40 foot trailer with serial number 140020968;
- Lease 99726 dated November 15, 2010, attached as **Appendix U**, for a 2010 Modspace model DESS-155650 12 x 40 foot trailer with serial number 240002112;
- Lease 99726F dated November 15, 2010, attached as **Appendix V**, for various furniture;
- Lease 154970 dated March 15, 2012, attached as **Appendix W**, for a 2012 Modspace model DESS-103716 12 x 40 foot trailer with serial number 1240P209398; and,
- Lease dated February 1, 2015, attached as **Appendix X**, for a 2014 Modspace model SNGL1020 10 x 20 foot trailer with no specified serial number.

(Collectively the "**Modspace Agreements**") These versions of the Modspace Agreements are not executed; however, they are the only versions available to the Receiver and we have assumed that they are final and enforceable.

- 3.7.2** We are advised that Entropex has had possession of the assets since on or around the lease dates.
- 3.7.3** The Receiver has received a legal opinion that since Entropex has had possession of the leased assets for more than one year, the PPSA applies to the Modspace Agreements.
- 3.7.4** Since Modspace does not have a registration under the PPSA it does not have valid and enforceable secured interest in the assets.
- 3.7.5** The Receiver wrote to Modspace on July 26, 2016 to advise of this opinion and request any additional documentation to support its secured claim. As of the date of this report Modspace has not responded.

3.8 Waste Management of Canada Corporation

- 3.8.1** Entropex entered into a lease agreement with Waste Management of Canada Corporation (“**Waste Management**”) dated November 9, 2011 (the “**Waste Management Agreement**”). A copy of the Waste Management Agreement is attached as **Appendix Y**.
- 3.8.2** The Waste Management Agreement is for a waste compactor model RJ 400 Ultra with no specified serial number.
- 3.8.3** We are advised that Entropex has had possession of the asset since November, 2011.
- 3.8.4** The Receiver has received a legal opinion that since Entropex has had possession of the leased asset for more than one year, the PPSA applies to the Waste Management Agreement.
- 3.8.5** Since Waste Management does not have a registration under the PPSA it does not have a valid and enforceable secured interest in this asset.
- 3.8.6** The Receiver wrote to Waste Management on August 26, 2016 to advise of this opinion and request any additional documentation to support its secured claim. As of the date of this report Waste Management has not responded.

3.9 Vincent Corporation

- 3.9.1** Entropex entered into a rental agreement with Vincent Corporation (“**Vincent**”) dated September 28, 2012 (the “**Vincent Agreement**”). A copy of the Vincent Agreement is attached as **Appendix Z**.
- 3.9.2** The Vincent Agreement is for the following assets:
- Vincent Model KP-10 Screw Press with serial number 12268-E
 - Steel support frame
 - Steel tank
- 3.9.3** We are advised that Entropex has had possession of the assets since October, 2012.
- 3.9.4** The Receiver has received a legal opinion that since Entropex has had possession of the leased asset for more than one year, the PPSA applies to the Vincent Agreement.
- 3.9.5** Since Vincent does not have a registration under the PPSA it does not have a valid and enforceable secured interest in this asset.
- 3.9.6** The Receiver wrote to Vincent on August 29, 2016 to advise of this opinion and request any additional documentation to support its secured claim. As of the date of this report Vincent has not responded.

4.0

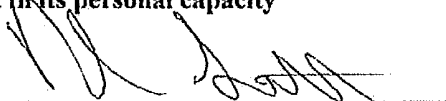
Order Sought

4.1 We submit this **Second Report** to this Honourable Court in support of our Motion respectfully requesting this Honourable Court to issue an Order:

- a) declaring the interests of the lessors and rental companies described therein to be subordinate to that of Roynat and BNS;
- b) allowing the Receiver to dispose of the leased assets free and clear of the lessors and rental companies by way of an Approval and Vesting Order to subsequently be obtained by the Receiver; and
- c) allowing the Receiver to distribute the proceeds of sale of the leased assets to Roynat or BNS in priority to the lessors and rental companies pursuant to a Distribution Order to subsequently be obtained by the Receiver.

All of which is respectfully submitted this **31st** day of August, 2016.

**MNP Ltd. in its capacity as
Receiver of
Entropex, 629728 Ontario Limited and Unitec Inc.
and not in its personal capacity**



Per: Robert W. Smith CPA, CA, CIRP, LIT
Senior Vice President



Court File No. 35-1979333T

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

THE HONOURABLE)
) TUESDAY, THE 13TH
MADAM JUSTICE MITCHELL)
) DAY OF SEPTEMBER, 2016

BETWEEN:

(Court Seal)

THE BANK OF NOVA SCOTIA

Plaintiff

and

ENTROPEX, 629728 ONTARIO LIMITED, and UNITEC INC.

Defendants

ORDER

THIS MOTION, made by MNP LTD. ("MNP") in its capacity as court-appointed receiver (the "Receiver") appointed pursuant to an order of the Court dated July 14, 2016 (the "Appointing Order") of the Property (as defined in the Appointing Order) of the Defendants, Entropex, 629728 Ontario Limited and Unitec Inc. (collectively the "Defendants") for:

- (a) An Order that the time for service, filing and confirmation of the Notice of Motion and the Motion Record be abridged, if necessary, so that this motion is properly returnable today and hereby dispensing with further service and confirmation hereof;
- (b) An Order and Declaration that the interests of:

-2-

- (i) Procor Limited in certain rail cars subject to a Rail Car Lease Agreement with Entropex dated August 27, 2001;
- (ii) Vacuum Trucks of Canada in a vacuum truck subject to a rental agreement with Entropex dated November 20, 2014;
- (iii) Ryder Truck Rental Canada Ltd. in a truck subject to a Truck Lease and Service Agreement with Entropex dated June 30, 2015;
- (iv) De Lage Landen Financial Services Canada Inc. in two forklifts subject to lease agreements with Entropex dated March 17, 2015;
- (v) Hewitt Material Handling in a lift truck subject to a Lift Truck Rental Agreement with Entropex dated July 14, 2014;
- (vi) Modspace Financial Services in certain trailers and furniture subject to five (5) lease agreements with Entropex dated June 28, 2012, November 15, 2010, November 15, 2010, March 15, 2012 and February 1, 2015;
- (vii) Waste Management of Canada Corporation in a waste compactor subject to a lease agreement with Entropex dated November 9, 2011; and
- (viii) Vincent Corporation in a screw press and related equipment subject to a rental agreement with Entropex dated September 28, 2012;

are each either:

- (i) unsecured interests that are subordinate to the perfected security interests of both senior secured lenders, The Bank of Nova Scotia ("BNS") and Roynat Inc. ("Roynat"); or

-3-

- (ii) secured interests that are subordinate to the perfected security interests of both BNS and Roynat;
- (c) An Order and Declaration that the Receiver is entitled to sell the assets leased to Entropex pursuant to the various leases and agreements set out in paragraph (b) above, and vest title in same free and clear of the interests of the respective lessors pursuant to an approval and vesting Order to be obtained by the Receiver; and
- (d) An Order and Declaration that either BNS or Roynat is entitled to a distribution as will be recommended to the Court by the Receiver of the proceeds of sale from the sale of the assets leased to Entropex pursuant to the various leases and agreements set out in paragraph (b) above, in priority to the relevant lessors pursuant to a distribution Order to be obtained by the Receiver;

was heard this day at the Court House, 80 Dundas St., London, Ontario, N6A 6A3.

ON READING the Second Report of the Receiver dated August 31, 2016 (the "Second Report"), filed, and upon reading the Responding Motion Record of United Autoworkers, Local 251, filed, and upon hearing the submissions of the lawyers for the Receiver, and upon being advised that all persons listed on the service list were served with the Motion Record as evidenced by the Affidavit of Service filed, and upon being advised that each of Procor Limited, Ryder Truck Rental Canada Ltd., De Lage Landen Financial Services Canada Inc. and Modular Space Corporation, ModSpace Financial Services Canada, Ltd. do not oppose the within Motion,

can → *United Autoworkers,*
Roynat
and
BNS,

-4-

1. **THIS COURT ORDERS** that the time for service, filing and confirmation of the Notice of Motion and Motion Record be and is hereby abridged and validated, if necessary, such that this Motion is properly returnable today and further service thereof is hereby dispensed with.

PROCOR LIMITED

2. **THIS COURT ORDERS AND DECLARES** that the interest of Procor Limited ("Procor") in twenty-seven (27) rail cars bearing the following railcar numbers:

# of Railcar	Reporting Mark	Railcar Number	# of Railcar	Reporting Mark	Railcar Number
1	UNPX	122640	15	UNPX	123154
2	UNPX	122643	16	UNPX	123207
3	UNPX	122771	17	UNPX	123278
4	UNPX	122774	18	UNPX	123340
5	UNPX	122791	19	UNPX	123564
6	UNPX	122794	20	UNPX	123855
7	UNPX	122845	21	UNPX	123930
8	UNPX	122882	22	UNPX	123954
9	UNPX	122918	23	UNPX	124104
10	UNPX	123030	24	UNPX	124113
11	UNPX	123044	25	UNPX	124122
12	UNPX	123057	26	UNPX	124155
13	UNPX	123065	27	UNPX	124170
14	UNPX	123069			

that are subject to a Rail Car Lease Agreement with Entropex dated August 27, 2001 (the "Rail Cars") is an unperfected security interest that is subordinate to the perfected security interests of both senior secured lenders, The Bank of Nova Scotia ("BNS") and Roynat Inc. ("Roynat").

3. **THIS COURT ORDERS AND DECLARES** that the Receiver is entitled to sell the Rail Cars and vest title in them free and clear of the interest of Procor pursuant to an approval and vesting Order to be obtained by the Receiver (the "Rail Car Approval and Vesting Order") and that either BNS or Roynat will be entitled to a distribution of the proceeds of sale from the sale

-5-

of the Rail Cars in priority to Procor, pursuant to a distribution Order as will be recommended to the Court by the Receiver.

4. **THIS COURT ORDERS** that the Rail Cars shall not be moved from their present location until the Receiver has obtained the Rail Car Approval and Vesting Order, all Procor Reporting Marks have been removed from the Rail Cars and the purchaser of the Rail Cars has applied its own Reporting Mark to each of the Rail Cars and registered its ownership in the UMLER system.

VACUUM TRUCKS OF CANADA

5. **THIS COURT ORDERS AND DECLARES** that the interest of Vacuum Trucks of Canada ("Vacuum") in a vacuum truck bearing Unit# 8675, Serial Number 14-09G-6010, and Chassis VIN# 1NKDL70X1FJ436310 (the "Vacuum Truck") that is subject to a rental agreement with Entropex dated November 20, 2014, is an unperfected security interest that is subordinate to the perfected security interests of both BNS and Roynat.

6. **THIS COURT ORDERS AND DECLARES** that the Receiver is entitled to sell the Vacuum Truck and vest title in it free and clear of the interest of Vacuum pursuant to an approval and vesting Order to be obtained by the Receiver and that either BNS or Roynat will be entitled to a distribution of the proceeds of sale from the sale of the Vacuum Truck in priority to Vacuum, pursuant to a distribution Order as will be recommended to the Court by the Receiver.

-6-

RYDER TRUCK RENTAL CANADA LTD.

7. **THIS COURT ORDERS AND DECLARES** that the interest of Ryder Truck Rental Canada Ltd. ("Ryder") in a 2011 International Prostar truck with VIN# 1HSCUAPR2BJ388378 (the "Ryder Truck") that is subject to a Truck Lease and Service Agreement with Entropex dated June 30, 2015 is a perfected security interest that is subordinate to the perfected security interests of both BNS and Roynat.

8. **THIS COURT ORDERS AND DECLARES** that the Receiver is entitled to sell the Ryder Truck and vest title in it free and clear of the interest of Ryder pursuant to an approval and vesting Order to be obtained by the Receiver and that either BNS or Roynat will be entitled to a distribution of the proceeds of sale from the sale of the Ryder Truck in priority to Ryder, pursuant to a distribution Order as will be recommended to the Court by the Receiver.

DE LAGE LANDEN FINANCIAL SERVICES CANADA INC.

9. **THIS COURT ORDERS AND DECLARES** that the interest of De Lage Landen Financial Services Canada Inc. ("De Lage") in:

- (a) a 2011 Caterpillar 2C6000 Forklift bearing serial number AT83F31065 c/w attachments and accessories ("De Lage Forklift #1") that is subject to an Equipment Leasing Agreement with Entropex bearing Lease No. 577211; and
- (b) a 2012 Caterpillar 2C6000 Forklift bearing serial number AT83F31350 c/w attachments and accessories ("De Lage Forklift #2") that is subject to an Equipment Leasing Agreement with Entropex bearing Lease No. 577212;

is an unperfected security interest that is subordinate to the perfected security interests of both BNS and Roynat.

-7-

10. **THIS COURT ORDERS AND DECLARES** that the Receiver is entitled to sell De Lage Forklift #1 and De Lage Forklift #2 (collectively the "De Lage Forklifts") and vest title in the De Lage Forklifts free and clear of the interests of De Lage pursuant to an approval and vesting Order to be obtained by the Receiver and that either BNS or Roynat will be entitled to a distribution of the proceeds of sale from the sale of the De Lage Forklifts in priority to De Lage, pursuant to a distribution Order as will be recommended to the Court by the Receiver.

MODSPACE FINANCIAL SERVICES

11. **THIS COURT ORDERS AND DECLARES** that the interest of Modular Space Corporation, ModSpace Financial Services Canada, Ltd. ("ModSpace") in:

- (a) All equipment leased to Entropex pursuant to a Lease Agreement bearing Lease Agreement No. 073812, including equipment bearing Serial No. 140020968 ("ModSpace Lease #1");
- (b) All equipment leased to Entropex pursuant to a Lease Agreement bearing Lease Agreement No. 099726, including equipment bearing Serial No. 240002112 ("ModSpace Lease #2");
- (c) All equipment leased to Entropex pursuant to a Lease Agreement bearing Lease Agreement No. 099726F ("ModSpace Lease #3");
- (d) All equipment leased to Entropex pursuant to a Lease Agreement bearing Lease Agreement No. 154970, including equipment bearing Serial No. 1240P209398 ("ModSpace Lease #4"); and

-8-

- (e) All equipment leased to Entropex pursuant to a Lease Agreement dated February 4, 2015 bearing Offer No. 89179, including equipment described as a 10x20 Unit, Class SNGL1020 ("ModSpace Lease #5");

is a perfected security interest that is subordinate to the perfected security interests of both BNS and Roynat.

12. **THIS COURT ORDERS AND DECLARES** that the Receiver is entitled to sell all ModSpace equipment that is subject to ModSpace Lease #1, ModSpace Lease #2, ModSpace Lease #3, ModSpace Lease #4 and ModSpace Lease #5 (collectively the "ModSpace Equipment") and vest title in the ModSpace Equipment free and clear of the interest of ModSpace pursuant to an approval and vesting Order to be obtained by the Receiver and that either BNS or Roynat will be entitled to a distribution of the proceeds of sale from the sale of the ModSpace Equipment in priority to ModSpace, pursuant to a distribution Order as will be recommended to the Court by the Receiver.

WASTE MANAGEMENT OF CANADA CORPORATION

AM
~~13. **THIS COURT ORDERS AND DECLARES** that the interest of Waste Management of Canada Corporation ("Waste Management") in a waste compactor model # RJ-400 Ultra – with stand (the "Compactor") that is subject to a Lease Agreement with Entropex dated November 9, 2011 is an unperfected security interest that is subordinate to the perfected security interests of both BNS and Roynat.~~

AM

-9-

AM 14. ~~THIS COURT ORDERS AND DECLARES~~ that the Receiver is entitled to sell the Compactor and vest title in it free and clear of the interest of Waste Management pursuant to an approval and vesting Order to be obtained by the Receiver and that either BNS or Roynat will be entitled to a distribution of the proceeds of sale from the sale of the Compactor in priority to Waste Management, pursuant to a distribution Order as will be recommended to the Court by the Receiver. *AM*

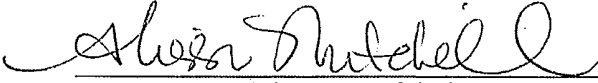
VINCENT CORPORATION

15. **THIS COURT ORDERS AND DECLARES** that the interest of Vincent Corporation ("Vincent") in a Model KP-10 Vincent Screw Press bearing serial #12268-E and related equipment (the "Screw Press") that is subject to an International Rental Agreement with Entropex dated September 28, 2012 is an unperfected security interest that is subordinate to the perfected security interests of both BNS and Roynat.

16. **THIS COURT ORDERS AND DECLARES** that the Receiver is entitled to sell the Screw Press and vest title in it free and clear of the interest of Vincent pursuant to an approval and vesting Order to be obtained by the Receiver and that either BNS or Roynat will be entitled to a distribution of the proceeds of sale from the sale of the Screw Press in priority to Vincent, pursuant to a distribution Order as will be recommended to the Court by the Receiver.

HEWITT MATERIAL HANDLING

17. THIS COURT ORDERS that the within Motion be and is hereby adjourned to Tuesday September 27, 2016 as it relates to any and all relief sought by the Receiver with respect to Hewitt Material Handling and Waste Management Canada Corporation.



(Signature of Judge)

RCP-E 59A (July 1, 2007)

THE BANK OF NOVA SCOTIA
Plaintiff

-and- ENTROPEX ET AL.
Defendants

Court File No. 35-1979333T

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

**PROCEEDING COMMENCED AT
LONDON**

ORDER

ADVOCATES LLP
16th Floor - One London Place
255 Queens Avenue
London ON N6A 5R8

David S. Swift (40107N)
D.Swift@AdvocatesLLP.com
Tel: (519) 858-8220 ext. 235
Fax: 519-858-0687

Lawyers for the receiver

File Number: 16056

Court File No. 35-1979333T

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

THE HONOURABLE)
MISTER JUSTICE I.F. LEVIN) TUESDAY, THE 27TH
DAY OF SEPTEMBER, 2016

BETWEEN:

(Court Seal)

THE BANK OF NOVA SCOTIA

Plaintiff

and

ENTROPEX, 629728 ONTARIO LIMITED, and UNITEC INC.

Defendants

ORDER

THIS MOTION, originally returnable on Tuesday, September 13, 2016, made by MNP LTD. ("MNP") in its capacity as court-appointed receiver (the "Receiver") appointed pursuant to an order of the Court dated July 14, 2016 (the "Appointing Order") of the Property (as defined in the Appointing Order) of the Defendants, Entropex, 629728 Ontario Limited and Unitec Inc. (collectively the "Defendants"), for:

- (a) An Order that the time for service, filing and confirmation of the Notice of Motion and the Motion Record be abridged, if necessary, so that this motion is properly returnable today and hereby dispensing with further service and confirmation hereof;

-2-

- (b) An Order and Declaration that the interests of:
- (i) Procor Limited in certain rail cars subject to a Rail Car Lease Agreement with Entropex dated August 27, 2001;
 - (ii) Vacuum Trucks of Canada in a vacuum truck subject to a rental agreement with Entropex dated November 20, 2014;
 - (iii) Ryder Truck Rental Canada Ltd. in a truck subject to a Truck Lease and Service Agreement with Entropex dated June 30, 2015;
 - (iv) De Lage Landen Financial Services Canada Inc. in two forklifts subject to lease agreements with Entropex dated March 17, 2015;
 - (v) Hewitt Material Handling in a lift truck subject to a Lift Truck Rental Agreement with Entropex dated July 14, 2014;
 - (vi) Modspace Financial Services in certain trailers and furniture subject to five (5) lease agreements with Entropex dated June 28, 2012, November 15, 2010, November 15, 2010, March 15, 2012 and February 1, 2015;
 - (vii) Waste Management of Canada Corporation in a waste compactor subject to a lease agreement with Entropex dated November 9, 2011; and
 - (viii) Vincent Corporation in a screw press and related equipment subject to a rental agreement with Entropex dated September 28, 2012;

are each either:

-3-

- (i) unsecured interests that are subordinate to the perfected security interests of both senior secured lenders, The Bank of Nova Scotia ("BNS") and Roynat Inc. ("Roynat"); or
 - (ii) secured interests that are subordinate to the perfected security interests of both BNS and Roynat;
- (c) An Order and Declaration that the Receiver is entitled to sell the assets leased to Entropex pursuant to the various leases and agreements set out in paragraph (b) above, and vest title in same free and clear of the interests of the respective lessors pursuant to an approval and vesting Order to be obtained by the Receiver; and
- (d) An Order and Declaration that either BNS or Roynat is entitled to a distribution as will be recommended to the Court by the Receiver of the proceeds of sale from the sale of the assets leased to Entropex pursuant to the various leases and agreements set out in paragraph (b) above, in priority to the relevant lessors pursuant to a distribution Order to be obtained by the Receiver;

was heard this day at the Court House, 80 Dundas St., London, Ontario, N6A 6A3.

ON READING the Second Report of the Receiver dated August 31, 2016 (the "Second Report"), filed, and upon reading the Responding Motion Record of United Autoworkers, Local 251, filed, and upon being advised that pursuant to the Order of the Honourable Madam Justice Mitchell dated September 13, 2016, the Receiver was granted the relief requested with respect to each of Procor Limited, Vacuum Trucks of Canada, Ryder Truck Rental Canada Ltd., De Lage Landen Financial Services Canada Inc., Modular Space Corporation, ModSpace Financial Services Canada, Ltd. and Vincent Corporation, with the relief sought with respect to Hewitt

-4-

Material Handling and Waste Management of Canada Corporation being adjourned to today, and upon hearing the submissions of the lawyers for the Receiver, and upon being advised that all persons listed on the service list were served with the Motion Record as evidenced by the Affidavit of Service filed, and upon being advised that Waste Management of Canada Corporation does not oppose the within Motion, and upon being advised that Hewitt Material Handling opposes the Motion but is not in attendance to make submissions,

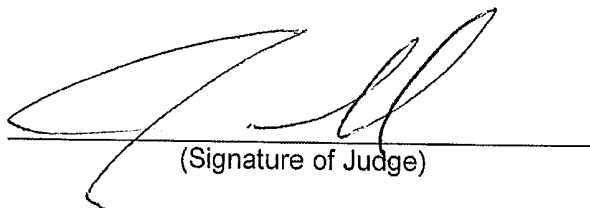
WASTE MANAGEMENT OF CANADA CORPORATION

1. **THIS COURT ORDERS AND DECLARES** that the interest of Waste Management of Canada Corporation ("Waste Management") in a waste compactor model # RJ 400 Ultra – with stand (the "Compactor") that is subject to a Lease Agreement with Entropex dated November 9, 2011 is an unperfected security interest that is subordinate to the perfected security interests of both BNS and Roynat.

2. **THIS COURT ORDERS AND DECLARES** that the Receiver is entitled to sell the Compactor and vest title in it free and clear of the interest of Waste Management pursuant to an approval and vesting Order to be obtained by the Receiver and that either BNS or Roynat will be entitled to a distribution of the proceeds of sale from the sale of the Compactor in priority to Waste Management, pursuant to a distribution Order as will be recommended to the Court by the Receiver.

HEWITT MATERIAL HANDLING

3. **THIS COURT ORDERS AND DECLARES** that the interest of Hewitt Material Handling, a subsidiary of Hewitt Equipment Limited ("Hewitt"), in a lift truck bearing Equipment No. L012971 and Make, Model and Serial No. A1 2C5000 AT3540645 (the "Lift Truck") that is subject to a Lift Truck Rental Agreement with Entropex, is a perfected security interest that is subordinate to the perfected security interests of both BNS and Roynat.
4. **THIS COURT ORDERS AND DECLARES** that the Receiver is entitled to sell the Lift Truck and vest title in it free and clear of the interest of Hewitt pursuant to an approval and vesting Order to be obtained by the Receiver and that either BNS or Roynat will be entitled to a distribution of the proceeds of sale from the sale of the Lift Truck in priority to Hewitt, pursuant to a distribution Order as will be recommended to the Court by the Receiver.



(Signature of Judge)

RCP-E 59A (July 1, 2007)

THE BANK OF NOVA SCOTIA
Plaintiff

-and- ENTROPEX ET AL.
Defendants

Court File No. 35-1979333T

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

PROCEEDING COMMENCED AT
LONDON

ORDER

ADVOCATES LLP
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255 Queens Avenue
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David S. Swift (40107N)
D.Swift@AdvocatesLLP.com
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Fax: 519-858-0687

Lawyers for the receiver

File Number: 16056

Sept 13, 2016 Mr. Swift for the Receiver
Mr. Hamann for the Unions Auto Workers.
Mr. Hooper for BNS and Raynat.
No other interested parties appearing
despite proper notice.

Order signed in form filed, as amended.
Order is without prejudice to
Rights of Union (UAW) to claim
priority to proceeds which right
is expressly reserved.

Witchell J.

SEP 27 2016

- Mr Swift for the many receivers.
- No one else appearing, ~~at the~~ (matter)
called at 12:15 PM, a High Mr
Swift has filed email correspondence
for other counsel (indicating:
1) Counsel for Unions: does not appear
requested further relief, provided a similar
purpose to that made by check
prohibits an right with an unrolled order
(have

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY
PROCEEDING COMMENCED AT
LONDON

MOTION RECORD

ADVOCATES LLP
16th Floor - One London Place
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D.Swift@AdvocatesLLP.com
Tel: (519) 858-8220 ext. 235
Fax: 519-858-0687

Lawyers for the receiver

File Number: 16056

if requested + confirmed then end
1) Counsel for the banks sought relief from the
same for the permit appears to be
requested for permit, but instead
Counsel indicated that permit could
have indicated filed, + permit for day
will be applied, + permit
will be applied, + permit
Having reviewed that the motion requested
upon indicated is appropriate - that end
further relief is appropriate to come
reviewed + signed, permit to *[Signature]*

Court File No. 35-1979333T

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

BETWEEN:

THE BANK OF NOVA SCOTIA

Plaintiff

and

ENTROPEX, 629728 ONTARIO LIMITED and UNITEC INC.

Defendants

**THIRD REPORT TO THE COURT SUBMITTED BY MNP LTD.,
IN ITS CAPACITY AS RECEIVER OF
ENTROPEX, 629728 ONTARIO LIMITED and UNITEC INC.**

September 22, 2016

Table of Contents

	<u>Page</u>
1.0 Introduction and Purpose of Report	3
1.1 Introduction	3
1.2 Purpose of the Receiver's Third Report	4
2.0 VIP Bill of Sale	6
2.1 Rail Cars	6
3.0 Statement of Receipts and Disbursements	8
4.0 Receiver and its Counsel's Accounts	9
5.0 Order Sought	10

Listing of Appendices

- Appendix A - Initial Order
- Appendix B - Receiver's First Report (without appendices)
- Appendix C - Order approving First Report, Endorsement of Justice Garson dated August 23, 2016 and Endorsement of Justice Leitch dated August 29, 2016
- Appendix D - Receiver's Second Report (without appendices)
- Appendix E - Order approving Second Report dated September 13, 2016
- Appendix F - Receiver's Statement of Receipts and Disbursements
- Appendix G - Receiver's fee affidavit
- Appendix H - Legal Counsel's fee affidavit

1.0 Introduction and Purpose of Report

1.1 Introduction

- 1.1.1** Entropex is a general partnership carrying on business as a plastics recycler from the land known municipally as 1271 Lougar Avenue, Sarnia, Ontario (the “**Lougar Property**”).
- 1.1.2** 629728 Ontario Limited (“**629**”) and Unitec Inc. (“**Unitec**”) are corporations incorporated pursuant to the laws of the Province of Ontario and are the partners of Entropex.
- 1.1.3** Entropex, 629 and Unitec (collectively referred to as the “**Companies**”) are registered as the joint title holders to the Lougar Property.
- 1.1.4** Entropex is indebted to the Bank of Nova Scotia (“**BNS**”) for approximately \$3,500,000 CDN. Entropex is indebted to Roynat Inc. (“**Roynat**”) for approximately \$3,260,000 million USD. The debts owing by Entropex to BNS and Roynat are guaranteed by 629 and Unitec.
- 1.1.5** The debt owing to BNS is secured by the following:
- A collateral charge registered against the Lougar Property in the principal amount of \$5,000,000 CDN;
 - General security agreements dated May 13, 2014 from Entropex, 629 and Unitec; and,
 - Guarantees and general security agreements from various parties related to the Companies, including Nxgen Holdings Inc., Entropex Logistics Inc. and Entropex Rigidreclaim Inc. (collectively referred to as the “**Guarantors**”).
- 1.1.6** The debt owing to Roynat is secured by the following:
- A debenture, granting a security interest in all real and personal property, registered against the Lougar Property in the principal amount of \$3,863,000 USD; and,
 - Guarantees dated July 31, 2014 from 629 and Unitec.

In addition Roynat has received guarantees of its indebtedness from the Guarantors.

- 1.1.7** On March 18, 2016, due to various events of default under the terms of the financing agreement, BNS issued demand for payment and notice of intention to enforce security to the Companies and the Guarantors.
- 1.1.8** On April 8, 2016, BNS, the Companies and the Guarantors entered into a forbearance agreement, wherein, among other terms, BNS provided a period of forbearance to July 8, 2016 to permit Entropex to complete the sale of its business and/or refinance.
- 1.1.9** On March 23, 2016, Roynat issued a demand for payment and a notice of intention to enforce security to Entropex. Entropex and Roynat also entered into a forbearance agreement dated April 8, 2016, which expired on July 8, 2016.

- 1.1.10 The Companies were unable to finalize a sale or refinance by the end of the forbearance period. On July 7, 2016, counsel for BNS and Roynat advised Entropex, 629 and Unitec that neither lender would extend the forbearance agreements or ongoing credit.
- 1.1.11 During the week of July 10, 2016, due to the lack of ongoing credit and inability to pay suppliers, Entropex initiated a wind down of its operations.
- 1.1.12 On July 14, 2016, the Honourable Justice Grace of the Ontario Superior Court of Justice, issued an Order appointing MNP Ltd. as receiver (the "**Receiver**") of the Companies (the "**Initial Order**"). A copy of the Initial Order is attached as **Appendix A**. The Initial Order is substantially in the form of the Model Receivership Order.
- 1.1.13 The Initial Order authorized, but did not obligate, the Receiver, among other things, to do the following where the Receiver considers it necessary or desirable:
- a) Take possession of and exercise control over the property of the Companies;
 - b) Manage, operate and carry on the business of the Companies;
 - c) Initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Companies, the Property or the Receiver, and to settle or compromise any such proceedings; and,
 - d) Market any or all of the property of the Companies and negotiate such terms and conditions of sale as the Receiver may deem appropriate.
- 1.1.14 The Receiver has submitted two previous reports to the Court dated August 5, 2016 (the "**First Report**"), which included a confidential supplemental report to the Court and August 31, 2016 (the "**Second Report**"). A copy of the First Report, without appendices, is attached as **Appendix B**. A copy of the Order approving the First Report and the endorsement of Justice Garson dated August 16, 2016 and the endorsement of Justice Leitch dated August 23, 2016 and issued on August 29, 2016 are attached as **Appendix C**. A copy of the Second Report, without appendices, and Order dated September 13, 2016 approving same are attached as **Appendix D** and **Appendix E** respectively.
- 1.2 Purpose of the Receiver's Third Report**
- 1.2.1 This constitutes the Receiver's Third Report to the Court (the "**Third Report**") in this matter and is filed to:
- a) Obtain an Order approving the Third Report and the confidential supplement thereto, along with the activities of the Receiver detailed therein;
 - b) Obtain an Order approving the bill of sale between the Receiver and Vidal Street Industrial Park Inc. ("**VIP**") with respect to the twenty-seven rail cars described therein;
 - c) Obtain an Order vesting title to the twenty-seven rail cars described herein in and to VIP;
 - d) Obtain approval of the fees and expenses of the Receiver and its legal counsel;
 - e) Obtain approval of the Receiver's Statement of Receipts and Disbursements for the period July 14 to September 16, 2016; and

- f) Obtain an Order sealing the Confidential Supplement to the Receiver's Third Report.

2.0

VIP Bill of Sale

2.1 Rail Cars

2.1.2 Prior to the receivership Entropex leased the following twenty-seven (27) rail cars (the “Rail Cars”) from Procor Limited (“Procor”):

	Rail Car Number
1	UNPX122640
2	UNPX122643
3	UNPX122771
4	UNPX122774
5	UNPX122791
6	UNPX122794
7	UNPX122845
8	UNPX122882
9	UNPX122918
10	UNPX123030
11	UNPX123044
12	UNPX123057
13	UNPX123065
14	UNPX123069
15	UNPX123154
16	UNPX123207
17	UNPX123278
18	UNPX123340
19	UNPX123564
20	UNPX123855
21	UNPX123930
22	UNPX123954
23	UNPX124104
24	UNPX124113
25	UNPX124122
26	UNPX124155
27	UNPX124170

2.1.3 The August 16, 2016 Court Order approving the First Report, attached at Appendix C, approved the process to market and sell the assets of the Companies (the “Sales Process”) as described in the First Report. Bids under the sales process were due to be submitted on September 16, 2016.

2.1.4 The September 13, 2016 Court Order approving the Second Report, attached at Appendix E, declared:

- that the lease agreement for the Rail Cars was an unperfected security interest subordinate to the perfected security interests of both BNS and Roynat; and,
- that the Receiver is entitled to sell the Rail Cars and vest title in them free and clear of the interest of Procor pursuant to an approval and vesting Order to be obtained by the Receiver.

2.1.5 The Receiver has accepted an offer, subject to Court Approval, to sell the Rail Cars to VIP and entered into a bill of sale ("**Bill of Sale**"). Due to the confidential nature of the Bill of Sale, the Receiver is disclosing the details to the Court via a supplementary report, which we request the Court keep sealed pending the closing of the transaction.

2.1.6 The supplementary report also includes details of the Sales Process and appraisal information.

3.0 Statement of Receipts and Disbursements

- 3.1.1** Appendix F, attached, is a summary of the Receiver's Statement of Receipts and Disbursements for the period July 14 to September 16, 2016.
- 3.1.2** The Receiver has generated receipts of approximately \$2,480,000, primarily from collection of accounts receivable and the sale of inventory.
- 3.1.3** The Receiver has made disbursements of approximately \$342,500, primarily for:
- Wages, benefits and source deductions of \$200,000. As set out in the First Report, the Receiver has maintained four employees onsite at the Lougar Property full time (twenty four hours a day, seven days a week) to maintain the environmental protocols described therein.
 - \$30,000 has been paid to date to a shipping company who made a claim for shipments delivered prior to the receivership to Entropex customers. The shipping company claimed the right to hold Entropex customers responsible for invoices totaling \$105,000 under Section 7.1 of the *Mercantile Law Amendment Act* and Section 2 of the *Bills of Lading Act*. The Receiver's legal counsel reviewed these statutes and provided an opinion that a portion of the claim was valid and the Receiver subsequently reached an agreement with the shipping company to pay \$32,000 in full and final settlement of its claims. To avoid confusion to the customers of where to direct payment, the Receiver and the shipping company agreed that the Receiver would collect the outstanding accounts and remit payments to the shipping company for their claims.
 - Occupancy costs, including utilities, insurance, cleaning and phone.
- 3.1.4** The Receiver has generated a net excess of receipts and disbursements to date of \$2,141,000.

4.0 Receiver and its Counsel's Accounts

- 4.1.1 As required in the Initial Order, the Receiver is seeking the approval of its accounts and the accounts of its legal counsel for the receivership period to date.
- 4.1.2 The Receiver has submitted one invoice to date, for the period July 8 to September 16, 2016 in the amount of \$130,000, inclusive of disbursements and before HST. The invoice, together with the Receiver's affidavit of verification of fees, is attached as **Appendix G**.
- 4.1.3 Advocates LLP ("Advocates"), the Receiver's legal counsel, has submitted one invoice to date, for the period July 8 to September 19, 2016 in the amount of \$73,102.72, inclusive of disbursements and before HST. The invoice, together with the Advocates affidavit of verification of fees, is attached as **Appendix H**.

5.0***Order Sought***

- 5.1 We submit this **Third Report** to this Honourable Court in support of our Motion respectfully requesting this Honourable Court to issue an Order:
- a) Approving the Third Report of the Receiver and the Confidential Supplement thereto, and the activities of the Receiver described therein;
 - b) Approving the Bill of Sale between the Receiver and Vidal Street Industrial Park Inc.;
 - c) Vesting title to the Rail Cars described therein in and to Vidal Street Industrial Park Inc.;
 - d) Approving the Receiver's Statement of Receipts and Disbursements for the period July 14 to September 16, 2016;
 - e) Approving the fees and expenses of the Receiver and its legal counsel; and,
 - f) Approving the sealing of the Confidential Supplement to the Third Report and its contents.

All of which is respectfully submitted this 22nd day of September, 2016.

**MNP Ltd. in its capacity as
Receiver of
Entropex, 629728 Ontario Limited and Unitec Inc.
and not in its personal capacity**



Per: Robert W. Smith CPA, CA, CIRP, LIT
Senior Vice President

OCT 04 2016

Court File No. 35-1979333T

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

PROCEEDING COMMENCED AT
LONDON

MOTION RECORD

ADVOCATES LLP
16th Floor - One London Place
255 Queens Avenue
London ON N6A 5R8

David S. Swift (40107N)
D.Swift@AdvocatesLLP.com
Tel: (519) 858-8220 ext. 235
Fax: 519-858-0687

Lawyers for the receiver

File Number: 16056

SUPERIOR COURT OF JUSTICE
REGISTRAR FILED
LONDON, ONTARIO
SEP 26 2016
COUR SUPÉRIEUR DE JUSTICE
DÉPÔSE
GREFFIER

Mr Swift appears for the Receiver
Mr Ryan appears & withdraws his last
the 8 orders to the order sought.
No parties appear the relief sought
Based on materials filed, order to
be sought. The proposed order
should be approved considering
the "Sandair" factors; the
Anvilby order approving the 3rd Report &
the Conf dated Supplement is
sought. The Conf dated Supplement
shall be added to the 90 days for the
the 3rd order for completion
considering its contents & the limited
duration of the order sought
The RS Report & Disbursements,
the RS fees & RS award
are approved.

[Handwritten signature]

Court File No. 35-1979333T



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

THE HONOURABLE MADAM
JUSTICE LEITCH

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TUESDAY, THE 4TH
DAY OF OCTOBER, 2016

BETWEEN:

(Court Seal)

THE BANK OF NOVA SCOTIA

Plaintiff

and

ENTROPEX, 629728 ONTARIO LIMITED, and UNITEC INC.

Defendants

ANCILLARY ORDER

THIS MOTION, made by MNP LTD. ("MNP") in its capacity as court-appointed receiver (the "Receiver") appointed pursuant to the Order of the Honourable Justice Grace dated July 14, 2016 (the "Appointing Order") of the Property (as defined in the Appointing Order) of the Defendants, Entropex, 629728 Ontario Limited and Unitec Inc. (collectively the "Defendants"), for:

- (a) An Order abridging the time for service, filing and confirmation of the Notice of Motion and the Motion Record, if necessary, so that this Motion is properly returnable today and hereby dispensing with further service and confirmation hereof;

-2-

- (b) An Order approving the Receiver's Third Report to the Court dated September 22, 2016 (the "Third Report") and the Receiver's Confidential Supplement to the Third Report dated September 22, 2016 (the "Confidential Supplement") and the activities of the Receiver as reported therein;
- (c) An Order sealing the Confidential Supplement, following the Court's review thereof, until ninety (90) days from the date of the Order granted in the within Motion or the completion of the Transaction, whichever is earlier, subject to such further Order of this Court;
- (d) An Order approving the Statement of Receipts and Disbursements of the Receiver as detailed in the Third Report (the "Statement of Receipts and Disbursements");
- (e) An Order approving the fees and disbursements of the Receiver from July 8, 2016 up to and including September 16, 2016 as detailed in the Third Report (the "Receiver's Fees") and the payment thereof;
- (f) An Order approving the fees and disbursements of the Receiver's counsel from July 8, 2016 up to and including September 19, 2016 as detailed in the Third Report (the "Counsel Fees") and the payment thereof; and
- (g) Such further and other relief as to this Honourable Court may seem just;

was heard this day at the Court House, 80 Dundas St., London, Ontario, N6A 6A3.

-3-

ON READING the Third Report, and upon reading the Confidential Supplement, and upon hearing the submissions of the lawyers for the Receiver, and upon being advised that all persons listed on the service list were served with the Motion Record as evidenced by the Affidavit of Service of Cory Wood, filed,

1. **THIS COURT ORDERS** that the time for service, filing and confirmation of the Notice of Motion and Motion Record be and is hereby abridged and validated, if necessary, such that this Motion is properly returnable today and further service thereof is hereby dispensed with.
2. **THIS COURT ORDERS** that the Third Report and the Receiver's activities and conduct reported therein, be and is hereby approved.
3. **THIS COURT ORDERS** that the Confidential Supplement and the Receiver's activities and conduct reported therein, be and is hereby approved.
4. **THIS COURT ORDERS** that the Confidential Supplement, filed with the Court separate and apart from the Third Report, shall hereafter be filed in the within Court File in a sealed envelope or other appropriately sealed container and that only the Court and its clerk shall be entitled to open and review the contents without a further Order of the Court. The sealed envelope or container shall be endorsed with the title of proceedings in this action and a label identifying the contents as being "The Confidential Supplement to the Third Report of the Receiver dated September 22, 2016", and the words "SUBJECT TO PROTECTIVE ORDER" and a statement in the following form: "THIS ENVELOPE IS NOT TO BE OPENED EXCEPT BY THE COURT OR ITS CLERKS OR BY OTHER PERSONS BY ORDER OF THE COURT".

5. **THIS COURT ORDERS** that the sealing of the Confidential Supplement shall continue until the passage of ninety (90) days for the date of the within Order or the completion of the Transaction pursuant to the Approval and Vesting Order dated October 4, 2016, whichever is earlier, subject to further Order of this Court.

6. **THIS COURT ORDERS** that the Statement of Receipts and Disbursements be and is hereby approved.

7. **THIS COURT ORDERS** that the Receiver's Fees and the payment thereof, be and are hereby approved.

8. **THIS COURT ORDERS** that the Counsel Fees and the payment thereof, be and are hereby approved.



(Signature of Judge)

THE BANK OF NOVA SCOTIA
Plaintiff

-and- ENTROPEX ET AL.
Defendants

Court File No. 35-1979333T

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

**PROCEEDING COMMENCED AT
LONDON**

ORDER

ADVOCATES LLP
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London ON N6A 5R8

David S. Swift (40107N)
D.Swift@AdvocatesLLP.com
Tel: (519) 858-8220 ext. 235
Fax: 519-858-0687

Lawyers for the Receiver

File Number: 16056

Court File No. 35-1979333T

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY



THE HONOURABLE MADAM
JUSTICE LEITCH

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)

TUESDAY, THE 4TH
DAY OF OCTOBER, 2016

BETWEEN:

THE BANK OF NOVA SCOTIA

Plaintiff

- and -

ENTROPEX, 629728 ONTARIO LIMITED, and UNITEC INC.

Defendants

APPROVAL AND VESTING ORDER

THIS MOTION, made by MNP LTD. ("MNP") in its capacity as the Court-appointed receiver (the "Receiver") appointed pursuant to an order of the Court dated July 14, 2016 of the undertaking, property and assets of the Defendants, Entropex, 629728 Ontario Limited and Unitec Inc. (collectively the "Defendants") for an order approving the sale transaction (the "Transaction") contemplated by a Bill of Sale (the "Sale Agreement") between the Receiver and Vidal Street Industrial Park Inc. (the "Purchaser") dated September 16, 2016 and appended to the Confidential Supplement to the Third Report of the Receiver dated September 22, 2016 (the "Confidential Supplement"), and vesting in the Purchaser the right, title and interest of the Defendants in and to the assets described in the Sale Agreement and in Schedule "B" hereto (the "Purchased Assets"), was heard this day at 80 Dundas Street, London, Ontario.

ON READING the Receiver's Third Report to the Court dated September 22, 2016 (the "Third Report") and the Confidential Supplement and on hearing the submissions of counsel for the Receiver, no one appearing for any other person on the service list, although properly served as appears from the affidavit of Cory Wood sworn September 23, 2016 filed:

1. THIS COURT ORDERS AND DECLARES that the Transaction is hereby approved, and the execution of the Sale Agreement by the Receiver is hereby authorized and approved, with such minor amendments as the Receiver may deem necessary. The Receiver is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.
2. THIS COURT ORDERS AND DECLARES that upon the delivery of a Receiver's certificate to the Purchaser substantially in the form attached as Schedule A hereto (the "Receiver's Certificate"), all of the right, title and interest of the Defendants in and to the Purchased Assets shall vest absolutely in the Purchaser, free and clear of and from any and all ownership, security or other interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial, ownership or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "Claims") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable Justice Grace dated July 14, 2016; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario), the *Canada Transportation Act* or any other personal property registry system; and (iii) those Claims listed on Schedule C hereto, (all of which are collectively referred to as the "Encumbrances") and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

3. THIS COURT ORDERS AND DECLARES that upon delivery of the Receiver's Certificate and the vesting of the Purchased Assets free and clear in the Purchaser, Procor Limited, its directors, officers, employees, agents and each of its controlling and related entities, shall be released from all rights, title, interest, responsibility, liability and other obligations of whatever kind regarding the Purchased Assets arising following the delivery of the Receiver's Certificate.

4. THIS COURT ORDERS that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Receiver's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

5. THIS COURT ORDERS AND DIRECTS the Receiver to file with the Court a copy of the Receiver's Certificate, forthwith after delivery thereof.

6. THIS COURT ORDERS that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of any of the Defendants and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of any of the Defendants;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of any of the Defendants and shall not be void or voidable by creditors of the Defendants, nor shall it

constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

7. THIS COURT ORDERS AND DECLARES that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario) and that the Transaction may be completed without compliance with:

- (a) Section 244(1) of the *Bankruptcy and Insolvency Act* R.S.C. 1985, c.B.3, as amended; or
- (b) The provisions of Part V of the *Personal Property Security Act*, R.S.O. 1990. C.P.10, as amended;

or any other notice, requirement, statutory or otherwise which a creditor or other party may be required to issue in order to dispose of the collateral of the Defendants.

8. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.



Justice, Ontario Superior Court of Justice

Schedule A – Form of Receiver’s Certificate

Court File No. 35-1979333T

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

BETWEEN:

THE BANK OF NOVA SCOTIA

Plaintiff

- and -

ENTROPEX, 629728 ONTARIO LIMITED, and UNITEC INC.

Defendants

RECEIVER’S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable Justice Grace of the Ontario Superior Court of Justice, In Bankruptcy and Insolvency, (the "Court") dated July 14, 2016, MNP Ltd. was appointed as the receiver (the "Receiver") of the undertaking, property and assets of the Defendants, Entropex, 629728 Ontario Limited and Unitec Inc. (collectively the "Defendants").

B. Pursuant to an Order of the Court dated October 4, 2016, the Court approved the sale transaction contemplated by a Bill of Sale made as of September 16, 2016 (the "Sale Agreement") between the Receiver and Vidal Street Industrial Park Inc. (the "Purchaser") and provided for the vesting in the Purchaser of the right, title and interest of the Defendants in and to the assets described in Schedule "A" hereto (the "Purchased Assets"), which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Receiver to the Purchaser of a certificate confirming (i)

- 2 -

the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Receiver.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

THE RECEIVER CERTIFIES the following:

1. The Purchaser has paid and the Receiver has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement;
2. The conditions to Closing as set out in the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser; and
3. The Transaction has been completed to the satisfaction of the Receiver.
4. This Certificate was delivered by the Receiver at _____ [TIME] on _____ [DATE].

MNP Ltd., in its capacity as Receiver of the undertaking, property and assets of Entropex, 629728 Ontario Limited, and Unitec Inc., and not in its personal capacity

Per: _____
Name:
Title:

Schedule A to the Receiver's Certificate – Purchased Assets

# of Railcar	Reporting Mark	Railcar Number
1	UNPX	122640
2	UNPX	122643
3	UNPX	122771
4	UNPX	122774
5	UNPX	122791
6	UNPX	122794
7	UNPX	122845
8	UNPX	122882
9	UNPX	122918
10	UNPX	123030
11	UNPX	123044
12	UNPX	123057
13	UNPX	123065
14	UNPX	123069
15	UNPX	123154
16	UNPX	123207
17	UNPX	123278
18	UNPX	123340
19	UNPX	123564
20	UNPX	123855
21	UNPX	123930
22	UNPX	123954
23	UNPX	124104
24	UNPX	124113
25	UNPX	124122
26	UNPX	124155
27	UNPX	124170

Schedule B – Purchased Assets

# of Railcar	Reporting Mark	Railcar Number
1	UNPX	122640
2	UNPX	122643
3	UNPX	122771
4	UNPX	122774
5	UNPX	122791
6	UNPX	122794
7	UNPX	122845
8	UNPX	122882
9	UNPX	122918
10	UNPX	123030
11	UNPX	123044
12	UNPX	123057
13	UNPX	123065
14	UNPX	123069
15	UNPX	123154
16	UNPX	123207
17	UNPX	123278
18	UNPX	123340
19	UNPX	123564
20	UNPX	123855
21	UNPX	123930
22	UNPX	123954
23	UNPX	124104
24	UNPX	124113
25	UNPX	124122
26	UNPX	124155
27	UNPX	124170

Schedule C – Claims Vested Out

Any and all Encumbrances, including (without limitation):

1. Any and all interests that Procor Limited may have in and to the Purchased Assets
2. Any and all interests that the following secured parties who have filed *Personal Property Security Act* (Ontario) registrations may have:

Secured Party	Debtor(s)	Reference File No.	Registration No.	Collateral	General Collateral Description	Expiry Date
Roynat Inc.	Entropex	676530315	20120229 1657 1901 3195	E, O, MV	CUSHION TIRE FORKLIFT[S], TOGETHER WITH ALL ATTACHMENTS ACCESSORIES ACCESSIONS REPLACEMENTS SUBSTITUTIONS ADDITIONS AND IMPROVEMENTS THERETO AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY SALE AND OR DEALINGS WITH THE COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR OTHER PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO THE COLLATERAL OR PROCEEDS OF THE COLLATERAL 2012 HYSTER S50FT F187V20061K 2012 HYSTER S50FT F187V20063K 2012 HYSTER S50FT F187V20064K 2012 HYSTER S50FT F187V20065K 2012 HYSTER S50FT F187V20066K 2012 HYSTER	01MAR 2018

Secured Party	Debtor(s)	Reference File No.	Registration No.	Collateral	General Collateral Description	Expiry Date
					S50FT F187V20067K	
Amendment to add 629728 Ontario Limited and Unitec Inc. as debtors	629728 Ontario Limited Unitec Inc.	676530315	20120302 1328 1901 3252			
Roynat Inc.	Entropex 629728 Ontario Limited Unitec Inc.	685990539	20130411 1127 1902 7278	E, O, MV	FORKLIFT[S], TOGETHER WITH ALL ATTACHMENTS ACCESSORIES ACCESSIONS REPLACEMENTS SUBSTITUTIONS ADDITIONS AND IMPROVEMENTS THERETO AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY SALE AND OR DEALINGS WITH THE COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR OTHER PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO THE COLLATERAL OR PROCEEDS OF THE COLLATERAL 2013 CATERPILLAR 2C6000 AT83F32129 2013 CATERPILLAR 2C6000 AT83F32158 2013 CATERPILLAR 2C6000 AT83F32130 2013 CATERPILLAR 2C6000 AT83F32159 2013 CATERPILLAR 2C6000 AT83F32160	11APR 2017

Secured Party	Debtor(s)	Reference File No.	Registration No.	Collateral	General Collateral Description	Expiry Date
Roynat Inc.	Entropex 629728 Ontario Limited Unitec Inc.	689453919	20130814 1115 1902 0954	E, O	FORKLIFT[S], TOGETHER WITH ALL ATTACHMENTS ACCESSORIES ACCESSIONS REPLACEMENTS SUBSTITUTIONS ADDITIONS AND IMPROVEMENTS THERETO AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY SALE AND OR DEALINGS WITH THE COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR OTHER PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO THE COLLATERAL OR PROCEEDS OF THE COLLATERAL 2013 CATERPILLAR/MIT SU GC40K AT87B00096	14AUG 2017

Secured Party	Debtor(s)	Reference File No.	Registration No.	Collateral	General Collateral Description	Expiry Date
De Lage Landen Financial Services Canada Inc.	Entropex Unitec Inc.	692723727	20131219 1946 1531 3465	E, A, O, MV	ALL PERSONAL PROPERTY OF THE DEBTOR DESCRIBED HEREIN BY VEHICLE IDENTIFICATION NUMBER OR SERIAL NUMBER, AS APPLICABLE, WHEREVER SITUATED, TOGETHER WITH ALL PARTS AND ACCESSORIES RELATING THERETO, ALL ATTACHMENTS, ACCESSORIES AND ACCESSIONS THERETO OR THEREON, ALL REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS OF ALL OR ANY PART OF THE FOREGOING AND ALL PROCEEDS IN ANY FORM DERIVED THEREFROM. 2012 CATERPILLAR P8000 AT4000521 2012 CATERPILLAR P8000 AT4000522	19DEC 2019
Roynat Inc.	Entropex Unitec Inc. 629728 Ontario Limited	696221055	20140516 1345 1862 1916	I, E, A, O, MV		16MAY 2025
Roynat Inc.	Entropex Unitec Inc. 629728 Ontario Limited	696221163	20140516 1348 1862 1922	A, O	GENERAL ASSIGNMENT OF RENTS	16MAY 2025
The Bank of Nova Scotia	Entropex	696359376	20140522 1111 1532 7864	I, E, A, O		22MAY 2019
Xerox Canada Ltd	Entropex Corporation Inc.	713726856	20160201 1408 1462 9276	E, O		01FEB 2022

Secured Party	Debtor(s)	Reference File No.	Registration No.	Collateral	General Collateral Description	Expiry Date
Unitec Inc.	Entropex	714828762	20160317 1006 1862 1923	I, E, A, O	COLLATERAL SECURITY PURSUANT TO A PROMISSORY NOTE DATED OCTOBER 09, 2009 AND A GENERAL SECURITY AGREEMENT DATED OCTOBER 09, 2009	17MAR 2026
Ryder Truck Rental Canada Ltd.	Entropex	717998859	20160624 1402 1462 6966	E, MV	2011 INTL PRO LF627 PREM 1HSCUAPR2BJ388 378	24JUN 2018
Hewitt Material Handling Inc.	Entropex Logistics Inc. 629728 Ontario Limited Unitec Inc.	719940276	20160825 1054 1590 5536	E, O, MV	CATERPILLAR 5000 LB IC CUSHION, SERIAL NUMBER AT9040645, TOGETHER WITH ALL ATTACHMENTS, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS THERETO AND ANY AND ALL PROCEEDS ARISING THEREFROM INCLUDING, WITHOUT LIMITATION, ACCOUNTS, MONEY, CHATTEL PAPER, INTANGIBLES, GOODS, DOCUMENTS OF TITLE, LICENSES, INSTRUMENTS, SECURITIES, SUBSTITUTIONS, TRADE-INS, INSURANCE PROCEEDS AND ANY OTHER FORM OF PROCEEDS DERIVED DIRECTLY OR INDIRECTLY THEREFROM. CATERPILLAR 2C5000 AT9040645	25AUG 2017
Amendment to add Entropex as	Entropex	719940276	20160829 1635 1590 5758			

Secured Party	Debtor(s)	Reference File No.	Registration No.	Collateral	General Collateral Description	Expiry Date
debtor						
National Leasing Group Inc.	Entropex (A Partnership) Unitec Inc.	674987103	20111212 1046 6005 9078	E	ALL LIGHTING OF EVERY NATURE OR KIND DESCRIBED IN LEASE NUMBER 2555077 BETWEEN THE SECURED PARTY, AS LESSOR AND THE DEBTOR AS LESSEE, AS AMENDED FROM TIME TO TIME, TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES AND SUBSTITUTIONS	12DEC 2016

Secured Party	Debtor(s)	Reference File No.	Registration No.	Collateral	General Collateral Description	Expiry Date
Vacuum Trucks of Canada ULC	Entropex 629728 Ontario Limited Unitec Inc.	720602874	20160914 1738 1590 6707	E, O, MV	ONE [1] GUZZLER CLASSIC CLASSMTTBWD, SERIAL NUMBER 14-09G-6010, MOUNTED ON A KENWORTH CHASSIS VIN NUMBER 1NKDL70X1FJ4363 10, TOGETHER WITH ALL EXISTING AND FUTURE ATTACHMENTS, ADDITIONS, ACCESSIONS, ACCESSORIES, REPLACEMENTS, SUBSTITUTIONS, REPLACEMENT PARTS, AND REPAIRS THEREFOR, INCORPORATED THEREIN, ATTACHED OR AFFIXED THERETO, AND/OR USED IN CONNECTION THEREWITH. PROCEEDS- ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR. 2015 KENWORTH T800 1NKDL70X1FJ4363 10	14SEP 2019
Roynat Inc.	629728 Ontario Limited	696221082	20140516 1346 1862 1918	I, E, A, O, MV		16MAY 2025
The Bank of Nova Scotia	629728 Ontario Limited	696369402	20140522 1503 1532 7914	I, E, A, O		22MAY 2019
The Bank of Nova Scotia	Unitec Inc.	696369411	20140522 1503 1532 7915	I, E, A, O		22MAY 2019
Roynat Inc.	Unitec Inc.	696221046	20140516 1344 1862 1915	I, E, A, O, MV		16MAY 2025

Secured Party	Debtor(s)	Reference File No.	Registration No.	Collateral	General Collateral Description	Expiry Date
Kevin Bechard, Timothy Bechard, Keith Bechard, Christopher Bechard, Carolyn Hannon, Patricia Pequegnat, and Joan Hett	Unitec Inc.	678649095	20120525 1459 1862 9663	I, E, A, O	COLLATERAL SECURITY PURSUANT TO A PROMISSORY NOTE DATED OCTOBER 9, 2009 AND A GENERAL SECURITY AGREEMENT DATED OCTOBER 9, 2009	25MAY 2022

3. Any and all interests that the following entities that are party to documents deposited pursuant to the *Canada Transportation Act* may have:

Document	Deposit Date and Time	Document Key	Parties	Affected Purchased Assets
Conditional Sale Agreement dated June 5, 1962	June 13, 1962 14:30	4079	H.A. Jones and E.R. Kingan, as sellers Kanawha-Ohio Corporation, as buyer Chesapeake and Ohio Railway Company, as guarantor	Hopper cars with serial numbers 122794, 122845, 123278 and 124155
Agreement of Lease dated June 5, 1962	June 13, 1962 14:30	4078	Kanawha-Ohio Corporation as lessor Chesapeake and Ohio Railway Company, as lessee	Hopper cars with serial numbers 122794, 122845, 123278 and 124155
Equipment Trust Agreement dated May 15, 1986	July 11, 1986 10:30	8736	The Royal Trust Company, as trustee Procor Limited, as issuer Union Tank Car Company, as lessee	UNPX 122771 UNPX 122774 UNPX 122791 UNPX 122794 UNPX 122845 UNPX 122882 UNPX 122918 UNPX 123207
Equipment Trust Agreement dated October 1, 1987	November 9, 1987 15:25	9879	The Royal Trust Company, as trustee Procor Limited, as issuer Union Tank Car Company	UNPX 123278
Equipment Trust Agreement dated February 15, 1994	March 2, 1994 11:55	9960	The First National Bank of Chicago, as trustee and lessor Union Tank Car Company, as issuer and lessee	UNPX 124115 UNPX 124122
Second Supplemental Trust Agreement dated January 20, 1995	February 9, 1995 15:50	9925	Union Tank Car Company, as issuer and lessee The First National Bank of Chicago, as trustee and lessor	
Trust Indenture and Security Agreement dated September 20, 1995	September 20, 1995 11:40	435	State Street Bank and Trust Company, as owner trustee The First National Bank of Chicago, as indenture trustee	UNPX 124155 UNPX 124170
Trust Indenture	September 20,	436	State Street Bank and Trust	