

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

B E T W E E N:

LIQUID CAPITAL EXCHANGE CORP.

Applicant

- and -

**1635536 ONTARIO INC. O/A VERSITEC MARINE & INDUSTRIAL, VERSITEC MARINE
HOLDINGS INC., VERSITEC MARINE USA INC., DAVID TAYLOR, REUBEN BYRD and
DAVID CARPENTER**

Respondents

IN THE MATTER OF AN APPLICATION PURSUANT TO SUBSECTION 243(1) OF THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985 c. B-3, AS AMENDED; AND
SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, c. C.43 AS AMENDED

**FOURTH REPORT OF BDO CANADA LIMITED,
IN ITS CAPACITY AS SUBSTITUTE RECEIVER**

(filed in connection with a motion returnable November 24, 2021)

November 18, 2021

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ONTARIO
SUPERIOR COURT OF JUSTICE
[COMMERCIAL LIST]

BETWEEN:

LIQUID CAPITAL EXCHANGE CORP.

Applicant

- and -

1635536 ONTARIO INC. O/A VERSITEC MARINE & INDUSTRIAL, VERSITEC MARINE HOLDINGS
INC., VERSITEC MARINE USA INC., DAVID TAYLOR, REUBEN BYRD and DAVID CARPENTER

Respondents

IN THE MATTER OF AN APPLICATION PURSUANT TO SUBSECTION 243(1) OF THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985 c. B-3, AS AMENDED; AND
SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C.43 AS AMENDED

FOURTH REPORT TO THE COURT
SUBMITTED BY BDO CANADA LIMITED
IN ITS CAPACITY AS SUBSTITUTE RECEIVER OF
1635536 ONTARIO INC. O/A VERSITEC MARINE & INDUSTRIAL
and
VERSITEC MARINE USA INC.

NOVEMBER 18, 2021

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1.0 INTRODUCTION AND PURPOSE OF REPORT

1.1 Introduction

- 1.1.1 By way of an order of the Honourable Justice Koehnen of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated February 12, 2021 (the "Appointment Order"), BDO Canada Limited was appointed as the substitute receiver (the "Receiver"), without security, of all the Property (as defined in the Appointment Order) of 1635536 Ontario Inc. o/a Versitec Marine & Industrial ("Versitec Canada") and Versitec Marine USA Inc. ("Versitec USA", and collectively "Versitec"). Attached as Appendix "A" is copy of the Appointment Order.
- 1.1.2 Prior to the issuance of the Appointment Order, Versitec had been the subject of a Court-appointed receivership pursuant to the Order of the Honourable Justice Gilmore dated March 9, 2020 wherein Morgan & Partners Inc. had acted as receiver (the "Prior Receiver") until being substituted pursuant to the Appointment Order (the "Substitution").
- 1.1.3 These receivership proceedings were initiated by Versitec's senior secured creditor, Liquid Capital Exchange Corp. ("LCX").
- 1.1.4 The Prior Receiver issued one report in these proceedings dated February 5, 2021 (the "Prior Receiver's Report") to summarize and seek approval of limited activities of the Prior Receiver and provide background in respect of the substitution of the Prior Receiver. A copy of the Prior Receiver's Report is attached to the Receiver's Second Report as Appendix "B".
- 1.1.5 The Receiver issued its first report dated February 9, 2021 (the "Preliminary Report") in these proceedings in support of the motion to approve the Receiver's proposed sale and investment solicitation process (the "SISP"). A copy of the Preliminary Report (without appendices) is attached hereto as Appendix "B". The Appointment Order also authorized the Receiver to conduct the SISP.
- 1.1.6 The Receiver issued its second report dated April 23, 2021 (the "Second Report") in support of the motion to approve the asset purchase agreement (the "Crug APA") between the Receiver and Crug Ltd. ("Crug") that resulted from the SISP. A copy of the Second Report (without appendices) is attached hereto as Appendix "C".
- 1.1.7 On May 4, 2021 the Court issued an Approval and Vesting Order (the "AVO") authorizing the Receiver to enter into the Crug APA and vesting in and to Crug all of Versitec's right, title and interest in the Purchased Assets (as defined in the Crug APA) on closing of the subject transaction. A copy of the AVO is attached hereto as Appendix "D".
- 1.1.8 Additionally, on May 4, 2021 the Court issued an administrative approval order approving the Receiver's Second Report, the activities as described therein, and sealing the two confidential appendices to the Second Report until completion of the transaction contemplated in the Crug APA. A copy of the Administrative Order is attached hereto as Appendix "E".

- 1.1.9 The Receiver issued its third report dated June 16, 2021 (the "Third Report") in support of the motion to, *inter alia*, approve the payment of an interim distribution to LCX. A copy of the Third Report (without appendices) is attached hereto as Appendix "F".
- 1.1.10 On June 22, 2021 the Court issued an Order (the "June 22nd Order") for Administrative Relief approving the Third Report, the activities as described therein, the professional fees of the Receiver and its legal counsel to May 31, 2021 and an interim distribution to LCX. A copy of the June 22nd Order is attached hereto as Appendix "G".
- 1.2 Purpose of this Report
- 1.2.1 This report is the Receiver's fourth report to the Court (the "Fourth Report") and is filed in respect of a motion for an order:
- Approving this Fourth Report and the actions of the Receiver described herein;
 - Approving the professional fees of the Receiver and its legal counsel, Loopstra Nixon LLP ("Loopstra") as detailed in the affidavits of Peter K. Crawley and Sarah White, respectively;
 - Authorizing the Receiver to cause Versitec Canada to make an assignment in bankruptcy, naming BDO Canada Limited as trustee in bankruptcy;
 - Approving the discharge of the Receiver from these proceedings, subject to completion of the Final Activities (as defined herein); and
 - such other relief as this Honourable Court deems appropriate.
- 1.2.2 In preparing this Fourth Report, the Receiver has relied upon the Debtors' books and records, unaudited and draft financial information available, certain financial information obtained from third parties, and discussions with various individuals (collectively, the "Information"). The Receiver has not audited, or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("CAS") pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly the Receiver expresses no opinion or other form of assurance contemplated under the CAS in respect of the Information.
- 1.2.3 This Fourth Report has been prepared for the use of this Court in respect of the above-noted relief. This Fourth Report should not be relied upon for any other purpose. The Receiver will not assume responsibility or liability for losses incurred as a result of the circulation, publication, reproduction or use of this Fourth Report contrary to the provisions of this paragraph.
- 1.2.4 All references to dollars are in Canadian currency unless otherwise noted.
- 1.2.5 In accordance with the Appointment Order, copies of unsealed materials and prescribed notices delivered and/or filed in the receivership proceedings are available on the Receiver's case website at www.extranets.bdo.ca/versitecmarine.

2.0 RECEIVER'S ACTIVITIES

2.1 Introduction

- 2.1.1 This Section is intended to provide the Court with a summary of the Receiver's activities since the issuance of the June 22nd Order.

2.2 Distribution to Canada Revenue Agency

- 2.2.1 As reported in the Third Report, Canada Revenue Agency ("CRA") had indicated to the Receiver that its claim for unremitted source deductions (the "CRA Deemed Trust Amount") was \$65,428.90. CRA issued an amended claim letter on July 22, 2021 to the Receiver wherein the CRA Deemed Trust Amount was revised to \$145,674.97 (the "Revised CRA Deemed Trust Amount"). The reason for the increase was that the 2019 and 2020 pre-receivership T4 assessments appear to not have been factored into the initial figure provided by CRA. The Receiver has reviewed CRA's calculation in detail and has found no reason to dispute the Revised CRA Deemed Trust Amount. In accordance with the June 22nd Order, the Receiver has paid the Revised CRA Deemed Trust Amount to CRA. A copy of the revised claim letter is attached hereto as Appendix "H".
- 2.2.2 CRA has also reassessed Versitec Canada's H.S.T. account and levied an assessment to reverse the input tax credits previously claimed in respect of the unpaid accounts payable as at March 9, 2020. The amount of this priority claim is \$18,559.80 (the "HST Claim"). This amount remains unpaid.
- 2.2.3 LCX has advised that it intends to request an order authorizing the Receiver to cause Versitec Canada to make an assignment in bankruptcy. LCX advised that the purpose of this relief is two-fold: (i) to reverse the statutory deemed trust for H.S.T. in the context of a significant shortfall on recoveries suffered by LCX; and, (ii) to allow the trustee to access the provisions of the BIA empowering it to review prior transactions.
- 2.2.4 In considering this request, the Receiver notes that:
- (a) Versitec Canada is insolvent and has failed to - and continues to fail to - meet its obligations as they come due;
 - (b) LCX would otherwise be entitled to make an application for a bankruptcy order;
 - (c) the Courts have held that using a bankruptcy to reverse the HST deemed trust is a valid basis for the same;
 - (d) Versitec Canada has no operations, employees, or assets; and
 - (e) a bankruptcy will not otherwise prejudice any other creditor of 234; and, moreover, a trustee in bankruptcy has certain investigatory powers that may be beneficial to all creditors.

- 2.2.5 For the reasons above, the Receiver supports LCX's request for an order authorizing the Receiver to cause Versitec Canada to make an assignment in bankruptcy; and, if such order is granted, shall appoint a trustee satisfactory to LCX (which for greater certainty, may include BDO Canada Limited), once such trustee confirms to the Receiver that it accepts the appointment.
- 2.2.6 In the event that Versitec Canada makes an assignment in bankruptcy, the HST Claim will be unsecured and will not be paid in priority to LCX.
- 2.3 Distribution to LCX
- 2.3.1 The Receiver distributed the sum of USD\$81,000 to LCX on June 23, 2021 in accordance with the June 22nd Order.
- 2.4 Obtaining U.S. Bank Statements
- 2.4.1 As reported by the Prior Receiver in the Prior Receiver's Report, Versitec USA maintained bank accounts at Bank of America (the "BOA Account") and BB&T (the "BB&T Account") branches in Boca Raton, Florida. The Prior Receiver advised this Court that customer payments continued to be received into the BOA Account after March 9, 2020 and these funds were being swept into the BB&T Account to prevent subordinate creditors from obtaining payments in priority to LCX.
- 2.4.2 The Receiver became aware that certain customer payments continued to be made to the BOA Account on or around the time that the Receiver was appointed. The Receiver put both Bank of America and BB&T on notice of its appointment and requested that the accounts be frozen in an effort to obtain the funds. The Receiver, directly and through counsel, requested statements from the US banks. Bank of America and BB&T did not comply with the Receiver's requests to freeze the account, nor to provide statements.
- 2.4.3 The Receiver, with the assistance of the U.S. Court, obtained copies of bank statements from Bank of America and BB&T for the period of these receivership proceedings. The assistance of the U.S. Court was required as Bank of America and BB&T would not recognize the Receiver's status in the United States.
- 2.4.4 The Receiver brought an application (the "U.S. Application") for an *ex parte* order pursuant to 28 U.S.C. §1782 to conduct discovery for use in a foreign proceeding in the United States District Court - Southern District of Florida on August 16, 2021. The purpose of this was to obtain subpoenas to compel Bank of America and BB&T to release bank statements to the Receiver.
- 2.4.5 The subpoenas were issued by the U.S. Court on September 18, 2021 but were effectively delayed because of an objection filed by Reuben Byrd ("Mr. Byrd") - a respondent in these proceedings and the former CEO of Versitec and former contractor with the Prior Receiver.
- 2.4.6 Mr. Byrd's objection was vague and was dismissed when Mr. Byrd failed, in response to a request from the presiding judge, to file materials to substantiate his objection.

2.4.7 Bank of America and BB&T then complied with the subpoenas and produced the requested bank statements.

2.5 Review of Versitec USA Bank Transactions

2.5.1 The Receiver has reviewed the bank statements of the BOA Account and the BB&T Account for the period March 9, 2020 to April 30, 2021.

2.5.2 The BB&T Account appears to have been opened on or about April 3, 2020 and used until February 19, 2021. The Prior Receiver has stated that the BB&T Account was “solely controlled by the (Prior) Receiver.”¹

2.5.3 The BOA Account was in use prior to March 9, 2020 and appeared to be used until April 30, 2021.

2.5.4 Global Marine Engineering Inc. (“Global”) is a company believed to be owned and operated Mr. Byrd, Versitec’s former chief executive officer.

2.5.5 Mr. Byrd had entered into a management consulting agreement with the Prior Receiver in his personal capacity but issued invoices for his services through Global.

2.5.6 The Receiver has prepared a detailed analysis of the banking activity between Versitec USA and Global during the period of these receivership proceedings. A summary of this analysis is attached hereto as Appendix “I”. The Receiver has found that:

- A total of \$1,127,020.91 USD was received from Versitec customers into the BOA Account during the receivership proceedings;
- Numerous transactions took place in both the BOA Account and the BB&T Account with Global. Transfers of funds were being made to and from Global on a regular basis; and
- In summary, Global appears to be indebted to the Estate in the amount of \$293,122 USD.
- Further payments of \$170,741.59 were made to three creditors of Versitec USA (the “Creditor Payees”) which may have been made to the prejudice of LCX.

2.5.7 The Receiver is not funded to pursue collection of the aforementioned amounts. Moreover, given the shortfall suffered by LCX, LCX appears to be the only party with an economic interest in potentially pursuing claims in respect of the transfer of funds out of the BOA Account and BB&T Account.

2.5.8 Accordingly, the Receiver proposes to assign and transfer to LCX, any claim, right, title and interest of the Debtors or the Receiver (if any), against any person, in respect of or connected with the transfer of funds out of the BOA Account and BB&T Account to Global and/or the Creditor Payees (as all claims being the “Outstanding Claims”), on the condition that LCX account back to the Debtors or any trustee or

¹ Paragraph 28 of the Prior Receiver’s Report dated February 5, 2021

administrator of the Debtors' estate in respect of any recoveries receiver in excess of the shortfall on its security.

2.6 Receipts & Disbursements

- 2.6.1 Attached hereto as Appendix "J" is the Receiver's Interim Statement of Receipts and Disbursements for the period February 12, 2021 to November 10, 2021. At this time, the Receiver has a total of \$59,967 CAD equivalent (\$1,057 CAD and \$48,905 USD) in its estate trust accounts.

3.0 PROPOSED FINAL DISTRIBUTION

3.1 Introduction

3.1.1 The Receiver has provided information on the creditors of Versitec in its Third Report.

3.1.2 At this time, the only secured creditors with entitlement to the remaining funds in these receivership proceedings are the Receiver and its legal counsel, and LCX.

3.1.3 Canada Revenue Agency remains a priority creditor in respect of the H.S.T. Claim.

3.2 LCX

3.2.1 The amount owing to LCX and subject to security granted by Versitec in favour of LCX (the "LCX Indebtedness") as at June 16, 2021, as per the Third Report, was \$764,695.04.

3.2.2 LCX has received three (3) distributions in these proceedings thus far:

- \$50,000 CAD from the Prior Receiver on June 25, 2020
- \$10,000 CAD from the Prior Receiver on August 4, 2020; and
- \$81,000 USD from the Receiver on June 23, 2021.

A summary of the outstanding current balances is as follows:

| AC # | Currency | Net Funds Employed | Penalty for funds misdirected | Accrued Fees | Enforcement Costs (1) | Total Balance owing |
|----------------------------|----------|--------------------|-------------------------------|---------------------|-----------------------|---------------------|
| 4822 | CDN | 255,319.88 | 24,471.00 | 135,110.14 | 89,179.93 | \$504,080.95 |
| | | | - | | | |
| 4821 | US | 28,224.77 | 2,953.00 | 32,390.38 | | 63,568.15 |
| | | | - | | | |
| 4820U | US | 79,405.50 | 14,449.00 | 58,875.03 | | 152,729.53 |
| Memo: FX rate US to CDN \$ | | 1.26 | FX rate Nov 11 | Total Stated in CDN | | <u>\$776,616.03</u> |

3.3 Proposed Final Distribution

- 3.3.1 After providing for the unpaid professional fees of the Receiver and its legal counsel to discharge, subject to Court approval, and causing Versitec Canada to make an assignment in bankruptcy (assuming the Receiver is so authorized), the Receiver will distribute remaining proceeds in its trust accounts to LCX as the June 22nd Order authorized the Receiver to make such further distributions to LCX.²

² In the event that the bankruptcy of Versitec Canada is not authorized, the Receiver shall pay the HST Claim in priority to the final distribution to LCX or hold funds on account of such claim pending further order of the Court.

4.0 PROFESSIONAL FEES

- 4.1 Professional Fees of the Receiver and its legal counsel
- 4.1.1 As set out in the affidavit of Peter Crawley of BDO sworn November 18, 2021 and attached hereto as Appendix "K", professional fees of the Receiver incurred from June 1, 2021 to November 15, 2021 amount to 94.1 total hours, fees of \$37,982.50 (at an average hourly rate of \$403.64) (before H.S.T.), with a fee accrual not to exceed \$5,000, excluding taxes and disbursements, to complete the remaining activities in its administration (the "Receiver Accrual").
- 4.1.2 As set out in the affidavit of Sarah White of Loopstra sworn November 16, 2021 and attached hereto as Appendix "L", professional fees of the Receiver's counsel incurred from June 1, 2021 to October 12, 2021 amount to 44.9 total hours, fees of \$19,672.50 (at an average hourly rate of \$438.14) and disbursements of \$1,716.44 (before H.S.T.), with a free accrual not to exceed \$5,000, excluding taxes and disbursements, to assist the Receiver in with the remaining activities in its administration (the "Loopstra Accrual"; and, together with the Receiver Accrual, the "Fee Accrual").
- 4.1.3 The Receiver has reviewed the accounts of Loopstra and believes them to be appropriate and reasonable in the circumstances.
- 4.1.4 Accordingly, the Receiver respectfully requests that this Court approve the fees and disbursements of the BDO and Loopstra.

5.0 DISCHARGE OF THE RECEIVER

5.1.1 The Receiver requests at this time that the Court approve the termination of these Receivership Proceedings and the discharge of the Receiver, subject to the Receiver completing the final remaining tasks related to the administration of this Receivership (the "Final Activities") and filing the Receiver's Discharge Certificate with this Honourable Court in accordance with the proposed Discharge Order.

5.1.2 The Final Activities that remain for the Receiver to complete are:

- Recovery of any HST refunds in respect of the Receiver's activities;
- Attending to the payment of Court approved professional fees of the Receiver and its legal counsel;
- Subject to Court approval, causing Versitec Canada to make an assignment in bankruptcy;
- Subject to Court approval, completing the assignment of the Outstanding Claims to LCX;
- Payment of remaining residual funds to LCX;
- Completing any statutory and administrative duties and filings required of the Receiver; and
- Completing steps necessary to terminate these Receivership Proceedings and the discharge of the Receiver and matters ancillary thereto.

6.0 CONCLUSION

6.1.1 For the reasons set out above, the Receiver respectfully requests that the Court issue an order:

- a) approving this Fourth Report and the actions of the Receiver described herein;
- b) approving the professional fees and disbursements of the Receiver and its legal counsel;
- c) authorizing the Receiver to cause Versitec Canada to make an assignment in bankruptcy;
- d) upon completion of Final Activities and filing of the Receiver's Discharge Certificate, discharging the Receiver as Court-appointed receiver of Versitec and releasing the Receiver from any and all liability; and
- e) such other relief as this Court deems appropriate.

All of which is respectfully submitted this 18th day of November, 2021.

BDO CANADA LIMITED, solely in its capacity as Court-appointed Receiver of 1635536 Ontario Inc. o/a Versitec Marine & Industrial and Versitec Marine USA Inc. and not in its corporate or personal capacity.



Per: _____
Peter Crawley, MBA, CPA, CA, CIRP, LIT
Vice President

Appendix A – Appointment Order Dated February 12, 2021

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) FRIDAY, THE 12TH
)
MR. JUSTICE KOEHNEN) DAY OF FEBRUARY, 2021

B E T W E E N:

(Court Seal)

LIQUID CAPITAL EXCHANGE CORP.

Applicant

-and-

1635536 ONTARIO INC. O/A VERSITEC MARINE & INDUSTRIAL,
VERSITEC MARINE HOLDINGS INC., VERSITEC MARINE USA INC.,
DAVID TAYLOR, REUBEN KARY BYRD and DAVID CARPENTER

Respondents

APPLICATION UNDER SECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, C. B-3, AS AMENDED AND SECTION 101 OF THE
COURTS OF JUSTICE ACT, R.S.O. 1990, C. C-43, AS AMENDED

**ORDER
[Substitution of Receiver and Approval of Sale Process]**

THIS MOTION, made by Morgan & Partners Inc. (“MPI” or the “Receiver”), Court appointed receiver of certain assets and undertakings of 1635536 Ontario Inc. O/A Versitec Marine & Industrial and Versitec Marine USA Inc. (collectively, the “Debtors”), for substitution of the Receiver and approval of a sales and marketing process in respect of the assets of the Debtor,

together with related relief, was heard this day by a Judge of the Commercial List via zoom videoconference.

ON READING the First Report of the Receiver dated [February 5, 2021](#) (the “First Report”) and the Preliminary Report of the Substitute Receiver dated February 9, 2021 (the “Preliminary Report”), BDO Canada Limited (the “Substitute Receiver”), and on hearing counsel for the Receiver, the proposed Substitute Receiver and the Applicant creditor, and on hearing the submissions of the lawyer(s) for the parties,

1. THIS COURT ORDERS that that the time for service and filing of the moving party’s motion record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof

2. THIS COURT ORDERS that the activities of the Receiver, as set out in the First Report, are hereby approved, save and except for the Receiver’s activities in relation to the litigation settlements described in the First Report and any payments made by the Debtors or authorized by the Receiver during the period of the Receiver’s appointment or in relation to the litigation settlements.

3. THIS COURT ORDERS that the Receiver is hereby immediately discharged from any and all active duties as Receiver of the undertakings, property and assets of the Debtor, provided however that notwithstanding such discharge, the Receiver is required to prepare an interim statement of receipts and disbursements for the Court, in respect of its portion of the administration of the within receivership through February 12, 2021 (the “Receiver’s Interim R&D”), to be delivered to the Substitute Receiver as soon as practicable, who shall file the same with the Court as part of its future reporting to the Court; and, such discharge shall not relieve the Receiver of its

obligation to cooperate with the Substitute Receiver, including but not limited to (a) transferring all Property of the Debtors to the Substitute Receiver (including but not limited to all tangible and intangible assets, real property, undertakings, books and records, and accounts, as well as functional control of the same); and (b) providing such additional details or support in respect of the Receiver's Interim R&D as required or requested by the Substitute Receiver; and (c) providing such further assistance to the Substitute Receiver as the Substitute Receiver may reasonably request, provided that in so acting, any out-of-pocket costs incurred by the Receiver shall be a cost of the receivership estate.

4. THIS COURT ORDERS that the Substitute Receiver is hereby appointed in substitution of the Receiver and the Order of Gilmore J. dated March 9, 2020 (the "Receiver Appointment Order") is hereby amended and replaced with the Order attached hereto as Schedule "A" (the "Substitute Receiver Appointment Order") to reflect such substitution provided that, and for greater certainty, unless the Substitute Receiver expressly exercises its authority to do so, the Substitute Receiver shall not be obligated to take control of nor operate the business of the Debtors and will proceed to conduct the SISP (as defined in the Preliminary Report and as approved hereby).

5. THIS COURT ORDERS AND DIRECTS, for clarity, that the priorities of approved fees and expenses of the Receiver and Substitute Receiver under the Receiver's Charge, shall be as follows:

- (a) The approved expenses and disbursements of the Receiver shall rank first in priority under the Receiver's Charge;

- (b) The approved expenses and disbursements of the Substitute Receiver shall rank second in priority under the Receiver's Charge; and
- (c) The approved fees of the Receiver and Substitute Receiver shall rank equally and on a *parri passu* basis under the Receiver's Charge, subordinate to the expenses and disbursements of the Receiver and Substitute Receiver as set out above.

6. THIS COURT ORDERS AND DIRECTS that the Substitute Receiver is hereby authorized to conduct the SISP (as defined in the Preliminary Report) and to market and sell the assets of the Debtors in accordance with same, subject to the Court's approval of the terms of any such sale.

7. THIS COURT ORDERS that this Order is effective from today's date and is not required to be entered.



(Signature of judge, officer or registrar)

Schedule "A"

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) FRIDAY THE 12TH
)
JUSTICE KOEHNEN) DAY OF FEBRUARY, 2021

B E T W E E N:

LIQUID CAPITAL EXCHANGE CORP.

Applicant

-and-

1635536 ONTARIO INC. O/A VERSITEC MARINE & INDUSTRIAL,
VERSITEC MARINE HOLDINGS INC., VERSITEC MARINE USA INC.,
DAVID TAYLOR, REUBEN BYRD and DAVID CARPENTER

Respondents

APPLICATION UNDER SECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, C. B-3, AS AMENDED AND SECTION 101 OF THE
COURTS OF JUSTICE ACT, R.S.O. 1990, C. C-43, AS AMENDED

**ORDER
(Appointing Substitute Receiver)**

THIS MOTION made by Morgan & Partners Inc. (“**MPI**”), Court appointed receiver (the “**Receiver**”) of certain assets and undertakings of 1635536 Ontario Inc. O/A Versitec Marine & Industrial and Versitec Marine USA Inc. (Versitec Marine USA Inc. and 1635536 Ontario Inc. o/a Versitec Marine & Industrial shall hereinafter collectively be referred to as the “**Debtors**”) for an Order, *inter alia*, discharging MPI from its active duties as receiver, and substituting and appointing BDO Canada Limited (“**BDO**” or the “**Substitute Receiver**”) as substitute receiver, without security, over the assets, undertakings and properties of the Debtors acquired for or used in relation to a business carried on by the Debtors.

ON READING the First Report of MPI dated February 9, 2021 (the “**First Report**”) and the Preliminary Report of the Substitute Receiver dated February 9, 2021 (the “**Preliminary Report**”), BDO, and on hearing counsel for the MPI, the proposed Substitute Receiver and the Applicant creditor and on hearing the submissions of the lawyer(s) for the parties,

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, BDO Canada Limited is hereby appointed Substitute Receiver, without security, of all of the assets, undertakings and properties of Versitec Marine USA Inc. and 1635536 Ontario Inc. o/a Versitec Marine & Industrial acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (all collectively, the "**Property**").

RECEIVER'S POWERS

3. THIS COURT ORDERS that the Substitute 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 Substitute Receiver is hereby expressly empowered and authorized to do any of the following where the Substitute 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 Debtors, 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 Debtors;
- (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 Substitute 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 Debtors or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtors and to exercise all remedies of the Debtors in collecting such monies, including, without limitation, to enforce any security held by the Debtors;
- (g) to settle, extend or compromise any indebtedness owing to the Debtors;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Substitute Receiver's name or in the name and on behalf of the Debtors, 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 Debtors, the Property or the Substitute 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 Substitute 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 \$50,000, 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.

- (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 Substitute 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 Substitute 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 Substitute Receiver, in the name of the Debtors;

- (p) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtors, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtors;
- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtors 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 Substitute 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 Debtors, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE SUBSTITUTE RECEIVER

4. THIS COURT ORDERS that (i) the Debtors, (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 Substitute 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 Substitute Receiver upon the Substitute Receiver's request.

5. THIS COURT ORDERS that all Persons shall forthwith advise the Substitute 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 Debtors, 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 Substitute Receiver or permit the Substitute Receiver to make, retain and take away copies thereof and grant to the Substitute 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 Substitute 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 Substitute Receiver for the purpose of allowing the Substitute 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 Substitute Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Substitute Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Substitute Receiver with all such assistance in gaining immediate access to the information in the Records as the Substitute Receiver may in its discretion require including providing the Substitute Receiver with instructions on the use of any computer or other system and providing the Substitute 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 Substitute Receiver shall provide each of the relevant landlords with notice of the Substitute 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 Substitute 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 Substitute Receiver, or by further Order of this Court upon application by the Substitute Receiver on at least two (2) days notice to such landlord and any such secured creditors.

NO PROCEEDINGS AGAINST THE SUBSTITUTE 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 Substitute Receiver except with the written consent of the Substitute Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTORS OR THE PROPERTY

9. THIS COURT ORDERS that no Proceeding against or in respect of the Debtors or the Property shall be commenced or continued except with the written consent of the Substitute Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtors 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 Debtors, the Substitute Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Substitute 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 Substitute Receiver or the Debtors to carry on any business which the Debtors is not lawfully entitled to carry on, (ii) exempt the Substitute Receiver or the Debtors 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 SUBSTITUTE 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 Debtors, without written consent of the Substitute Receiver or leave of this Court.

CONTINUATION OF SERVICES

12. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtors 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 Debtors 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 Substitute Receiver, and that the Substitute Receiver shall be entitled to the continued use of the Debtors' 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 Substitute Receiver in accordance with normal payment practices of the Debtors or such other practices as may be agreed upon by the supplier or service provider and the Substitute Receiver, or as may be ordered by this Court.

SUBSTITUTE RECEIVER TO HOLD FUNDS

13. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Substitute 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 Substitute 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 Substitute 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 Debtors shall remain the employees of the Debtors until such time as the Substitute Receiver, on the Debtors' behalf, may terminate the employment of such employees. The Substitute 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 Substitute 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 Substitute 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 Substitute 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 Debtors, and shall return all other personal information to the Substitute 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 Substitute 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 Substitute Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Substitute Receiver shall not, as a result of this Order or anything done in

pursuance of the Substitute 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 SUBSTITUTE RECEIVER'S LIABILITY

17. THIS COURT ORDERS that the Substitute 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 shall derogate from the protections afforded the Substitute Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S AND SUBSTITUTE RECEIVER'S ACCOUNTS

18. THIS COURT ORDERS that the Receiver and the Substitute Receiver and counsel to the Receiver and counsel to the Substitute Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and Substitute Receiver and counsel to the Receiver and counsel to the Substitute Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's and Substitute Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's and Substitute Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

19. THIS COURT ORDERS that notwithstanding the foregoing, in respect of any Property of the Debtors not listed in Schedules A1 and A2 to this Order (herein, the "**Equipment**"), the Receiver's and Substitute Receiver's Charge shall only form a first charge in respect of the Equipment to the extent that such fees and expenses of the Receiver and Substitute Receiver have been incurred specifically in relation to the preservation, maintenance or sale of the Equipment.

20. THIS COURT ORDERS that the Receiver, the Substitute Receiver and their legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Receiver and

the Substitute Receiver and their legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

21. THIS COURT ORDERS that prior to the passing of its accounts, the Substitute Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Substitute Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

22. THIS COURT ORDERS that the Substitute Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$100,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Substitute Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Substitute 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 Substitute Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

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

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

25. THIS COURT ORDERS that the monies from time to time borrowed by the Substitute Receiver pursuant to this Order or any further order of this Court and any and all Substitute

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 Substitute Receiver's Certificates.

SERVICE AND NOTICE

26. 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.

27. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Substitute 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 Debtors' creditors or other interested parties at their respective addresses as last shown on the records of the Debtors 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

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

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

30. 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 Substitute 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 Substitute Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Substitute Receiver and its agents in carrying out the terms of this Order.

31. THIS COURT ORDERS that the Substitute 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 Substitute 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.

32. THIS COURT ORDERS that the Applicant shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Substitute Receiver from the Debtors' estate with such priority and at such time as this Court may determine.

33. 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 Substitute 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.

34. THIS COURT ORDERS that this Order is effective from today's date and is not required to be entered.



SCHEDULE "A1"

ASSETS

- (i) All of Versitec Canada's present and future accounts receivable and inventory including, but not limited to, those particular accounts receivable corresponding to invoices issued by Versitec Canada and/or Versitec USA as set out at Schedule "A2";
- (ii) All contract rights, instruments, documents, chattel paper and general intangibles related to any of the foregoing, including all of Versitec Canada's rights as a seller of goods;
- (iii) All collateral held by Versitec Canada securing any of the foregoing;
- (iv) All cash and non cash proceeds of any of the foregoing, in whatever form, including without limitation any balances maintained in any reserve account with LCX and any returned or repossessed goods;
- (v) All books and records relating to the foregoing.

| Versitec USA | | | | | | | | | |
|---|------------|-----------|--------|----------------|-----------|--|--------------|--|---------------|
| AR Summary - Mar In US \$ | | | | | | | | | |
| AC# 4820U | | | | | | | | | |
| | | | | | | | | | |
| DebtorName | | | | | | | | | |
| Balance Current 1-30 31-60 61-90 91-Up | | | | | | | | | |
| ANGLO EASTERN SHIP MANAGEMENT LTD. (HONG KONG) | | | | | | | | | |
| 22,555.00 -- -- -- -- 22,555.00 | | | | | | | | | |
| Invoice# | Invoice Da | Funded Da | Batch# | Invoice Amou | Balance | | Invoice Days | | Over Due Day: |
| U19048 | 7/7/2019 | 8/28/2019 | 10022 | 5,095.00 | 5,095.00 | | 242 | | 212 |
| U19051 | 7/28/2019 | 8/28/2019 | 10022 | 8,400.00 | 8,400.00 | | 221 | | 191 |
| U19053 | 7/25/2019 | 8/28/2019 | 10022 | 9,060.00 | 9,060.00 | | 224 | | 194 |
| Wallem Ship Management Ltd. | | | | | | | | | |
| 53,059.67 -- -- -- -- 53,059.67 | | | | | | | | | |
| Invoice# | Invoice Da | Funded Da | Batch# | Invoice Amou | Balance | | Invoice Days | | Over Due Day: |
| U19027 | 7/25/2019 | 8/28/2019 | 10022 | 23,079.94 | 23,079.94 | | 224 | | 194 |
| U19042 | 6/28/2019 | 8/8/2019 | 10020 | 4,940.38 | 4,940.38 | | 251 | | 221 |
| U19044 | 7/26/2019 | 8/28/2019 | 10022 | 15,106.35 | 15,106.35 | | 223 | | 193 |
| U19045 | 6/2/2019 | 8/22/2019 | 10021 | 3,938.00 | 3,938.00 | | 277 | | 247 |
| U19049 | 7/19/2019 | 8/28/2019 | 10022 | 5,995.00 | 5,995.00 | | 230 | | 200 |
| Grand Total AR Ac 4820U 75,614.67 0 0 0 0 75,614.67 | | | | | | | | | |
| Versitec Canada | | | | | | | | | |
| AR Summary - Mar 4, 2020 In US \$ | | | | | | | | | |
| AC# 4821 | | | | | | | | | |
| | | | | | | | | | |
| DebtorName | | | | | | | | | |
| Balance Current 1-30 31-60 61-90 91-Up | | | | | | | | | |
| CRUISE MANAGEMENT INTERNATIONAL, INC. | | | | | | | | | |
| 13,945.00 -- -- -- -- 13,945.00 | | | | | | | | | |
| Invoice# | Invoice Da | Funded Da | Batch# | Invoice Amount | Balance | | Invoice Days | | Over Due Days |
| 219078 | 4/10/2019 | 5/3/2019 | 10024 | 13,945.00 | 13,945.00 | | 330 | | 300 |
| GREAT LAKES DREDGE & DOCK, LLC | | | | | | | | | |
| 48,921.79 -- -- -- -- 48,921.79 | | | | | | | | | |
| Invoice# | Invoice Da | Funded Da | Batch# | Invoice Amount | Balance | | Invoice Days | | Over Due Days |
| 219213 | 8/26/2019 | 9/27/2019 | 10031 | 48,921.79 | 48,921.79 | | 192 | | 162 |
| METEOR MANAGEMENT BULGARIA LTD | | | | | | | | | |
| 6,320.00 -- -- -- -- 6,320.00 | | | | | | | | | |
| Invoice# | Invoice Da | Funded Da | Batch# | Invoice Amount | Balance | | Invoice Days | | Over Due Days |
| 219073 | 5/21/2019 | 6/28/2019 | 10028 | 6,320.00 | 6,320.00 | | 289 | | 259 |
| Wallem Ship Management Ltd. | | | | | | | | | |
| 25,887.00 -- -- -- -- 25,887.00 | | | | | | | | | |
| Invoice# | Invoice Da | Funded Da | Batch# | Invoice Amount | Balance | | Invoice Days | | Over Due Days |
| 219127 | 8/2/2019 | 8/28/2019 | 10029 | 19,532.00 | 19,532.00 | | 216 | | 186 |
| 219214 | 9/16/2019 | 9/27/2019 | 10031 | 6,355.00 | 6,355.00 | | 171 | | 141 |
| Grand Total AR Ac 4822 95,073.79 0 0 0 0 95,073.79 | | | | | | | | | |

SCHEDULE "B"

SUBSTITUTE RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that BDO Canada Limited, the substitute receiver (the "Substitute Receiver") of the assets, undertakings and properties of Versitec Marine USA Inc. and 1635536 Ontario Inc. o/a Versitec Marine & Industrial (the "Debtors") acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the ___ day of March, 2020 (the "Order") made in an action having Court file number CV-20-00637427-00CL, has received as such Substitute Receiver from the holder of this certificate (the "Lender") the principal sum of \$_____, being part of the total principal sum of \$_____ which the Substitute 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 Substitute 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 Substitute 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 Substitute

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 Substitute 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 Substitute 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 _____, 2020.

BDO CANADA LIMITED, solely in its capacity as Substitute Receiver of the Property, and not in its personal capacity

Per: _____

Name:

Title:

LIQUID CAPITAL EXCHANGE CORP.

Applicant

-and-

1635536 ONTARIO INC. O/A VERSITEC MARINE &
INDUSTRIAL et al.

Respondents

Court File No.: CV-20-00637427-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT
TORONTO

ORDER
(Appointing Substitute Receiver)

TORKIN MANES LLP
Barristers & Solicitors
151 Yonge Street, Suite 1500
Toronto ON M5C 2W7

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Lawyers for the Applicant, Liquid Capital Exchange Corp.

RCP-E 4C (May 1, 2016)

https://laishleyreedllp-my.sharepoint.com/personal/cho_laishleyreed_com/Documents/Documents/Draft Order Appointing Substitute Receiver.revisedCJH.BL.docx

LIQUID CAPITAL EXCHANGE CORP.

Applicant

-and- 1635536 ONTARIO INC. O/A VERSITEC MARINE &
INDUSTRIAL et al.
Respondents

Court File No. CV-20-00637427-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

ORDER

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Lawyers for the Applicant, Liquid Capital Exchange Corp.

RCP-E 4C (May 1, 2016)

Appendix B – Preliminary Report dated February 9, 2021

Court File No. CV-20-00637427-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

BETWEEN:

LIQUID CAPITAL EXCHANGE CORP

Applicant

-and-

1635536 ONTARIO INC. O/A VERSITEC MARINE & INDUSTRIAL,
VERSITEC MARINE HOLDINGS INC., VERSITEC MARINE USA INC.,
DAVID TAYLOR, REUBEN BYRD and DAVID CARPENTER

Respondents

APPLICATION UNDER SECTION 243(1) OF THE BANKRUPTCY AND INSOLVENCY
ACT, R.S.C. 1985, C. B-3, AS AMENDED, AND SECTION 101 OF THE COURTS OF
JUSTICE ACT, R.S.O. 1990, C. C-43, AS AMENDED

**FIRST REPORT OF THE COURT-APPOINTED RECEIVER,
MORGAN & PARTNERS INC.**

February 5, 2021

MORGAN & PARTNERS INC.
4 Cedar Pointe Drive, Unit J-2
Barrie, ON L4N 5R7

Tel: 705-739-7003
Fax: 705-739-7119

Court-Appointed Receiver for
1635536 Ontario Inc. o/a Versitec Marine &
Industrial and Versitec Marine USA Inc.
("Versitec")

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2. Form 87, Notice of Statement of the Receiver, s. 245(1), 246(1), BIA;
3. State of Delaware, Annual Franchise Tax Report;
4. Memorandum of Operations, dated March 31, 2020;
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6. Mold Inventory Listing, Procim Inc.
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10. Factored Receivables analysis;
11. Conneaut Creek Ship Repair, Inc. action – Amended Complaint;
12. Conneaut Creek Settlement Agreement;
13. Carpenter/Swindell Statements of Claim;
14. Receiver’s communications re: Pranab Dhar;

INTRODUCTION

1. This is the First Report to the Court of Morgan & Partners Inc. (“MPI”), the Court-Appointed Receiver (the “Receiver”) over the assets and undertakings of the Respondents, 1635536 Ontario Inc. o/a Versitec Marine & Industrial and Versitec Marine USA Inc. (collectively, “Versitec”).

2. The purpose of this Report is to summarize and seek approval of limited activities of the Receiver from the date of its appointment through to present, and to provide background in respect of a substitution of the Receiver on consent.

RECEIVERSHIP ORDER

3. On March 9, 2020, an Order appointing MPI as Court-appointed Receiver over Versitec (the “Appointment Order”) was granted by the Honorable Madame Justice Gilmore (**Exhibit 1**).

4. The Application was brought by Versitec’s senior secured creditor, Liquid Capital Exchange Corp (“LCX”), which operates as an asset-based lender and provides, *inter alia*, accounts receivable financing and factoring facilities to customers. At the time of its commencement:

a) demands and notices of intention to enforce security had been issued and delivered by LCX to Versitec;

b) Versitec was in default of its obligations to LCX;

c) Versitec had entered into a Forbearance Agreement with LCX, which agreement had expired without repayment to LCX in full as required;

d) LCX had expressed concern as to what it believed were serious breaches of the terms of the Forbearance Agreement and collection of factored accounts receivable by Versitec, which was in default of its obligations to LCX.

5. The Application was opposed by Versitec, who requested an adjournment of the hearing in order to file responding materials. On March 9, 2020, the Honourable Justice Gilmore granted the Appointment Order. The Endorsement of Gilmore J. indicates that on the evidence filed there was sufficient urgency to warrant the immediate granting of the Appointment Order, but provided that the issuance of the Appointment Order was without prejudice to the Respondents' ability to file responding materials and return to Court on ten days' notice to present argument seeking that the Appointment Order should be vacated.

6. The Respondents did not file any responding materials subsequent to the issuance of the Appointment Order and did not seek to vacate the Appointment Order.

7. The Appointment Order appointed MPI as Receiver, without security, over:

- (i) all of the assets, undertakings, and properties of Versitec Marine USA Inc.; and
- (ii) the assets of 1635536 Ontario Inc. o/a Versitec Marine & Industrial, as set out in Schedule "A1" and "A2" of the Appointment Order.

8. Since the date of its appointment, Receiver has, with the assistance of management carried on the business of both companies, one being an Ontario incorporated company and the other, Versitec Marine USA Inc., being a corporation incorporated in the State of Delaware, USA.

9. On March 9th 2020, MPI filed the required Form 87, Notice of Statement of the Receiver with the Office of the Superintendent in Bankruptcy, as required under sections 245(1) and 246(1) of the *Bankruptcy and Insolvency Act* (the “BIA”). Attached as **Exhibit 2** is a copy of the Receiver’s Notice. Attached as **Exhibit 3** is a State of Delaware Annual Franchise Tax Report filed with the State of Delaware for the calendar year 2019.

STABILIZATION AND CONTROL OF OPERATIONS

10. On March 13, 2020, the Receiver, along with LCX and Florian Meyer, the previous privately-appointed monitor under LCX’s forbearance agreement, met with management at the Port Colborne office to discuss stabilization and control of continuing operations under the Receivership.

11. Between March 13 and March 31, 2020, the management reporting and cash management protocol was agreed upon and a Memorandum of Operations dated March 31, 2020 was executed, a copy of which is attached as **Exhibit 4**.

12. Under the protocol, all cash was to be directed to the Receiver’s trust account, and, with the concurrence of management and the Receiver, receivables for both the Canadian operations and the US operations would be paid directly to the Receiver’s bank account held at Versa Bank, which had been opened and was under the sole control of the Receiver. The majority of these transactions were to be completed via wire transfer following consensus between the Receiver and Reuben Byrd, the current CEO of the

Versitec group of companies, who was retained by the Receiver under a management consulting agreement, a copy of which is attached as **Exhibit 5**.

13. The principal manufacturer of the rubber O-ring seals used for the business of Versitec, is a corporation known as Procim Inc. This company, located in Mississauga, Ontario, is also the repository for more than 50 or 60 molds of various sizes and circumferences, which are owned by Versitec.

14. On March 13, 2020, the Receiver visited Procim Inc.'s office premises in Mississauga, as well as an offsite location for the storage of molds not currently in active use. The Receiver verified the existence and ownership of the molds following review and receipt of a detailed listing from Procim Inc.

15. Most, if not all of the molds were of a size and weight that would require heavy machinery to remove them from the storage sites. The Receiver confirmed that both sites are locked and securitized by electronic means, thereby securing against any unauthorized physical access and removal.

16. A full inventory list of the molds held by Procim Inc. is attached as **Exhibit 6**.

PORT COLBORNE FACILITY/OPERATIONS

17. The Receiver reviewed and evaluated staffing and employment requirements for continued operations. The Receiver effected short-term lay-offs and maintained the employment of key operations employees who had been overseeing the operations of Versitec.

18. The Receiver maintained employment of a key employee who was responsible for all logistics concerning orders and accounts receivable. The receiver maintained a second key employee who was responsible for the purchasing and co-ordination of all required materials and supplies to complete each shipment for distribution to haul-out facilities world-wide, the timing of which is dependent upon the precise scheduling of dry docking of ships for the installation of Versitec's products and related servicing.

19. Throughout the course of the receivership, the Receiver has been in constant communications with these key employees, along with Mr. Byrd, either on a daily or weekly basis as required, in order to facilitate and continue the overall business operations of Versitec. The Receiver also utilized the assistance of Mr. Byrd and these employees in the collection of receivables, and in dealing with any operational issues within the organization. In respect of receivables, the Receiver evaluated aging and non-performing accounts, and devised and implemented a comprehensive collection strategy. The Receiver actively reduced set-offs of older receivables with set-off payables and integrated the review of aged receivables and aged payables for better oversight and to facilitate cash-flow projections. The Receiver further evaluated and streamlined relationships with logistics and materials suppliers, in furtherance of maintaining and optimizing cash-flow for operations.

20. The Receiver further evaluated and took remediation steps concerning the balance sheet for shareholder loans and employee advances. These steps included issuing T-4As for expenditures and cash disbursements which had been identified as either un-

authorized or non-business expenditures or disbursements. The Receiver also took steps to eliminate non-income producing assets, and redundant payables.

21. In respect of operations, the Receiver also managed crisis issues involving logistics providers from time to time, and addressed issues concerning maintenance of other key suppliers. The Receiver further liaised between customers and management in respect of day to day operations strategy and maintenance of an orderly flow of finished product to world-wide customers.

22. During COVID-19, the Receiver monitored and evaluated changing market conditions both internationally and locally and assisted management with market and deployment strategy. The Receiver facilitated the utilization of Canadian Government loan and wage subsidy assistance from inception to close of original programs.

BANKING PROCESS

23. Versitec's banking had primarily been conducted through the TD Canada Trust branch in Port Colborne, Ontario, and a Bank of America branch located in Boca, Florida.

24. At the time of the Receiver's appointment, the majority of expenditures and receipt of receivables of Versitec were being transacted through the Bank of America. The Receiver's initial review of Versitec's banking activity, indicated that there also appeared to have been uncontrolled personal or non-business-related expenses of certain management personnel which were being transacted prior to the Receiver's appointment.

25. The Receiver's review of Versitec's banking activities also indicated that regular monthly loan payments were also being made to two U.S. Merchant cash advancers, both of which were U.S. secured creditors that had funded Versitec's operations during the early part of 2020 when the business was experiencing cash-flow issues. The Receiver also observed monthly loan payments going to Bank of America, which had provided funding to assist the Versitec Group some two years prior to the Receiver's appointment.

26. The Receiver has not obtained opinions in respect of the relative priority of security interests held by creditors of the U.S. entity, as the Receiver is not appointed in the U.S.; however, it appears that based on time of registration, LCX has a senior ranking general security interest. It was also apparent at the time of the Receiver's appointment, that certain Canadian receivables were being deposited to the Versitec U.S. account. The Receiver since determined that management had been seeking at the time to prevent unauthorized withdrawals from the Versitec Canadian account and was therefore depositing to the U.S. account. The Receiver further took steps to distinguish, account for, and reconcile all Canadian and U.S. receivables.

27. The Receiver sought to determine a procedure within which to stabilize, maintain control, and prevent dissipation of funds of Versitec, without disruption of ordinary business activities and transactions and the incoming flow of receivables payments.

28. Accordingly, the Receiver set up an independent Canadian receivership account at Versa Bank for Canadian operations, and a further independent account at BB&T Bank in Florida for U.S. operations, also solely controlled by the Receiver. The flow of revenues and receivables ordinarily flowing to Versitec's Bank of America account would then be

'swept' in a consistent and continual manner in order to control and prevent leakage of funds.

29. The Receiver's bank accounts at Versa Bank in Saskatchewan and BB&T in Boca, Florida, were set up for this purpose. Any transfer of funds from Versa Bank to the BB&T bank account for U.S. operations would only be initiated once there was consensus between Mr. Byrd, as consultant for operations, and the Receiver, as to what funds were required to meet the needs and obligations of both the Canadian and U.S. operations on an ongoing basis.

30. At the outset of the receivership, the principal customers of Versitec, being mainly international overseas customers, were communicated with to re-direct their receivable payments directly to the Receiver's bank account at Versa Bank. A copy of that communication and the list of customers is attached as **Exhibit 7**.

31. The Receiver has on the whole, received re-directed payments and wire transfers from customers continuously during the course of the receivership. Notwithstanding, on a number of occasions certain wire transfer payments continued to be deposited to Versitec's Bank of America account. When this occurred, the Receiver and Mr. Byrd through continual monitoring, re-directed these payments to the Versa Bank account and/or the BB&T bank account accordingly. This process ensured there was no leakage of funds which the Receiver and/or management did not know or were not aware of.

32. An alert mechanism was also set up by the Receiver for the Bank of America account as a further monitoring safe-guard, in order to ensure that no overdrafts or

unauthorized expenditures occurred. The alert mechanism further enabled the Receiver to take corrective, remedial action if required.

33. The Receiver's trust account as referenced was reconciled monthly to the trust bank statement to ensure completeness and accuracy.

CANADA REVENUE AGENCY

34. As prior referenced, LCX made a successful application for the appointment of MPI as Court-appointed Receiver to *inter alia*, take control over the assets and undertaking of Versitec, and to prevent against the dissipation of proceeds, including those which were subject to LCX's security.

35. At the time of the application, a debt was owing by Versitec to Canada Revenue Agency on behalf of Her Majesty in Right of Canada ("CRA") for unpaid employee source deductions. Following its appointment, the Receiver obtained confirmation of the debt owing to CRA in excess of \$225,000, which appears to have been incurred from 2019 to early 2020. A copy of Versitec's on-line CRA account confirming same is attached as **Exhibit 8**.

36. During the course of the receivership, post-appointment source deductions liabilities incurred to CRA were paid by the Receiver as and when due from funds received by the Receiver.

GENERAL SECURED CREDITORS

37. Versitec's general secured creditors are:

a) LCX: owed \$650,380.16 as of October 19, 2020; and

b) BDC: owed \$45,000 as of March 9, 2020.

38. Pursuant to a priorities agreement between LCX and BDC, LCX's security in any equipment owned by Versitec is subordinate to that of BDC, but superior in respect of all other assets.

39. The Receiver has obtained an opinion from its legal counsel as to the validity and enforceability of LCX's security.

40. Early in the receivership, LCX requested that the Receiver release to LCX upon receipt, any Versitec accounts receivable which had been purchased by LCX but remitted to Versitec. Having regard to the Supreme Court of Canada decision in *First Vancouver Finance v. Canada (Minister of National Revenue, M.N.R.)*, [2002] 2 S.C.R. 72, (**Exhibit 9**) and in consultation with legal counsel, the Receiver agreed to release to LCX upon collection those factored accounts receivable which had demonstrably been purchased by LCX and constituted property of LCX rather than that of Versitec. To date the total sum of \$60,000 has been released LCX on this basis. Set out at **Exhibit 10**, is an analysis of factored receivables which the Receiver determined to be appropriate to release to LCX.

41. During the course of the receivership, BDC has not raised any issues in respect of its security to the Receiver.

OTHER SECURED CREDITORS

42. There may be in existence secured creditors which have valid security interests as against Versitec Marine USA Inc., but as no recognition order was obtained by the applicant in the United States, the stay of proceedings afforded by the Appointment Order only extended to Canadian creditors.

OUTSTANDING LITIGATION

43. During the course of the receivership, the Receiver became aware of two outstanding Court proceedings which had been brought against the Versitec Group of companies prior to the date of the Appointment Order. With the assistance of counsel, settlements were reached and Releases were received by the Receiver.

CONNEAUT CREEK SHIP REPAIR, INC.

44. An action claiming payment of outstanding indebtedness for past invoices which had been disputed was issued by Conneaut Creek Ship Repair, Inc., a contracted service provider to Versitec, in the New York District Court in the United States, where the stay of proceedings provided for in the Appointment Order did not apply (**Exhibit 11**).

45. Conneaut was considered an essential service provider pursuant to an ongoing service contract in respect of installation, service and support of Versitec's products in the U.S. A dispute over invoicing and past delivery of services had been ongoing, despite continuing services being provided.

46. Following protracted negotiations, the claim was settled through the Receiver for payment of a total sum of USD\$70,000, in full satisfaction of the claim against Versitec which exceeded USD\$116,000, plus associated costs.

47. The settlement payments were made in accordance with an agreed upon payment schedule between August and October 2020 by the Receiver. Copies of the Settlement agreement and the full and final releases are attached as **Exhibit 12**.

CARPENTER/SWINDELL LITIGATION

48. Two separate proceedings were initiated as a result of allegations of wrongful dismissal by former management employees of Versitec. Both actions were filed against Versitec and its principal, through statements of claim dated May 21, 2019, which predated the Appointment Order, copies of which are attached as **Exhibit 13**.

49. Counsel had been retained jointly on behalf of corporate and non-corporate defendants, and had filed statements of defence, and steps were being taken by the plaintiffs to lift the stay of proceedings against the corporation. Given the legal issues and in the interests of time and cost-efficiency, both of these actions were settled in respect of all defendants by way of Minutes of Settlement at a formal Mediation which occurred on September 22, 2020.

50. The settlements are subject to an agreed-upon payment schedule over a period of 5 months, which remains current. A payment for mediator fees which was to have been made by the co-defendant, David Taylor, remains outstanding from the co-defendant.

PRANAB DHAR

51. An individual named Pranab Dhar had been a commissioned agent through Versitec Marine Inc. On or about August 14, 2020, the Receiver received a communication from Mr. Dhar stating that he was owed funds.

52. Following the Receiver's review and investigation, it was determined that no written or verbal agency agreement was in existence with Mr. Dhar for commissioned services after 2019, and certainly not for 2020.

53. The Receiver communicated its position that since there was no valid contract or arrangement with Versitec at the time of the Receiver's appointment, no payments could be made by the Receiver to Mr. Dhar. As at the date of this Report, no litigation has commenced and no further communications have been received. Attached as **Exhibit 14** are the Receiver's communications concerning this matter.

REVIEW OF AMOUNTS OWED TO LCX

54. Due to a) the necessity to perform a review of accounts receivable in order to determine and identify those factored accounts receivable which could be released to LCX; and b) inquiries made by management and principals of LCX as to independent verification of the amounts owed to LCX, the Receiver has undertaken a thorough review and analysis of the factored accounts receivable and of the amounts outstanding and owed to LCX. The Receiver has reviewed documentation provided by LCX in support of its calculation that Versitec is indebted to LCX, as of October 19, 2020, in the amount of \$650,380.16. On the basis of its review, the Receiver is satisfied with LCX's calculation.

COMPLIANCE WITH CRA OBLIGATIONS

55. During the course of the receivership, all source deductions have been remitted to CRA by the Receiver.

56. Furthermore, all HST filings have been made by Versitec as required. Since most of the accounts receivable are in respect of foreign customers, the refund created has been used by CRA to offset the more current amounts owing for source deductions. Notwithstanding, unpaid pre-Appointment Order source deduction liabilities remain. To date, the CRA has not requested any audit of Versitec's HST or source deductions account.

CURRENT STATUS

57. During the past 40 days, cash flow has decreased significantly due to the COVID-19 pandemic. The Receiver has worked with management to intensify follow up and collection efforts with world-wide customers, many of which are conserving cash or have delayed payment due to closures and restrictions of ports and dry-docks. As a result, the Receiver and management have placed all U.S. staff and approximately half of Canadian staff on short term leave, in order to preserve cash-flow. This situation has been complicated further by the second wave of the COVID-19 pandemic globally, which has shuttered or temporarily closed many of the firms that the company does business with worldwide. From the Receiver's perspective, this situation may or may not be short term in nature, and timing for resumption of ordinary operations remains uncertain.

APPROVAL OF RECEIVERSHIP ACTIVITIES; SUBSTITUTION OF RECEIVER

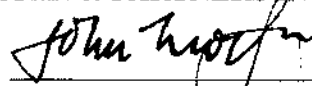
58. The Receiver requests Court approval of its activities as set out in the First Report from the date of its appointment on March 9, 2020 to date, except in relation to any payments made in relation to the litigation settlements described herein, or the litigation settlements themselves, for the reason that LCX has requested time to consider and evaluate its position on such.

59. There has been mutual agreement between MPI, LCX, and BDO Canada Inc. ("BDO"), that in order to effect an expedited sales process for the property under receivership, that it would be advantageous for MPI to be substituted by BDO. Accordingly, there has been mutual agreement that there be a substitution of MPI by BDO as Court-appointed Receiver.

ALL OF WHICH IS RESPECTFULLY REPORTED

Date: February 5 , 2021

MORGAN & PARTNERS INC.

Per: 

Name John H. R. Morgan
Title: President

I/We have the authority to bind the corporation

Appendix C – Second Report dated April 23, 2021

ONTARIO
SUPERIOR COURT OF JUSTICE
[COMMERCIAL LIST]

BETWEEN:

LIQUID CAPITAL EXCHANGE CORP.

Applicant

- and -

1635536 ONTARIO INC. O/A VERSITEC MARINE & INDUSTRIAL, VERSITEC MARINE HOLDINGS
INC., VERSITEC MARINE USA INC., DAVID TAYLOR, REUBEN BYRD and DAVID CARPENTER

Respondents

IN THE MATTER OF AN APPLICATION PURSUANT TO SUBSECTION 243(1) OF THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985 c. B-3, AS AMENDED; AND
SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, c. C.43 AS AMENDED

SECOND REPORT TO THE COURT
SUBMITTED BY BDO CANADA LIMITED
IN ITS CAPACITY AS SUBSTITUTE RECEIVER OF
1635536 ONTARIO INC. O/A VERSITEC MARINE & INDUSTRIAL
and
VERSITEC MARINE USA INC.

APRIL 23, 2021

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| Appendix J | - | Template Sale Agreement |
| Appendix K | - | Sale Agreement (Redacted) |
| Confidential Appendix 1 | - | Summary of Bids |
| Confidential Appendix 2 | - | Sale Agreement |

1.0 INTRODUCTION AND PURPOSE OF REPORT

1.1 Introduction

- 1.1.1 By way of an order of the Honourable Justice Koehnen of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated February 12, 2021 (the "Appointment Order"), BDO Canada Limited was appointed as the substitute receiver (the "Receiver"), without security, of all the Property (as defined in the Appointment Order) of 1635536 Ontario Inc. o/a Versitec Marine & Industrial ("Versitec Canada") and Versitec Marine USA Inc. ("Versitec USA", and collectively "Versitec"). Attached as Appendix "A" is copy of the Appointment Order.
- 1.1.2 Prior to the issuance of the Appointment Order, Versitec had been the subject of a Court-appointed receivership pursuant to the Order of the Honourable Justice Gilmore dated March 9, 2020 wherein Morgan & Partners Inc. had acted as receiver (the "Prior Receiver") until being substituted pursuant to the Appointment Order (the "Substitution").
- 1.1.3 The Prior Receiver issued one report in these proceedings dated February 5, 2021 (the "Prior Receiver's Report") to summarize and seek approval of limited activities of the Prior Receiver and provide background in respect of the substitution of the Prior Receiver. Attached as Appendix "B" is copy of the Prior Receiver's Report (without appendices).
- 1.1.4 The Receiver issued its first report dated February 9, 2021 (the "Preliminary Report") in these proceedings in support of the motion to approve the Receiver's proposed sale and investment solicitation process (the "SISP"). A copy of the Preliminary Report (without appendices) is attached hereto as Appendix "C". The Appointment Order also authorized the Receiver to conduct the SISP.

1.2 Purpose of this Report

- 1.2.1 This report is the Receiver's second report to the Court (the "Second Report") and is filed in respect of a motion for an order approving this report and the actions of the Receiver described herein (the "Administrative Order"); and an order (the "Approval and Vesting Order"):
 - a) approving the asset purchase agreement between the Receiver, as vendor, and CRUG Ltd. ("Crug" or the "Purchaser") or an affiliate of Crug (hereinafter also referred to as the "Purchaser"), as purchaser, dated April 14, 2021 (the "Sale Agreement") and authorizing the Receiver to complete the transaction contemplated therein (the "Transaction"); and
 - b) upon completion of the Transaction (as evidenced by the Receiver filing a certificate certifying same), vesting the Purchased Assets (as defined in the Sale Agreement) in the Purchaser.
- 1.2.2 In preparing this Second Report, the Receiver has relied upon the Debtors' books and records, unaudited and draft financial information available, certain financial

information obtained from third parties, and discussions with various individuals (collectively, the "Information"). The Receiver has not audited, or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("CAS") pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly the Receiver expresses no opinion or other form of assurance contemplated under the CAS in respect of the Information.

- 1.2.3 This Second Report has been prepared for the use of this Court in respect of the above-noted relief. This Second Report should not be relied upon for any other purpose. The Receiver will not assume responsibility or liability for losses incurred as a result of the circulation, publication, reproduction or use of this Second Report contrary to the provisions of this paragraph.
- 1.2.4 All references to dollars are in Canadian currency unless otherwise noted.
- 1.2.5 In accordance with the Appointment Order, copies of unsealed materials and prescribed notices delivered and/or filed in the receivership proceedings are available on the Receiver's case website at www.extranets.bdo.ca/versitecmarine.

2.0 RECEIVER'S ACTIVITIES

2.1 Introduction

2.1.1 This Section is intended to provide the Court with a summary of the Receiver's activities since the issuance of the Appointment Order.

2.2 Debtors' Business and Operations

2.2.1 Versitec operated a ship stern tube seal manufacturing and service business, serving the global marine market.

2.2.2 The background with respect to Versitec, as well as a description of the activities and circumstances leading to the appointment of the Prior Receiver, are contained in the motion record (the "Liquid Capital Motion Record") filed by Liquid Capital Exchange Corp. ("LCX"), the plaintiff in the within proceeding.

2.2.3 The operations of Versitec continued upon the appointment of the Prior Receiver and remained ongoing upon the appointment of the Receiver.

2.2.4 A simplified explanation of the manufacturing process is as follows:

- Seals were produced at a third-party manufacturer named ProCim Inc. ("ProCim"), located in Mississauga, ON. ProCim manufactures molds and operates presses. Versitec purchased and delivered the special rubber compound to ProCim for pressing into seals.
- Finished seals were shipped to Versitec's location in Port Colborne, ON, where employees would sand and finish the seals, check for quality, package with the additional parts required for installation and then ship the finished product to the customer.

2.2.5 Upon being appointed, the Receiver attended both the ProCim and Port Colborne locations to meet staff, discuss ongoing operations, and observe assets.

2.2.6 At the time of the Receiver's appointment Versitec had seven (7) employees and subcontractors:

- Reuben Byrd ("Byrd"), CEO, based in Florida, under contract with the Prior Receiver, which contract terminated on February 12, 2021 with the Substitution;
- Ed Pavey ("Pavey"), Vice President of Sales & Service, based in Florida;
- Albert Seaman ("Seaman"), Director Manufacturing & IT, based in Pennsylvania;
- Frank Maddalena ("Maddalena"), General Manager, based in Port Colborne, ON;
- Lou Varga ("Varga"), Seal Rubber Specialist, based in Port Colborne, ON;

- Lance Lockett (“Lockett”), Shipping & Service Coordinator, based in Port Colborne, ON (Lockett was on lay-off at the time of the Receiver’s appointment and was reinstated on February 21, 2021); and
- Brian Gunning CPA (“Gunning”), external Comptroller.

In addition to the above, Versitec had individual sales and service agents in Greece and Vietnam.

- 2.2.7 The Receiver contacted Byrd upon its appointment to discuss the status of ongoing operations and the Receiver’s mandate. The Receiver requested Byrd’s assistance with preparation of a cashflow projection so that the Receiver could more fully understand the merit of continuing operations. Byrd initially stated his intention to cooperate with the Receiver but later stated that he wanted to have a contract in place prior to performing any work for the Receiver. Byrd had a contract with the Prior Receiver that entitled him to be paid \$13,000 USD per month plus collection incentives. He typically received \$16,000 USD per month during the period of the Prior Receiver’s appointment. The Receiver advised Byrd that the Receiver required his assistance to prepare a cashflow projection in order to assess the merit of paying Byrd that amount of money. Byrd did not assist the Receiver with preparing the cashflow projection necessary to evaluate go-forward operations.
- 2.2.8 As the Receiver determined how much cashflow may be generated during the receivership, it made offers to Byrd which were not accepted and thus Byrd was not retained to assist the Receiver.
- 2.2.9 As explained below, operations of Versitec came to a halt on March 18, 2021. The Receiver terminated the employment of Varga and Lockett on March 19, 2021. Maddalena was retained to assist with accounts receivable collections. However, his employment with Versitec ceased on April 16, 2021. Seaman had resigned on March 12, 2021, citing non-payment for services rendered as the reason.
- 2.2.10 The Receiver attended to the requisite filings under the Wage Earner Protection Program in respect of terminated employees.
- 2.3 Insurance Policies
- 2.3.1 In advance of its appointment, the Receiver contacted the Prior Receiver on several occasions in order to request and collect information on various matters involving the business operations of Versitec. One such request was to provide copies of any insurance policies in force at the time.
- 2.3.2 On February 12, 2021, the Prior Receiver advised the Receiver that Byrd had a policy binder “which has been fully paid by the Receiver and is in effect at the current time”. The Receiver requested a copy of the insurance policy(ies) from both the Prior Receiver and Byrd. Neither the Prior Receiver nor Byrd produced copies on any applicable insurance policies.
- 2.3.3 Concerned that there wasn’t any insurance in place, the Receiver applied for and obtained contents and commercial general liability insurance coverage on the sole premises located in Port Colborne, ON. This policy went into force on March 2,

2021. However, this policy did not include necessary product liability and completed operations coverage that was required to insure ongoing production and product delivery around the world.

- 2.3.4 On March 2, 2021, the Prior Receiver provided a copy of a billing statement issued by AFS IBEX and which was funded by the Prior Receiver from estate funds. A copy of this statement is attached hereto as Appendix "D". The Receiver contacted the named insurance broker, Kelly White & Associates Ins LLC in Jacksonville, FLA, and spoke with Kelly White. Ms. White advised the Receiver that she was unaware of any entity named Versitec nor did she have any policies in force in respect of any Canadian operations.
- 2.3.5 Concerned that Versitec did not have proper commercial and product liability insurance in place, the Receiver attempted to obtain its own product liability policy but was unsuccessful. Thus, on March 18, 2021 the Receiver instructed staff to cease operations and notify customers that no further orders could be fulfilled.

2.4 Banking Arrangements

- 2.4.1 As reported by the Prior Receiver in the Prior Receiver's Report, the Prior Receiver was receiving customer payments into its own estate trust account(s) held at Versa Bank, as well as into Versitec USA bank accounts held at Bank of America and BB&T Bank in Florida. There were certain customers, including Versitec's largest customer (located in Greece), that continued to make wire payments on account to the Bank of America account rather than the Prior Receiver's estate trust account.
- 2.4.2 On February 17, 2021 Byrd advised the Receiver that a payment of 55,000 € was being made by a Greek customer. The Receiver later determined that this payment was made to the Bank of America account and then transferred to the BB&T account of Versitec USA by Byrd. The Receiver contacted BB&T to have the funds wired to the Receiver's estate trust account but was advised by BB&T personnel that approximately \$200 USD remained in the account. The Receiver believes that Byrd took possession of these funds, which the Receiver has formally demanded be returned for the benefit of the Estate. Byrd has not complied with this demand as he has claimed an interest in said funds.

2.5 Receipts & Disbursements

- 2.5.1 At the time of the Substitution there were nominal funds in the accounts of Versitec and estate accounts of the Prior Receiver. The Receiver has relied upon customer accounts receivable payments to fund immediate cashflow requirements.
- 2.5.2 Pursuant to the Appointment Order, the Prior Receiver was directed to prepare and submit an interim statement of receipts and disbursements in respect of its portion of the administration of the within receivership through to February 12, 2021 (the "Prior Receiver's Interim R&D"). The Prior Receiver provided the Prior Receiver's Interim R&D to the Receiver on February 16, 2021, a copy of which is attached hereto as Appendix "E". This schedule indicates that the Prior Receiver had \$3.94 in its estate trust account at the time of the Substitution.

- 2.5.3 As can be seen, the cashflow situation at Versitec was almost non-existent at the time of the Substitution. All employees and subcontractors were owed monies for the first half of February and funds on-hand were insufficient to make these payments. Further, suppliers were demanding payment for goods and services necessary to complete orders on-hand on a cash-on-delivery basis. The Receiver was dependent on customers' accounts receivable payments arriving in order to carry on the operations, which it was able to do albeit with some payment delays. It was not clear that operations could continue irrespective of the insurance issue identified above.
- 2.5.4 Attached hereto as Appendix "F" is the Receiver's Interim Statement of Receipts and Disbursements for the period February 12, 2021 to April 20, 2021. At this time, the Receiver has \$3,976.52 CAD in its estate trust accounts.

3.0 SALE PROCESS

3.1 Introduction

3.1.1 On February 9, 2021, the Receiver filed the Preliminary Report in support of a motion brought by the Prior Receiver for an order, inter alia, approving the SISP.

3.1.2 On February 12, 2021, the Honourable Justice Koehnen issued the Appointment Order approving, inter alia, the SISP and the procedures proposed to govern the SISP (the "Bidding Procedures"). The Bidding Procedures, as outlined in the Preliminary Report and subsequently amended, are set out in greater detail in Appendix "G" attached hereto.

3.1.3 The timeline for the Bidding Procedures is set out in the table below:

| Milestone | Deadline |
|---|--|
| Motion for the appointment of Substitute Receiver and approval of SISP | Friday, February 12, 2021 |
| Upon appointment and approval of SISP, the Substitute Receiver will contact any identified potential purchasers and invite them to submit a bid for the Property | Within 5 days of appointment and SISP approval |
| Advertise the sale of the Property in the National Post (National Edition), and online or otherwise as considered appropriate by the Substitute Receiver | Within 5 days of appointment and SISP approval |
| Information pertaining to this opportunity will be posted on the Substitute Receiver's website, which will include <ul style="list-style-type: none">● Invitation for Offers to purchase the Property or invest in the Business;● Confidentiality and Non-Disclosure Agreement | Within 5 days of appointment and SISP approval |
| Interested parties given access to additional data, data room and be provided with an opportunity to conduct site visits (subject to receipt of a signed confidentiality agreement) | Over a period of 10 weeks |
| Deadline for submission of qualifying bids | 4:00 PM (EST) on Thursday, April 15, 2021 (the "Bid Deadline") |

| | |
|--|---|
| Substitute Receiver evaluates bids received and selects winning bid; return deposits to bidders that are determined not to be successful and are not asked to stand as a “back up” transaction (if applicable) | Within 2 business days of Bid Deadline |
| Finalize asset purchase agreement (“APA”) and/or alternate transaction document (“Investment Agreement”) in connection with winning bid | ASAP after selection of winning bid |
| Seek Court approval of transaction with winning bidder and approval and vesting order | Within 10 days of finalizing APA or Investment Agreement, subject to Court availability |
| Close sale or alternate transaction | Within 3 days of Court approval |
| Unsuccessful bidders to return all confidential materials to the Substitute Receiver, and applicable deposits refunded | Within 1 week of closing the sale |

3.1.4 The original Bid Deadline was to be 4:00 PM on April 23, 2021. However, due to slight delays in launching the SISP caused by operational matters that the Receiver was required to address, the Bid Deadline was extended to April 30, 2021, to give interested parties additional time to conduct due diligence. The Receiver made this decision at a time when it was believed that Versitec represented a going concern sale.

3.1.5 Once the Receiver determined that it was unable to obtain appropriate liability insurance and the decision to halt operations was made, it then became appropriate to shorten the due diligence period in an attempt to minimize the perceived damage caused to Versitec’s goodwill by not operating. The Receiver then notified all participants in the SISP that the revised Bid Deadline was 4:00 PM on April 15, 2021 (the “Revised Bid Deadline”).

3.2 Sale Process

- 3.2.1 Pursuant to the Bidding Procedures, the Receiver began marketing the Property by:
- a) Developing an information teaser and non-disclosure agreement (“NDA”) which was emailed directly to twenty-two (22) identified potential bidders;

- b) Establishing a secure data room (the "Data Room") and confidential information memorandum and granted access to same for those parties that signed the NDA;
- c) Publishing a notice in the March 3, 2021 edition of the National Post (Financial Post section) advertising the opportunity, a copy of which is attached hereto as Appendix "H" ;
- d) Advertising the opportunity in the digital marine industry focused newsletter published by MaritimePropulsion.com, a copy of which is attached hereto as Appendix "I" . This advertisement was sent out twice per week from March 9th to April 10th to approximately 87,000 registered recipients;

3.2.2 In total, eleven (11) parties signed the NDA and were granted access to the Data Room. Of these, two (2) parties submitted binding offers prior to the Revised Bid Deadline. No party expressed concerns about the Revised Bid Deadline.

3.2.3 Additionally, the Receiver obtained two separate appraisals for the molds and equipment of Versitec. These appraisals were prepared on a forced liquidation basis.

3.2.4 The Data Room included copies of various documents, including:

- the confidential information memorandum;
- listings of inventory, molds and equipment;
- financial statements for 2018 - 2020;
- accounts payable listing;
- organization chart;
- premises lease;
- pictures and video of assets and premises;
- quality certifications; and
- offer documents.

3.2.5 The Receiver supplied the materials that were available to the Receiver and which it believed were necessary for prospective purchasers to evaluate the opportunity and put forth their best bid for the assets.

3.2.6 Pursuant to the Sale Process, binding offers (each, a "Bid"), made in the form of a template asset purchase agreement (the "Template Sale Agreement") accompanied by a deposit in an amount equal to a percentage of the purchase price, must have been submitted to the Receiver by the Revised Bid Deadline.

- 3.2.7 The form of Template Sale Agreement included market-standard terms used in an insolvency sale process. A copy of the Template Sale Agreement is attached hereto as Appendix "J" .
- 3.3 Bids
- 3.3.1 As of 4:00 p.m. Toronto time on Thursday, April 15, 2021, a total of two (2) bids (the "Bids") were received. A comparison summary of the Bids received is attached as Confidential Appendix 1 to this Second Report. Confidential Appendix 1 contains sensitive business information and should be sealed by the Court pending completion of the Transaction or further order of the Court
- 3.3.2 The Template Sale Agreement was consistent with a sale of this nature and purchasers were entitled to incorporate amendments for the Receiver's consideration. No potential bidder raised any issues or concerns regarding the Template Sale Agreement or the Bidding Procedures.
- 3.4 Identification of Successful Bidder
- 3.4.1 The Receiver considered the Bids that had been submitted in respect of the Property, taking into consideration a number of factors, including: (a) the purchase price and how it compared to the Appraisals; (b) conditions to closing the Transaction; and, (c) the provision of a substantial deposit.
- 3.4.2 The Receiver considered the Bids with a view to selecting the Bid that would have the most certainty of closing and that would maximize the value realized to the estate. After consideration of the Bids and discussions with both bidders wherein each bidder was asked to resubmit their final and best offer, the final bid submitted by CRUG Ltd. was identified as the successful bid (the "Sale Agreement"). The Receiver consulted with LCX, the secured lender in the proceedings, and LCX advised that it supports the transaction contemplated in the Sale Agreement.
- 3.5 Asset Purchase Agreement
- 3.5.1 As noted above, the Receiver and CRUG ultimately entered into the Sale Agreement, which is dated April 14, 2021 and remains subject to Court approval. A redacted copy of the Sale Agreement is attached hereto as Appendix "K" . A non-redacted copy of the Sale Agreement is attached as Confidential Appendix 2 to this Second Report. Confidential Appendix 2 contains sensitive business information and should be sealed by the Court pending completion of the Transaction or further order of the Court.
- 3.5.2 As originally submitted by the bid deadline of April 15, 2021, the Sale Agreement was substantially identical to the Template Sale Agreement, with the addition of a Purchase Price being set out and minor changes.
- 3.5.3 The Sale Agreement dated April 14, 2021, is generally in the form of the Template Sale Agreement. Among other things:
- a) notable "Excluded Assets" include receivables and property leases;

- b) the "Purchase Price" contemplates a cash payment; and
- c) the Purchaser is not taking on any employees of Versitec.

3.5.4 The Receiver believes that the terms and price of the Sale Agreement are commercially reasonable.

4.1.1 In addition to serving all parties who have registered security interests against Versitec, the Receiver has served, among others, the following:

- ProCim Inc. - third-party manufacturing partner of Versitec
- David Taylor - the majority shareholders of Versitec
- Reuben Byrd - contractor with Prior Receiver

For the reasons set out above, the Receiver respectfully requests that the Court issue an order(s):

- a) approving this report and the actions of the Receiver described herein;
- b) approving the Sale Agreement and authorizing the Receiver to complete the Transaction contemplated therein;
- c) upon completion of the Transaction (as evidenced by the Receiver filing a certificate certifying same), vesting the Purchased Assets (as defined in the Sale Agreement) in the Purchaser, as set out in the draft Approval and Vesting Order; and
- d) sealing the Confidential Appendices pending completion of the Transaction or further order of the Court.

All of which is respectfully submitted this 23rd day of April, 2021.

BDO CANADA LIMITED, solely in its capacity as Court-appointed Receiver of 1635536 Ontario Inc. o/a Versitec Marine & Industrial and Versitec Marine USA Inc. and not in its corporate or personal capacity.



Per: _____
Peter Crawley, MBA, CPA, CA, CIRP, LIT
Vice President

Appendix D – Approval and Vesting Order dated May 4, 2021

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) TUESDAY, THE 4th
)
JUSTICE GILMORE) DAY OF MAY, 2021
)

B E T W E E N:

LIQUID CAPITAL EXCHANGE CORP.

Applicant

-and-

**163556 ONTARIO INC. O/A VERSITEC MARINE & INDUSTRIAL,
VERSITEC MARINE HOLDINGS INC., VERSITEC MARINE USA INC.,
DAVID TAYLOR, REUBEN BYRD and DAVID CARPENTER**

Respondents

APPLICATION UNDER SECTION 243(1) OF THE BANKRUPTCY AND INSOLVENCY
ACT, R.S.C. 1985, C. B-3, AS AMENDED AND SECTION 101 OF THE
COURT OF JUSTICE ACT, R.S.O. 1990, C. C-43, AS AMENDED

APPROVAL AND VESTING ORDER

THIS MOTION, made by BDO Canada Ltd., in it's capacity as substitute receiver (in such capacity, the "**Substitute Receiver**"), without security, over all of the assets, undertakings and properties (the "**Property**") of Versitec Marine USA Inc. ("**Versitec USA**") and 1635536 Ontario Inc. o/a Versitec Marine & Industrial ("**Versitec Canada**") and together with Versitec USA, the "**Debtors**") acquired for, or used in relation to a business carried on by the Debtors, for an order approving the sale transaction (the "**Transaction**") contemplated by a purchase and sale agreement (the "**Sale Agreement**") between the Substitute Receiver and Crug Ltd. (the "**Purchaser**") dated April 14, 2021 and appended to the second report of the Substitute Receiver

dated April 23, 2021 (the "**Report**"), and vesting in the Purchaser the Debtors' right, title and interest in and to the assets described in the Sale Agreement (the "**Purchased Assets**"), was heard virtually by "Zoom" videoconference on this day in Toronto, Ontario.

ON READING the Report and on hearing the submissions of counsel for the Substitute Receiver and counsel to such other parties as reflected in the counsel slip, no one else appearing for any other person on the service list, although properly served as appears from the affidavit of Amanda Adamo, sworn April 23, 2021, filed:

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

2. **THIS COURT ORDERS AND DECLARES** that the Transaction is hereby approved, and the execution of the Sale Agreement by the Substitute Receiver is hereby authorized and approved, with such minor amendments as the Substitute Receiver deems necessary. The Substitute 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.

3. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Receiver's certificate to the Purchaser substantially in the form attached as Exhibit "A" hereto (the "**Substitute Receiver's Certificate**"), all of the Debtors' right, title and interest in and to the Purchased Assets as described and defined in the Sale Agreement shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial 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 Gilmore dated March 9, 2020; (ii) any encumbrances or charges created by the Orders of the Honourable Justice Koehnen dated February 21, 2021, (iii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal

property registry system; and (iv) those Claims listed on Exhibit “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.

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 Substitute 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 Substitute Receiver to file with the Court a copy of the Substitute Receiver's Certificate, forthwith after delivery thereof.

6. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver is authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the Debtors’ records pertaining to the Debtors’ past and current employees. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Debtors.

7. **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 the Debtor and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Debtor,

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 either or both of the Debtors and shall not be void or voidable by creditors of either or both of the Debtors, nor shall it constitute nor be deemed to be a settlement, 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.

8. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, United Kingdom or Europe, to give effect to this Order and to assist the Substitute 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 Substitute Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Substitute Receiver and its agents in carrying out the terms of this Order.

9. **THIS COURT ORDERS** that this order is effective from today's date and is enforceable without the need for entry and filing.

A handwritten signature in blue ink, appearing to read 'C. Justice Gilmore', is written above a horizontal line.

The Honourable Justice Gilmore

EXHIBIT "A"

FORM OF SUBSTITUTE RECEIVER'S CERTIFICATE

Court File No.: CV-20-00637427-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

B E T W E E N:

LIQUID CAPITAL EXCHANGE CORP.

Applicant

-and-

**163556 ONTARIO INC. O/A VERSITEC MARINE & INDUSTRIAL,
VERSITEC MARINE HOLDINGS INC., VERSITEC MARINE USA INC.,
DAVID TAYLOR, REUBEN BYRD and DAVID CARPENTER**

Respondents

APPLICATION UNDER SECTION 243(1) OF THE BANKRUPTCY AND INSOLVENCY
ACT, R.S.C. 1985, C. B-3, AS AMENDED AND SECTION 101 OF THE
COURT OF JUSTICE ACT, R.S.O. 1990, C. C-43, AS AMENDED

SUBSTITUTE RECEIVER'S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable Justice Gilmore of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated March 9, 2020, Morgan & Partners Inc. was appointed as the receiver (the "**Receiver**") of receiver (in such capacity, the "**Receiver**") over all of the assets, undertakings and properties of Versitec Marine USA Inc. ("**Versitec USA**") and certain assets of 1635536 Ontario Inc. o/a Versitec Marine & Industrial ("**Versitec Canada**") and together with Versitec USA, the "**Debtors**";

B. Pursuant to Orders of the Honourable Justice Koehnen of the Court dated February 12, 2021, the Receiver was discharged from its active duties and BDO Canada Ltd. was appointed substitute receiver (the "**Substitute Receiver**") of all assets, undertakings and property of the Debtors that was acquired for or used in relation to a business carried on the by the Debtors;

C. Pursuant to an Order of the Court dated May 4, 2021, the Court approved the purchase and sale agreement dated April 14, 2021 (the "Sale Agreement") between the Substitute Receiver and Crug Ltd. or an affiliate of Crug Ltd. (in either scenario, the "Purchaser") and provided for the vesting in the Purchaser of the Debtors' right, title and interest in and to the Purchased Assets (as defined therein), which vesting is to be effective upon the delivery by the Receiver to the Purchaser of a certificate confirming: (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing set out in the Sale Agreement have been satisfied or waived by the Substitute Receiver and the Purchaser; and (iii) the transaction contemplated by the Sale Agreement has been completed to the satisfaction of the Substitute Receiver.

D. 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 Substitute 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 set out in the Sale Agreement have been satisfied or waived by the Substitute Receiver and the Purchaser; and
3. the transaction contemplated by the Sale Agreement has been completed to the satisfaction of the Substitute Receiver.
4. This Certificate was delivered by the Substitute Receiver at <●> on <●>, 2021.

**BDO CANADA LTD., in its capacity as
Court-appointed substitute receiver of all
assets, undertakings and property of the
1635536 Ontario Inc. and Versitec Marine
USA Inc., and not in its personal capacity**

Per: _____
Name: Peter Crawley
Title: Vice President

LIQUID CAPITAL EXCHANGE CORP.

-and-

1635536 ONTARIO INC., et al.

Applicant

Respondents

Court File No. CV-20-00637427-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced at Toronto

**SUBSTITUTE RECEIVER'S
CERTIFICATE**

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135 Queens Plate Drive – Suite 600
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*Lawyers for the Court-appointed Substitute
Receiver, BDO Canada Ltd.*

LIQUID CAPITAL EXCHANGE CORP.

-and-

1635536 ONTARIO INC., et al.

Applicant

Respondents

Court File No. CV-20-00637427-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced at Toronto

APPROVAL AND VESTING ORDER

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Appendix E – Administrative Order dated May 4, 2021

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) TUESDAY, THE 4th
)
JUSTICE GILMORE) DAY OF MAY, 2021
)

B E T W E E N:

LIQUID CAPITAL EXCHANGE CORP.

Applicant

-and-

**163556 ONTARIO INC. O/A VERSITEC MARINE & INDUSTRIAL,
VERSITEC MARINE HOLDINGS INC., VERSITEC MARINE USA INC.,
DAVID TAYLOR, REUBEN BYRD and DAVID CARPENTER**

Respondents

APPLICATION UNDER SECTION 243(1) OF THE BANKRUPTCY AND INSOLVENCY
ACT, R.S.C. 1985, C. B-3, AS AMENDED AND SECTION 101 OF THE
COURT OF JUSTICE ACT, R.S.O. 1990, C. C-43, AS AMENDED

ORDER

(Administrative Relief)

THIS MOTION, made by BDO Canada Ltd., in it's capacity as substitute receiver (in such capacity, the "**Substitute Receiver**"), without security, over all of the assets, undertakings and properties (the "**Property**") of Versitec Marine USA Inc. ("**Versitec USA**") and 1635536 Ontario Inc. o/a Versitec Marine & Industrial ("**Versitec Canada**" and together with Versitec USA, the "**Debtors**") acquired for an order, *inter alia*:

1. approving the second report (the "**Second Report**") of the Substitute Receiver, as well as the activities of the Substitute Receiver described therein; and
2. sealing the confidential appendices to the Second Report,

was heard virtually by “Zoom” videoconference on this day in Toronto, Ontario.

ON READING the Second Report and on hearing the submissions of counsel for the Substitute Receiver and counsel to such other parties as reflected in the counsel slip, no one else appearing for any other person on the service list, although properly served as appears from the affidavit of Amanda Adamo, sworn April 23, 2021, filed:

1. **THIS COURT ORDERS** that the Second Report and activities of the Substitute Receiver described therein are hereby approved.
2. **THIS COURT ORDERS** that the confidential appendices to the Second Report be are hereby sealed pending completion of the transaction between the Substitute Receiver and Crug Ltd. or its affiliate or further order of this Court.
3. **THIS COURT ORDERS** that this order is effective from today’s date and is enforceable without the need for entry and filing.

A handwritten signature in blue ink, appearing to read "C. Gilmore J.", is written above a horizontal line.

The Honourable Justice Gilmore

LIQUID CAPITAL EXCHANGE CORP.

-and-

1635536 ONTARIO INC., et al.

Applicant

Respondents

Court File No. CV-20-00637427-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced at Toronto

ORDER
(Administrative Relief)

LOOPSTRA NIXON LLP
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*Lawyers for the court-appointed Substitute
Receiver, BDO Canada Ltd.*

Appendix F – Third Report dated June 16, 2021

ONTARIO
SUPERIOR COURT OF JUSTICE
[COMMERCIAL LIST]

BETWEEN:

LIQUID CAPITAL EXCHANGE CORP.

Applicant

- and -

1635536 ONTARIO INC. O/A VERSITEC MARINE & INDUSTRIAL, VERSITEC MARINE HOLDINGS
INC., VERSITEC MARINE USA INC., DAVID TAYLOR, REUBEN BYRD and DAVID CARPENTER

Respondents

IN THE MATTER OF AN APPLICATION PURSUANT TO SUBSECTION 243(1) OF THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985 c. B-3, AS AMENDED; AND
SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, c. C.43 AS AMENDED

THIRD REPORT TO THE COURT
SUBMITTED BY BDO CANADA LIMITED
IN ITS CAPACITY AS SUBSTITUTE RECEIVER OF
1635536 ONTARIO INC. O/A VERSITEC MARINE & INDUSTRIAL
and
VERSITEC MARINE USA INC.

JUNE 16, 2021

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1.0 INTRODUCTION AND PURPOSE OF REPORT

1.1 Introduction

- 1.1.1 By way of an order of the Honourable Justice Koehnen of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated February 12, 2021 (the "Appointment Order"), BDO Canada Limited was appointed as the substitute receiver (the "Receiver"), without security, of all the Property (as defined in the Appointment Order) of 1635536 Ontario Inc. o/a Versitec Marine & Industrial ("Versitec Canada") and Versitec Marine USA Inc. ("Versitec USA", and collectively "Versitec"). Attached as Appendix "A" is copy of the Appointment Order.
- 1.1.2 Prior to the issuance of the Appointment Order, Versitec had been the subject of a Court-appointed receivership pursuant to the Order of the Honourable Justice Gilmore dated March 9, 2020 wherein Morgan & Partners Inc. had acted as receiver (the "Prior Receiver") until being substituted pursuant to the Appointment Order (the "Substitution").
- 1.1.3 These receivership proceedings were initiated by Versitec's senior secured creditor, Liquid Capital Exchange Corp. ("LCX").
- 1.1.4 The Prior Receiver issued one report in these proceedings dated February 5, 2021 (the "Prior Receiver's Report") to summarize and seek approval of limited activities of the Prior Receiver and provide background in respect of the substitution of the Prior Receiver. A copy of the Prior Receiver's Report is attached to the Receiver's Second Report as Appendix "B".
- 1.1.5 The Receiver issued its first report dated February 9, 2021 (the "Preliminary Report") in these proceedings in support of the motion to approve the Receiver's proposed sale and investment solicitation process (the "SISP"). A copy of the Preliminary Report (without appendices) is attached hereto as Appendix "B". The Appointment Order also authorized the Receiver to conduct the SISP.
- 1.1.6 The Receiver issued its second report dated April 23, 2021 (the "Second Report") in support of the motion to approve the asset purchase agreement (the "Crug APA") between the Receiver and Crug Ltd. ("Crug") that resulted from the SISP. A copy of the Second Report (without appendices) is attached hereto as Appendix "C".
- 1.1.7 On May 4, 2021 the Court issued an Approval and Vesting Order (the "AVO") authorizing the Receiver to enter into the Crug APA and vesting in and to Crug all of Versitec's right, title and interest in the Purchased Assets (as defined in the Crug APA) on closing of the subject transaction. A copy of the AVO is attached hereto as Appendix "D".
- 1.1.8 Additionally, on May 4, 2021 the Court issued an administrative approval order approving the Receiver's Second Report, the activities as described therein, and sealing the two confidential appendices to the Second Report until completion of the transaction contemplated in the Crug APA. A copy of the Administrative Order is attached hereto as Appendix "E".

1.2 Purpose of this Report

1.2.1 This report is the Receiver's third report to the Court (the "Third Report") and is filed in respect of a motion for an order:

- Approving this Third Report and the actions of the Receiver described herein;
- Authorizing the Receiver to make an interim distribution (the "Interim Distribution") to LCX as well as any subsequent distributions to LCX from time to time as may in the Receiver's opinion be appropriate provided that the aggregate total amount distributed to LCX does not exceed the LCX Indebtedness, as defined below;
- Approving the professional fees of the Receiver and its legal counsel, Loopstra Nixon LLP ("Loopstra") as detailed in the affidavits of Peter K. Crawley and Thomas Lambert, respectively;
- Approving the professional fees of the Prior Receiver and its legal counsel, Laishley Reed LLP ("Laishley") as detailed in the affidavits of John Morgan and Calvin J. Ho, respectively; and
- such other relief as this Honourable Court deems appropriate.

1.2.2 In preparing this Third Report, the Receiver has relied upon the Debtors' books and records, unaudited and draft financial information available, certain financial information obtained from third parties, and discussions with various individuals (collectively, the "Information"). The Receiver has not audited, or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("CAS") pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly the Receiver expresses no opinion or other form of assurance contemplated under the CAS in respect of the Information.

1.2.3 This Third Report has been prepared for the use of this Court in respect of the above-noted relief. This Third Report should not be relied upon for any other purpose. The Receiver will not assume responsibility or liability for losses incurred as a result of the circulation, publication, reproduction or use of this Third Report contrary to the provisions of this paragraph.

1.2.4 All references to dollars are in Canadian currency unless otherwise noted.

1.2.5 In accordance with the Appointment Order, copies of unsealed materials and prescribed notices delivered and/or filed in the receivership proceedings are available on the Receiver's case website at www.extranets.bdo.ca/versitecmarine.

2.0 RECEIVER'S ACTIVITIES

2.1 Introduction

- 2.1.1 This Section is intended to provide the Court with a summary of the Receiver's activities since the issuance of the AVO.

2.2 Completion of the Crug APA

- 2.2.1 Upon issuance of the AVO, the Receiver executed the CRUG APA and set about completing the necessary closing documents.
- 2.2.2 The Receiver filed its Substitute Receiver's Certificate with the Court on May 31, 2021 (the "Closing Date") as evidence that the transaction contemplated in the Crug APA had closed and that the AVO had vested title to the subject purchased assets in Crug, free and clear of all claims and encumbrances.
- 2.2.3 Subsequent to the Closing Date the Receiver assisted Crug in obtaining possession of the Purchased Assets (as defined in the Crug APA). This has included negotiating with two third parties in possession of Versitec consignment inventory, providing access to online digital assets including web sites, domain registrar accounts and email.
- 2.2.4 The Receiver has relinquished possession of the Port Colborne premises to Crug's Canadian representatives effective June 1, 2021 and cancelled the applicable insurance policy.
- 2.2.5 The Receiver has returned the bid deposit(s) to the unsuccessful bidder(s) that submitted offers during the sale process.

2.3 Collection of Accounts Receivable

- 2.3.1 The accounts receivable of Versitec were not included as Purchased Assets in the Crug APA.
- 2.3.2 The Receiver has sent demand letters to each customer in Versitec's open accounts receivable ledger requesting payment of the outstanding amount. The Receiver is attempting to collect €147,131.20 and \$5,895 USD.

2.4 Review of the LCX Indebtedness

- 2.4.1 As discussed in further detail below, the Receiver has been provided with and reviewed the detailed calculations of the LCX Indebtedness as part of its determination of the appropriateness of the Interim Distribution sought herein.

2.5 Receipts & Disbursements

- 2.5.1 Attached hereto as Appendix "F" is the Receiver's Interim Statement of Receipts and Disbursements for the period February 12, 2021 to June 4, 2021. At this time, the Receiver has a total of \$470,171.66 CAD equivalent (\$199,940.66 CAD and \$226,300.43 USD) in its estate trust accounts.

3.0 PROPOSED DISTRIBUTION

3.1 Introduction

3.1.1 The creditors of Versitec that have registered their security interest in Versitec under the Personal Property Security Act (Ontario) registration system are:

- Business Development Bank of Canada (“BDC”);
- GM Financial Canada Leasing Ltd. (“GM”);
- LCX;
- Premium Capital Group, Inc. (“PCG”); and
- Merchant Advance Capital (“MAC”).

3.2 Canada Revenue Agency

3.2.1 Canada Revenue Agency (“CRA”) has provided the Receiver with its claim letter in respect of source deductions. A total of \$122,322.02 is owing to CRA for source deductions and, of this amount, \$65,428.90 is subject to a deemed trust in favour of CRA (the “CRA Deemed Trust Amount”). A copy of the CRA claim letter is attached hereto as Appendix “G” .

3.2.2 The Receiver intends to pay the CRA Deemed Trust Amount to CRA upon confirmation from CRA that it is satisfied with its trust examination.

3.2.3 There was no amount owing to CRA in respect of H.S.T. at the time of the Receiver’s appointment as Versitec was generally entitled to tax refunds, due to the export nature of its business, and any refunds were applied against the payroll account by CRA to reduce the amount owing in respect of source deductions.

3.2.4 Versitec is a quarterly filer for H.S.T. purposes and the next H.S.T. filing is due July 31, 2021 in respect of the quarter ending June 30, 2021. The Receiver will attend to this filing promptly. However, there is an amount owing to CRA for the quarter ending June 30, 2021 of an estimated \$31,340.48 as H.S.T. was charged and collected from the sale to Crug.

3.3 Service Canada (s81.4 priority)

3.3.1 Terminated employees of Versitec have potential claims totaling \$28,540.16 in respect of unpaid vacation pay and termination pay. As reported in the Second Report, the Receiver submitted the applicable information to Service Canada under the Wage Earner Protection Program (“WEPP”). Of this total amount, \$5,260.16 is subject to security under section 81.4 of the BIA (the “s81.4 Claim”).

- 3.3.2 As a condition of receiving their payments under WEPP, the employees assigned their claims against Versitec to Service Canada. Service Canada is entitled to receive a distribution in respect of the s81.4 Claim.
- 3.3.3 The Receiver will remit up to \$5,260.16 to Service Canada in respect of the s81.4 Claim. At the time of this Third Report Service Canada had paid \$4,808.00 that is subject to the s81.4 Claim. Two former employees have yet to submit their proof of claim to the Receiver.

3.4 BDC

- 3.4.1 BDC was owed approximately \$45,000 as per the Prior Receiver's Report (the "BDC Debt"). The BDC Debt is subject to security given by Versitec to BDC. The BDC Debt also has priority over equipment as per an intercreditor agreement entered into by BDC and LCX.
- 3.4.2 As of March 17, 2021, the BDC Debt was \$79,651.83.
- 3.4.3 On March 31, 2021, BDC and LCX entered into an assignment and priorities agreement whereby BDC assigned to LCX its right, title and interest in \$17,500 of the BDC Debt and all of its rights, title and interest in and to the security held by BDC in Versitec, but excluding any security granted by third parties. The agreement also subordinated any security interest held by BDC in respect of the assets of Versitec to the security interest held by LCX.
- 3.4.4 Based on the level of realizations in the receivership and LCX's priority standing, BDC is not expected to receive a distribution from these proceedings.

3.5 LCX

- 3.5.1 The amount owing to LCX and subject to security granted by Versitec in favour of LCX (the "LCX Indebtedness") as at October 19, 2020, as per the Prior Receiver's Report, was \$650,380.16. The Prior Receiver reviewed the calculations and was satisfied that this was the correct balance at that time.
- 3.5.2 LCX has advised the Receiver that the balance of the LCX Indebtedness as at May 27, 2021 is \$764,695.04, and further that the per diem interest charge is \$384.39. LCX has also provided the Receiver with detailed calculations used to arrive at the amount.
- 3.5.3 LCX had provided Versitec with three (3) different factoring facilities:
- Account 4822 - Canadian dollar account (Versitec Canada);
 - Account 4820 - U.S. dollar account (Versitec Canada); and
 - Account 4821 - U.S. dollar account (Versitec USA)

A summary of the outstanding balances is as follows:

| Account | Cur. | Net Funds Employed | Penalty for Misdirected Funds | Accrued Fees | Enforcement Costs (1) | Total Balance Owing |
|---|------|--------------------|-------------------------------|---------------|-----------------------|---------------------|
| 4822 | CAD | \$ 221,437.83 | \$24,471.00 | \$ 105,230.56 | \$ 79,179.93 | \$430,319.32 |
| 4821 | USD | \$ 75,105.56 | \$ 2,953.00 | \$ 58,258.73 | \$ - | \$136,317.29 |
| 4820U | USD | \$ 79,405.50 | \$14,449.00 | \$ 46,171.78 | \$ - | \$140,026.28 |
| Total stated in Canadian dollars (\$1 USD = \$1.21 CAD) | | | | | | <u>\$764,695.04</u> |
| Note (1): excluding costs of the Receiver and its legal counsel | | | | | | |

- 3.5.4 B.Gunning, former management of Versitec, has provided the Receiver with Versitec's own calculations as to the indebtedness owed by Versitec to LCX, which calculations do not agree with the calculations of LCX. Versitec's own calculations, as provided to the Receiver, suggest that it is LCX who is indebted to Versitec.
- 3.5.5 The Receiver has reviewed LCX's calculations to arrive at the LCX Indebtedness of \$764,695.04. LCX also provided a detailed comparison of Versitec's calculations to LCX's. The primary differences are due to Versitec not accounting for the factoring fees and penalties that LCX was entitled to on advances, misdirected customer payments, reversed advances for invoices presented for factoring but not actually issued to the customer, and costs of enforcing LCX's security.
- 3.5.6 The Receiver concurs with the amount of the LCX Indebtedness as determined by LCX, based on the documents and records reviewed.
- 3.5.7 BDO has received a security opinion with respect to the security granted by Versitec in favour of LCX from Loopstra, its independent legal counsel. Loopstra has opined that, subject to the usual qualifications, LCX's security is valid and enforceable. A copy of such security opinion is attached hereto as Appendix "H".
- 3.6 Other Secured Creditors
- 3.6.1 The security registered in respect of GM is in relation to a leased 2017 Silverado pickup truck which Versitec used to pickup and deliver product. The vehicle lease expired on April 28, 2021 and the vehicle has been returned to the dealer.
- 3.6.2 The Receiver has not had any contact with PCG or MAC. The Receiver advises that there do not appear to be any liabilities stated on Versitec's financial statements in respect of PCG and MAC.

3.7 Proposed Distribution

- 3.7.1 After providing for the CRA Deemed Trust Amount, the s81.4 Amount, remittance of H.S.T. owing, unpaid professional fees to May 31, 2021 plus a holdback of \$40,000 to provide for further costs until discharge (the "Holdback"), the Receiver estimates \$180,000 is available to distribute to LCX at this time and seeks the Court's approval of same.
- 3.7.2 Further, the Receiver is requesting the Court to authorize and direct the Receiver to make future distributions to LCX, should there be further recoveries from the collection of accounts receivable, provided that the sum of all amounts distributed to LCX shall not exceed the LCX Indebtedness.

4.0 PROFESSIONAL FEES

4.1 Professional Fees of the Receiver and its legal counsel

- 4.1.1 As set out in the affidavit of Peter Crawley of BDO sworn June 14, 2021 and attached hereto as Appendix "I", professional fees of the Receiver incurred from January 13, 2021 to May 31, 2021 amount to 365.3 total hours, fees of \$142,253.00 (at an average hourly rate of \$389.41) and disbursements of \$586.77 (before H.S.T.).
- 4.1.2 As set out in the affidavit of Thomas Lambert of Loopstra sworn June 16, 2021 and attached hereto as Appendix "J", professional fees of the Receiver's counsel incurred from January 15, 2021 to May 31, 2021 amount to 91.2 total hours, fees of \$43,217.50 (at an average hourly rate of \$473.88) and disbursements of \$708.22 (before H.S.T.).
- 4.1.3 The Receiver has reviewed the accounts of Loopstra and believes them to be appropriate and reasonable in the circumstances.
- 4.1.4 Accordingly, the Receiver respectfully requests that this Court approve the fees and disbursements of the BDO and Loopstra.

4.2 Professional Fees of the Prior Receiver and its legal counsel

- 4.2.1 When the Receiver was substituted for the Prior Receiver, Morgan & Partners Inc., the Prior Receiver did not seek approval of its final fees and disbursements, nor those of its legal counsel, Laishley.
- 4.2.2 Since such time, the Prior Receiver and LCX, the only party with an economic interest, are in agreement that the Prior Receiver be paid an amount equal to \$27,500.00 + HST of \$3,575, plus \$5,000 in disbursements (the "Prior Receiver Fees & Disbursements"), which funds have previously been paid to the Prior Receiver from the Estate of Versitec. The particulars of the Prior Receiver Fees & Disbursements are as set out in the Affidavit of John Morgan sworn June 16, 2021, a copy of which is attached as Appendix "K" and indicating a total of 69.0 hours at an average hourly rate of \$398.55. The Prior Receiver has confirmed that it will not, now or in the future, seek to recover any amounts over and above the Prior Receiver Fees & Disbursements, as set out above, under the Administration Charge granted in these proceedings and releases any claim to recover further funds under such priority charge.
- 4.2.3 The Receiver has reviewed the affidavit of Mr. Morgan and does not believe the rates represented therein to be inappropriate or unreasonable in the circumstances. Additionally, the subject fees and disbursements have already been paid. The Receiver understands that LCX supports the approval of the Prior Receiver Fees & Disbursements.
- 4.2.4 In view of the foregoing, the Receiver respectfully requests, on behalf of the Prior Receiver, that this Court approve the Prior Receiver Fees & Disbursements.

- 4.2.5 As set out in the affidavit of Calvin J. Ho of Laishley sworn June 14, 2021 and attached hereto as Appendix "L", professional fees of the Prior Receiver's counsel incurred from March 12, 2020 to August 31, 2020 amount to 32.3 total hours, and fees and disbursements of \$13,000.00 (before H.S.T., and at an average hourly rate of \$402.48). Laishley has confirmed that it has no further claims for fees under the Administration Charge granted in these proceedings.
- 4.2.6 The Receiver has reviewed the accounts of Laishley and does not believe them to be inappropriate and unreasonable in the circumstances. The Receiver understands that LCX supports the approval of Laishley's fees and disbursements.

In view of the foregoing, the Receiver respectfully requests that this Court approve the fees and disbursements of Laishley.

5.0 CONCLUSION

5.1.1 For the reasons set out above, the Receiver respectfully requests that the Court issue an order:

- a) approving this Third Report and the actions of the Receiver described herein;
- b) approving the fees and disbursements of the Receiver and its legal counsel;
- c) approving the fees and disbursements of the Prior Receiver and its legal counsel;
- d) approving the Holdback;
- e) authorizing the Receiver to, after payment of approved administrative fees and disbursements and reserving the Holdback, make distributions to LCX, the sum of which not to exceed the LCX Indebtedness; and
- f) such other relief as this Court deems appropriate.

All of which is respectfully submitted this 16th day of June, 2021.

BDO CANADA LIMITED, solely in its capacity as Court-appointed Receiver of 1635536 Ontario Inc. o/a Versitec Marine & Industrial and Versitec Marine USA Inc. and not in its corporate or personal capacity.



Per: _____
Peter Crawley, MBA, CPA, CA, CIRP, LIT
Vice President

Appendix G – Administrative Order dated June 9, 2021

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) TUESDAY, THE 22nd
)
JUSTICE GILMORE) DAY OF JUNE, 2021
)

B E T W E E N:

LIQUID CAPITAL EXCHANGE CORP.

Applicant

-and-

**163556 ONTARIO INC. O/A VERSITEC MARINE & INDUSTRIAL,
VERSITEC MARINE HOLDINGS INC., VERSITEC MARINE USA INC.,
DAVID TAYLOR, REUBEN BYRD and DAVID CARPENTER**

Respondents

APPLICATION UNDER SECTION 243(1) OF THE BANKRUPTCY AND INSOLVENCY
ACT, R.S.C. 1985, C. B-3, AS AMENDED AND SECTION 101 OF THE
COURT OF JUSTICE ACT, R.S.O. 1990, C. C-43, AS AMENDED

ORDER

(Administrative Relief)

THIS MOTION, made by BDO Canada Limited, in it's capacity as substitute receiver (in such capacity, the "**Receiver**"), without security, over all of the assets, undertakings and properties (the "**Property**") of Versitec Marine USA Inc. ("**Versitec USA**") and 1635536 Ontario Inc. o/a Versitec Marine & Industrial ("**Versitec Canada**" and together with Versitec USA, the "**Debtors**") acquired for an order, *inter alia*:

1. approving the third report of the Receiver (the "**Third Report**"), as well as the activities of the Receiver detailed therein;

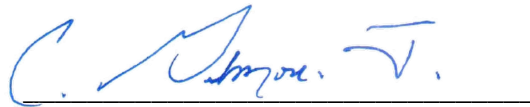
2. approving the fees and disbursements of the Receiver and its legal counsel, Loopstra Nixon LLP (“**Loopstra Nixon**”), for the period ending May 31, 2021;
3. approving the professional fees of Morgan & Partners Inc. in its capacity as the original receiver in these proceedings (in such capacity, the “**Prior Receiver**”) and its legal counsel Laishley Reed LLP (“**Laishley**”), for the period of March 9, 2020 up to and including the appointment of the Receiver;
4. authorizing the proposed interim distribution to Liquid Capital Exchange Corp. (“**LCX**”) as well as any subsequent distributions to LCX from time to time as may in the Receiver’s opinion be appropriate provided that the aggregate total amount distributed to LCX does not exceed the amount owed by the Debtors to LCX,

was heard virtually by “Zoom” videoconference on this day in Toronto, Ontario.

ON READING the Third Report and on hearing the submissions of counsel for the Receiver and counsel to such other parties as reflected in the attendance sheet, no one else appearing for any other person on the service list, although properly served as appears from the affidavit of Amanda Adamo, sworn June 17, 2021, filed:

1. **THIS COURT ORDERS** that that the time for service and filing of the Motion Materials is abridged and validated so that this motion is properly returnable today and dispenses with further service thereof.
2. **THIS COURT ORDERS** that the Third Report and activities of the Receiver described therein are hereby approved.
3. **THIS COURT ORDERS** that the fees and disbursements of the Receiver and its counsel, as set out in the Third Report and the fee affidavits appended thereto as Appendix “I” and Appendix “J”, are hereby approved.
4. **THIS COURT ORDERS** that the fees and disbursements of the Prior Receiver and Laishley, as counsel to the Prior Receiver, as set out in the fee affidavits appended to the Third Report as Appendix “K” and “L”, respectively, are hereby approved.

5. **THIS COURT ORDERS** that, after payment of (a) \$65,428.90 to the Canada Revenue Agent (the “CRA”) and such other amount as may be determining to be owing in respect of source deductions that are subject to a deemed trust in favour of the CRA, (b) \$5,260.16 to Service Canada in respect of its security under section 81.4 of the Bankruptcy and Insolvency Act, (c) any HST payable in respect of Versitec’s reporting period ending June 30, 2021, (d) the approved professional fees of the Receiver, the Receiver’s counsel, the Prior Receiver and the Prior Receiver’s counsel, and (e) holding back the sum of \$120,000, the Receiver shall pay the monies in its hands to LCX.
6. **THIS COURT ORDERS** that the Receiver shall be and is hereby authorized to make such further distributions to LCX that are, in the opinion of the Receiver, appropriate provided that the aggregate total amount distributed to LCX does not exceed the amount owed by the Debtors to LCX.
7. **THIS COURT ORDERS** that this order is effective from today’s date and is enforceable without the need for entry and filing.

A handwritten signature in blue ink, appearing to read "C. Justice Gilmore", is written above a horizontal line.

The Honourable Justice Gilmore

LIQUID CAPITAL EXCHANGE CORP.

-and-

1635536 ONTARIO INC., et al.

Applicant

Respondents

Court File No. CV-20-00637427-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced at Toronto

ORDER
(Administrative Relief)

LOOPSTRA NIXON LLP

135 Queens Plate Drive – Suite 600
Toronto, ON M9W 6V7

R. Graham Phoenix

LSO No.: 52650N
t. 416.748.4776
f. 416.746.8319
e. gphoenix@loonix.com

Thomas P. Lambert

LSO No.: 70354T
t. 416.748.5145
f. 416.746.8319
e. tlambert@loonix.com

*Lawyers for the court-appointed Substitute
Receiver, BDO Canada Ltd.*

Appendix H – Amended CRA Claim Letter for Source Deductions

PROTECTED B



Canada Revenue Agency
Agence du revenu
du Canada

London-Windsor Tax Services Office

451 Talbot Street, London ON N6A 5E5

Fax Cover Sheet / Page couverture – transmission par télécopieur

From / De: Lisa Nielsen
INSOLVENCY OFFICER

Fax / Télécopie: (416) 954-6411
Phone / Téléphone: (416) 779-5018 Cell

To / À:CC ASSOCIATES LTD.
LICENSED INSOLVENCY TRUSTEE

Phone / Téléphone: (905) 524-1008

Fax / Télécopie: **(905) 570-0249**

Date: July 22, 2021

Pages sent / Pages envoyées: 3
(Including Cover / Incluant page couverture)

Attn: Peter Crawley

Re: 1635536 Ontario Inc
Estate Number: 32-159160

Please see the attached

Should you have any questions, please contact at (416) 779-5018.

Thank you for your cooperation with regards to this matter.

This fax may be privileged and/or confidential. The sender does not waive any related rights and obligations. Any distribution, use or copying of this fax or the information it contains by other than an intended recipient is unauthorized. If you received this in error, please advise immediately.

Cette télécopie peut être privilégiée et/ou confidentielle. L'expéditeur ne renonce à aucuns droits et obligations relatifs à cette information. Toute distribution, usage ou copie de cette télécopie ou de l'information qu'elle contient par une personne autre que le destinataire ne sont pas autorisés. Si vous avez reçu cette télécopie par erreur, s'il-vous-plait veuillez nous en aviser immédiatement.



Canada Revenue Agency
Agence du revenu du Canada

London-Windsor TSO (London)
London ON N6A 5E5

July 22, 2021

1635536 ONTARIO INC.
C/O BDO CANADA LTD.
25 MAIN ST W
HAMILTON ON L8P 1H1

Account Number
85406 1173 RP0001

Dear Sir or Madam:

Subject: 1635536 ONTARIO INC.
Account number: 85406 1173 RP0001

We were told that you have been appointed as receiver for the above-named. There is a debt owed to the Canada Revenue Agency for source deductions amounting to \$214,995.28 for income tax and Canada Pension Plan (CPP) contributions, as well as employment insurance (EI) premiums.

Details of the debt are as follows:

| | |
|-------------------------|--------------|
| Tax deductions: | \$136,496.24 |
| CPP: | \$20,125.69 |
| EI: | \$5,191.42 |
| Penalties and interest: | \$53,181.93 |
| Total: | \$214,995.28 |

Further to the Income Tax Act, the Canada Pension Plan, and the Employment Insurance Act, the following amounts, which are included in the above totals, are trust funds and form no part of the property, business, or estate of 1635536 ONTARIO INC. in receivership.

| | |
|------------------------|--------------|
| Federal income tax: | \$113,153.09 |
| Provincial income tax: | \$23,343.15 |
| CPP employee part: | \$7,382.36 |
| EI employee part: | \$1,796.36 |
| Total: | \$145,674.97 |

Payment for the total amount of this trust, namely \$145,674.97, must be made to the Receiver General for Canada out of the realization of any property that is subject to these statutory trusts in priority to all other creditors.

.../2

Canada

National Insolvency Office
451 Talbot Street
London ON N6A 5E5

Local : 416-779-5018
Toll Free : 1-888-229-9171
Fax : 519-675-3168
Web site : canada.ca/taxes

- 2 - Acct No: 85406 1173 RP0001

Please let us know when payment of this trust amount and the remaining balance of \$69,320.31 will be made.

This letter also serves as notice that should payment be made for any amount described in subsection 153(1) of the Income Tax Act for periods before or after your appointment, you must withhold tax deductions and remit payments in accordance with that subsection and sections 101 and 108 of the Income Tax Regulations.

Also, see section 5 of the Employment Insurance Act and section 8 of the Canada Pension Plan Regulations.

For more information or clarification, please call me at 416-779-5018.

Yours truly,



L. Nielsen (1217)
Resource Officer

Appendix I – Versitec USA Banking Transactions

Appendix "H"

In the Matter of the Receivership of Versitec Marine USA Inc.
Bank of America & BB&T Transactions with Global Marine, R.Byrd & Others
For the Period March 9, 2020 to April 30, 2021

| | | |
|--|---------------|---------|
| +Amounts advanced by Global to Versitec | \$ 340,440.00 | |
| +Amounts due Global re: Reuben fees (12 mos) | 184,000.00 | |
| subtotal | 524,440.00 | A |
| | | |
| -direct payments to Global by VMI USA | - 775,177.00 | |
| -direct payments to Reuben by VMI USA | - 37,600.00 | |
| -direct payments to Reuben by MPI | - 4,785.00 | |
| subtotal | - 817,562.00 | B |
| | | |
| Net amounts received by Global/Reuben subordinate to LCX | - 293,122.00 | C = A-B |
| | | |
| Other debts allowed to be paid in priority to LCX | | |
| Kapitus Note 1 | -\$ 26,933.00 | |
| Bluevine Note 2 | -\$ 78,750.33 | |
| BOA Note 3 | -\$ 65,058.26 | |
| | | |
| TOTAL | - 170,741.59 | D |
| | | |
| TOTAL Funds Withdrawn re: subordinate obligations | - 463,863.59 | C + D |

Notes:

- 1) Kapitus (Strategic) advanced \$72,130.00 on Feb 28, 2020
- 2) Bluevine advanced \$99,985 on Feb 27, 2020. Transfers were made to Reuben Byrd and Global Marine on Feb 28, 2020 in the amounts of \$20,000 and \$24,000 respectively.
- 3) It is believed that the BOA loan was taken by Versitec Marine USA Inc. to fund R.Byrd's

Appendix J – Receiver’s Statement of Receipts & Disbursements

IN THE MATTER OF THE RECEIVERSHIP OF
1635536 Ontario Inc. o/a Versitec Marine & Industrial and
Versitec Marine USA Inc.
Statement of Receipts and Disbursements
For the period February 12 to November 9, 2021

| | | | |
|--|-----|-------|--------------|
| Receipts | | | |
| Cash in bank | | \$ | 6,082.03 |
| Collection of accounts receivable | | | 158,864.27 |
| Covid term loan | | | 18,568.96 |
| H.S.T. collected | | | 59,027.56 |
| Sale of assets en-bloc | | | 451,713.01 |
| Sale of vehicles | | | 2,345.13 |
| | | | 2.07 |
| Total receipts | | | 696,603.03 |
| Disbursements | | | |
| Accounting | | | 4,320.00 |
| Advertising | | | 2,304.57 |
| Appraisals | | | 2,500.00 |
| Bank charges | | | 2,437.89 |
| Change of locks | | | 87.00 |
| Equipment leases | | | 1,792.77 |
| Insurance | | | 2,052.68 |
| Inventory storage | | | 6,696.56 |
| H.S.T. paid on disbursements | | | 26,919.63 |
| H.S.T. remittance | | | 34,815.68 |
| I.T. Consultant | | | 1,405.22 |
| Legal fees | | | 43,925.72 |
| Payroll | | | 48,830.10 |
| Payroll remittances | | | 9,845.65 |
| Purchases | | | 24,088.42 |
| Receiver's fees | | | 142,253.00 |
| Receiver's disbursements (mail redirection, postage etc) | | | 200.49 |
| Rent | | | 16,850.27 |
| Shipping & customs clearing | | | 5,820.90 |
| Subcontractor | | | 3,730.77 |
| Telephone & Internet | | | 2,600.23 |
| Travel | | | 681.83 |
| Utilities | | | 3,301.52 |
| Other | | | 1,122.40 |
| Total disbursements | | | 388,583.30 |
| Receipts over disbursements | | \$ | 308,019.72 |
| Interim Distribution to Secured Creditor | | | 97,570.01 |
| Distribution to Service Canada re: WEPPA priority amount | | | 4,808.00 |
| Distribution to Canada Revenue Agency re: deemed trust | | | 145,674.97 |
| Bank Balance as at November 10, 2021 (stated in CAD) | | \$ | 59,966.74 |
| Inter account transfers FX impact | | | 0.00 |
| | CAD | | 1,056.79 |
| | USD | | 48,905.46 |
| Available funds as at November 10, 2021 (stated in CAD \$) | | 1.205 | \$ 59,966.74 |

Appendix K – Fee Affidavit of Peter Crawley dated November 18, 2021

ONTARIO
SUPERIOR COURT OF JUSTICE
[COMMERCIAL LIST]

BETWEEN:

LIQUID CAPITAL EXCHANGE CORP.

Applicant

- and -

1635536 ONTARIO INC. O/A VERSITEC MARINE & INDUSTRIAL, VERSITEC
MARINE HOLDINGS INC., VERSITEC MARINE USA INC., DAVID TAYLOR, REUBEN
BYRD and DAVID CARPENTER

Respondents

AFFIDAVIT OF PETER K. CRAWLEY

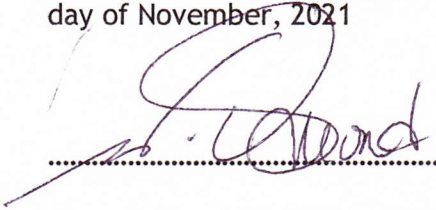
(sworn November 18, 2021)

I, Peter K. Crawley, of the City of Burlington in the Province of Ontario,
MAKE OATH AND SAY:

1. I am a Vice President of BDO Canada Limited ("BDO"), Court appointed receiver of 1635536 Ontario Inc. o/a Versitec Marine & Industrial and Versitec Marine USA Inc. (the "Receiver"), and as such have knowledge of the matters hereinafter deposed.
2. The Receiver was appointed pursuant to an order of the Honourable Mr. Justice Koehnen dated February 12, 2021 (the "Appointment Order").
3. Pursuant to paragraphs 18 to 21 of the Appointment Order, the Receiver and its legal counsel shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court, and are required to pass their accounts from time to time.

4. The amount of \$142,253.00, plus disbursements and H.S.T., in respect of the Receiver's time charges for the period January 13, 2021 to May 31, 2021 was approved by the Honourable Court on June 22, 2021.
5. I confirm the amount of \$37,982.50 accurately reflects the time charges, fees and disbursements incurred by the Receiver relating to its appointment for the period June 1, 2021 to November 15, 2021. Total hours incurred during the period are 94.1 resulting in an average hourly rate of \$403.64. The Receiver's overall average hourly rate to November 15, 2021 for these receivership proceedings is \$392.33.
6. In anticipation of completing final activities through to discharge of the Receiver, the Receiver estimates a fee accrual of not more than \$5,000 excluding taxes and disbursements (the "Receiver Accrual") to complete the same.
7. Attached hereto as Exhibit "A" is a summary of the invoices issued in this matter. Attached hereto as Exhibit "B" is a true copy of the invoice rendered by BDO in its capacity as Receiver during the period which totals \$42,920.23 inclusive of applicable taxes.
8. The hourly billing rates set out in the Receiver's accounts are the normal hourly rates charged by the Receiver for services rendered in relation to similar proceedings.
9. I consider the amounts disclosed for the Receiver's fees and expenses to be fair and reasonable considering the circumstances connected with this administration.
10. This Affidavit is made in support of a motion to, *inter alia*, approve the attached accounts of BDO, together with the fees and disbursements detailed therein.

SWORN before me by video conference)
from the City of Burlington, Ontario to)
the City of Hamilton, Ontario on this 18th)
day of November, 2021)
)
)
)



.....

Commissioner for Taking Affidavits



Peter K. Crawley

Nicole Marie Ormond, a Commissioner, etc.,
Province of Ontario, for BDO Canada Limited.
Expires August 21, 2024.

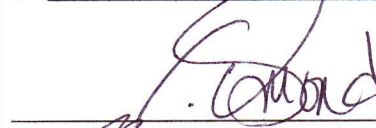
Exhibit "A"

This is Exhibit "A" to the Affidavit

of Peter K. Crawley

Sworn before me this 18th day

of November , 2021



A Commissioner, etc.

Nicole Marie Ormond, a Commissioner, etc.,
Province of Ontario, for BDO Canada Limited.
Expires August 21, 2024.

Court File No. CV-20-00637427-00CL

In the Matter of the Receivership of
 1635536 Ontario Inc. o/a Versitec Marine & Industrial and Versitec Marine USA Inc.
 Summary of Professional Fees of the Receiver
 June 1 to November 15, 2021

| <u>Employee</u> | <u>Title</u> | <u>Rate</u> | <u>Fees Approved by</u> Court on June 22, 2021 | | <u>Invoice</u> Jun 1 to Nov 15, 2021 | | <u>Grand Total</u> | |
|---------------------|-------------------|-------------|---|---------------|---|--------------|--------------------|---------------|
| | | | <u>Hrs</u> | <u>Fees</u> | <u>Hrs</u> | <u>Fees</u> | <u>Hrs</u> | <u>Fees</u> |
| C.Mazur | Sr Vice President | \$ 510.00 | 13.8 | \$ 7,038.00 | | | 13.8 | \$ 7,038.00 |
| A. Consoli | Vice President | \$ 450.00 | 2.6 | \$ 1,170.00 | 0.4 | \$ 180.00 | 3.0 | \$ 1,350.00 |
| P. Crawley | Vice President | \$ 450.00 | 244.5 | \$ 110,025.00 | 75.6 | \$ 34,020.00 | 320.1 | \$ 144,045.00 |
| S.Burrowes | Managaer | \$ 350.00 | 0.6 | \$ 210.00 | | | 0.6 | \$ 210.00 |
| N. Ormond | Sr. Administrator | \$ 275.00 | - | \$ - | 0.3 | \$ 82.50 | 0.3 | \$ 82.50 |
| Z. Fennema | Sr. Administrator | \$ 250.00 | 82.4 | \$ 20,600.00 | 10.3 | \$ 2,575.00 | 92.7 | \$ 23,175.00 |
| C. Casco | Staff | \$ 150.00 | 14.2 | \$ 2,130.00 | 5.7 | \$ 855.00 | 19.9 | \$ 2,985.00 |
| S. Murphy | Staff | \$ 150.00 | 2.6 | \$ 390.00 | 1.1 | \$ 165.00 | 3.7 | \$ 555.00 |
| S. Rickards | Staff | \$ 150.00 | 4.6 | \$ 690.00 | 0.7 | \$ 105.00 | 5.3 | \$ 795.00 |
| Subtotal - fees | | | 365.3 | \$ 142,253.00 | 94.1 | \$ 37,982.50 | 459.4 | \$ 180,235.50 |
| Disbursements | | | | \$ 586.77 | | \$ - | | \$ 586.77 |
| H.S.T. | | | | \$ 18,569.17 | | \$ 4,937.73 | | \$ 23,506.90 |
| Grand Total | | | | \$ 161,408.94 | | \$ 42,920.23 | | \$ 204,329.17 |
| Average hourly rate | | | | \$ 389.41 | | \$ 403.64 | | \$ 392.33 |

Exhibit "B"

This is Exhibit "B" to the Affidavit

of **Peter Crawley

Sworn before me this 18th day

of November , 2021


 A Commissioner, etc.

Nicole Marie Ormond, a Commissioner, etc.,
Province of Ontario, for BDO Canada Limited.
Expires August 21, 2024.



Tel: 905 524 1008
 Fax: 905 570 0249
 www.bdo.ca

BDO Canada Limited
 25 Main Street West, Suite 805
 Hamilton ON L8P 1H1 Canada

INVOICE

Liquid Capital Exchange Corp.
 Re: 1635536 Ontario Inc. o/a Versitec Marine & Industrial
 4 Stonebridge Drive, Unit 4
 Port Colborne, ON L3K 5V5

| Date | Client No. | Invoice No. |
|-------------------|--|-------------|
| November 18, 2021 | 1635536 Ontario Inc o/a Versitec Marine & Industrial | CINV0-TBD |

TO PROFESSIONAL SERVICES RENDERED in connection with the Receivership of 1635536 Ontario Inc o/a Versitec Marine & Industrial and Versitec Marine USA Inc. for the period commencing June 1, 2021 to closing inclusive per the attached detail:

Vice President

| | | |
|------------|-------|--------------|
| A. Consoli | 0.40 | \$ 180.00 |
| P. Crawley | 75.60 | \$ 34,020.00 |

Staff

| | | |
|-----------------|--------------|---------------------|
| C. Casco | 5.70 | \$ 855.00 |
| N. Ormond | 0.30 | \$ 82.50 |
| S. Murphy | 1.10 | \$ 165.00 |
| S. Rickards | 0.70 | \$ 105.00 |
| Z. Fennema | 10.30 | \$ 2,575.00 |
| | <u>94.10</u> | <u>\$ 37,982.50</u> |
| HST on BDO fees | | \$ 4,937.73 |
| Total | | <u>\$ 42,920.23</u> |

Amount Due \$ 42,920.23

H.S.T. #R101518124

Terms:

Net 30 days.

Interest at 1% per month (12.68% per annum calculated monthly) charged on accounts over 30 days.

| Date | Name | Rate | Hours | Amount | Comments |
|-------------|----------------|-------------|--------------|---------------|---|
| 1-Jun-21 | Peter Crawley | \$ 450.00 | 1.50 | \$ 675.00 | Prepare response to Stone Marine request for fees; discuss with counsel; cancel insurance; correspond with Purchaser on various matters. |
| 1-Jun-21 | Angelo Consoli | \$ 450.00 | 0.10 | \$ 45.00 | cheques |
| 1-Jun-21 | Zack Fennema | \$ 250.00 | 0.40 | \$ 100.00 | Respond to calls from AR companies Update Peter with requested discounts |
| 2-Jun-21 | Carla Casco | \$ 150.00 | 0.20 | \$ 30.00 | Prepared deposit slip |
| 2-Jun-21 | Peter Crawley | \$ 450.00 | 1.00 | \$ 450.00 | Evaluate offer from Stone; correspond with counsel re: same; drafting report. |
| 3-Jun-21 | Peter Crawley | \$ 450.00 | 2.00 | \$ 900.00 | Review LCX debt calculations; discuss and update J.Brindley; |
| 3-Jun-21 | Carla Casco | \$ 150.00 | 0.50 | \$ 75.00 | Prepared letter & set up payable & printed cheque |
| 3-Jun-21 | Angelo Consoli | \$ 450.00 | 0.10 | \$ 45.00 | review and approval of cheque, wire transfer request; |
| 3-Jun-21 | Zack Fennema | \$ 250.00 | 0.30 | \$ 75.00 | Followup with wreckers and submit and other request to Telus for business phone account closure |
| 4-Jun-21 | Peter Crawley | \$ 450.00 | 1.50 | \$ 675.00 | Review form of release with Stone Marine and provide comments; correspond with D.Taylor re: vehicles; finish Chesters reconciliation and send response to C.Goh requesting release of inventory. |
| 7-Jun-21 | Peter Crawley | \$ 450.00 | 2.00 | \$ 900.00 | Drafting report; review email from Contships and verify voracity with F.Maddalena. |
| 7-Jun-21 | Zack Fennema | \$ 250.00 | 0.40 | \$ 100.00 | Respond to AR companies email and wreckers about vehicle details |
| 8-Jun-21 | Peter Crawley | \$ 450.00 | 2.50 | \$ 1,125.00 | Report drafting; update R&D. |
| 9-Jun-21 | Carla Casco | \$ 150.00 | 0.50 | \$ 75.00 | Called Enbridge, in regard payment & cancelation of the account |
| 9-Jun-21 | Peter Crawley | \$ 450.00 | 2.00 | \$ 900.00 | Report writing; addressing Stone Marine release issues; attend to payment of utilities; correspond with EasternMed re: A/R claims. |
| 10-Jun-21 | Sherri Murphy | \$ 150.00 | 0.80 | \$ 120.00 | invoice prep, sent to PC for review. |
| 10-Jun-21 | Peter Crawley | \$ 450.00 | 2.00 | \$ 900.00 | Report writing |
| 11-Jun-21 | Zack Fennema | \$ 250.00 | 0.40 | \$ 100.00 | Respond to AR company requests for discounts |
| 11-Jun-21 | Peter Crawley | \$ 450.00 | 3.00 | \$ 1,350.00 | Report preparation; review LCX Indebtedness calculations; AR collection matters; prep Bills of Sale for 2 vehicles and instruct A.Becker to close transactions; correspond with S.Thom re: Morgan and Ho fees; review security review from Loopstra. |
| 14-Jun-21 | Peter Crawley | \$ 450.00 | 3.00 | \$ 1,350.00 | Revise Third report for alterations to relief being sought; call with S.Thom re: same; calls with C.Mazur; J.Brindley; follow-up on Titan Marine A/R collection query with TD Bank; prepare fee affidavit. |
| 14-Jun-21 | Nicole Ormond | \$ 275.00 | 0.30 | \$ 82.50 | commission affidavit |
| 14-Jun-21 | Zack Fennema | \$ 250.00 | 0.30 | \$ 75.00 | Respond to AR company inquiry |
| 15-Jun-21 | Carla Casco | \$ 150.00 | 0.60 | \$ 90.00 | Prepared letter for wire, request signature & e-mail to TD |
| 15-Jun-21 | Zack Fennema | \$ 250.00 | 0.40 | \$ 100.00 | Respond to AR company Respond to service inquiry for Telus business mobile account |
| 15-Jun-21 | Peter Crawley | \$ 450.00 | 2.50 | \$ 1,125.00 | Further report edits; calls with S.Thom and counsel re: relief being sought related to MPI; provide another draft report to counsel for review; provide report to C.Ho for comment; conclude Stone Marine matter; call with CM; call with J.Brindley. |
| 16-Jun-21 | Angelo Consoli | \$ 450.00 | 0.10 | \$ 45.00 | cheques |

| | | | | | | |
|-----------|---------------|-----------|------|----|----------|--|
| 16-Jun-21 | Peter Crawley | \$ 450.00 | 2.00 | \$ | 900.00 | Review fee affidavit of J.Morgan; review draft motion materials and provide edits; respond to EasternMed; instruct ZF on Telus; call from CRA HST re: outstanding audit request; finalize and sign 3rd report. |
| 16-Jun-21 | Carla Casco | \$ 150.00 | 0.50 | \$ | 75.00 | prepared wire form, set it up in Ascend, request signatures. |
| 16-Jun-21 | Zack Fennema | \$ 250.00 | 0.70 | \$ | 175.00 | Draft official receivership letter and provide to Telus for authorization in closure of business telephone account |
| 17-Jun-21 | Peter Crawley | \$ 450.00 | 2.50 | \$ | 1,125.00 | Discuss payment of outstanding expenses with P.Mattos; call from CRA Trust Examiner re: payroll account and discuss application of Prior Receiver's remittances; prepare for HST audit of 31/3/2020; correspond with B.Gunning and P.Mattos re: same; retrieve HST and payroll registers from QB; instruct ZF to update webpage with latest motion record; |
| 17-Jun-21 | Zack Fennema | \$ 250.00 | 0.40 | \$ | 100.00 | File upload to extranet website through ticket process |
| 18-Jun-21 | Peter Crawley | \$ 450.00 | 2.00 | \$ | 900.00 | Send P.Mattos detailed list of documents needed for HST audit; discuss RP account with R.Stinson at CRA and send payroll ledgers, T4Summ reconciliations etc. |
| 21-Jun-21 | Peter Crawley | \$ 450.00 | 2.00 | \$ | 900.00 | Prepare letter as requested by Crug; update counsel re: various matters; review 2020 T4 filing; review source deductions account; call to CRA for update; discuss with CM; call with P.Mattos; instruct ZF on vehicle pickup. |
| 22-Jun-21 | Carla Casco | \$ 150.00 | 1.00 | \$ | 150.00 | Receipt cheques, request banking information & other bank task. & prepared wire form, Cheq requisition & other banking task. |
| 22-Jun-21 | Peter Crawley | \$ 450.00 | 2.00 | \$ | 900.00 | Status update from CRA on deemed trust review; discussions with counsel; discussion with J.Brindley; attend Court hearing; arrange interim distribution. |
| 22-Jun-21 | Zack Fennema | \$ 250.00 | 0.90 | \$ | 225.00 | Followup with AR companies on status of funds and payment negotiations Update extranet website with court materials |
| 23-Jun-21 | Peter Crawley | \$ 450.00 | 0.50 | \$ | 225.00 | Confirm site attendance with P.Mattos; finalize vehicle sales and vehicle pickup with Z.Fennema; correspond with counsel re: BOA correspondence. |
| 23-Jun-21 | Zack Fennema | \$ 250.00 | 2.00 | \$ | 500.00 | Organize wrecker for pickup, complete bill of sale Have multiple calls with wrecker through pickup and payment from BDO Negotiate with AR company on discount of amount owing |
| 24-Jun-21 | Peter Crawley | \$ 450.00 | 1.00 | \$ | 450.00 | Attend at Port C to obtain HST audit supporting documents; met with D.Taylor re: personal items and BOA; met with Primo Auto; |
| 25-Jun-21 | Peter Crawley | \$ 450.00 | 1.00 | \$ | 450.00 | Call from R.Stinson at CRA re: source reconciliation; call to HST auditor; review V USA documents and update counsel; |
| 28-Jun-21 | Peter Crawley | \$ 450.00 | 1.00 | \$ | 450.00 | A/R collections follow-up with Contships and Titan; update call with J.Brindley; |
| 29-Jun-21 | Carla Casco | \$ 150.00 | 0.20 | \$ | 30.00 | Receipt payment sale of assets |
| 29-Jun-21 | Peter Crawley | \$ 450.00 | 1.00 | \$ | 450.00 | Accumulate HST scans for auditor; arrange deposit of vehicle sale proceeds. |
| 29-Jun-21 | Zack Fennema | \$ 250.00 | 0.40 | \$ | 100.00 | Followup with Carla on payment and review GL |

| | | | | | | |
|-----------|---------------|-----------|------|----|--------|---|
| 2-Jul-21 | Peter Crawley | \$ 450.00 | 1.00 | \$ | 450.00 | HST audit support coordination; prepare cover letter; call with J.Brindley and send CRA transaction detail worksheet. |
| 5-Jul-21 | Peter Crawley | \$ 450.00 | 1.50 | \$ | 675.00 | HST Audit response preparation. |
| 6-Jul-21 | Peter Crawley | \$ 450.00 | 1.00 | \$ | 450.00 | Finalize and send HST Audit response to staff to fax to CRA; follow-up call with HST auditor; follow-up on outstanding AR collections with C.Casco and email Titan. |
| 7-Jul-21 | Peter Crawley | \$ 450.00 | 0.50 | \$ | 225.00 | Review email from D.Taylor re: sale of VMUSA shares; call with J.Brindley re: same and provide collections update. |
| 7-Jul-21 | Zack Fennema | \$ 250.00 | 1.30 | \$ | 325.00 | Fill out necessary information for mail redirection from Port Colborne to Hamilton office Complete purchase and create cheque requisition |
| 8-Jul-21 | Peter Crawley | \$ 450.00 | 0.50 | \$ | 225.00 | Review LCX's source deduction docs; review VM USA docs from D.Taylor in detail and forward to counsel with comments. |
| 12-Jul-21 | Peter Crawley | \$ 450.00 | 0.30 | \$ | 135.00 | Review U.S. approach from counsel and seek LCX approval; |
| 13-Jul-21 | Peter Crawley | \$ 450.00 | 0.20 | \$ | 90.00 | Review correspondence with BB&T and BOA and send to counsel. |
| 15-Jul-21 | Carla Casco | \$ 150.00 | 0.50 | \$ | 75.00 | set up payable & print, e-mail proof of payment to Electra |
| 16-Jul-21 | Peter Crawley | \$ 450.00 | 0.50 | \$ | 225.00 | Review correspondence from counsel to BB&T; instruct staff to change account billing details for utilities. |
| 19-Jul-21 | Zack Fennema | \$ 250.00 | 0.50 | \$ | 125.00 | As per TASK0384488, time manually entered due to timesheet lockdown. Comment: Contact CNP and notify of change of ownership |
| 20-Jul-21 | Peter Crawley | \$ 450.00 | 0.10 | \$ | 45.00 | Call to CRA Collection officer for status update. |
| 21-Jul-21 | Peter Crawley | \$ 450.00 | 0.20 | \$ | 90.00 | Call from CRA collections officer with update on revised deemed trust amount owing. |
| 22-Jul-21 | Peter Crawley | \$ 450.00 | 0.50 | \$ | 225.00 | Review revised claim letter from CRA; forward to secured creditor for review; request detailed statement of account from CRA collections officer. |
| 23-Jul-21 | Peter Crawley | \$ 450.00 | 0.10 | \$ | 45.00 | Review wire doc from Titan and instruct C.Casco to request trace from TD. |
| 23-Jul-21 | Zack Fennema | \$ 250.00 | 0.40 | \$ | 100.00 | As per TASK0384488, time manually entered due to timesheet lockdown. Comment: Follow up with wire transfer from vendor and from our side |
| 3-Aug-21 | Zack Fennema | \$ 250.00 | 0.30 | \$ | 75.00 | Followup with customer on wire and confirm beneficiary name with customer for wire transfer |
| 4-Aug-21 | Peter Crawley | \$ 450.00 | 0.50 | \$ | 225.00 | Call with Vimel at CRA re: HST audit adjustments and information needs |
| 5-Aug-21 | Peter Crawley | \$ 450.00 | 0.50 | \$ | 225.00 | Review CRA detailed statement and fwd. to J.Brindley; review utility bills and fwd. to P.Mattos for payment. |
| 10-Aug-21 | Peter Crawley | \$ 450.00 | 1.00 | \$ | 450.00 | Assemble HST reports requested by HST auditor; query B.Gunning for document upload assistance. |
| 11-Aug-21 | Carla Casco | \$ 150.00 | 0.50 | \$ | 75.00 | Scan invoices, & other banking task. |
| 11-Aug-21 | Peter Crawley | \$ 450.00 | 2.00 | \$ | 900.00 | Analyze CRA source deduction account transactions to compare to revised deemed trust claim; call to HST auditor to provide update on status of information request. |

| | | | | | | |
|-----------|----------------|-----------|------|----|--------|---|
| 12-Aug-21 | Peter Crawley | \$ 450.00 | 2.00 | \$ | 900.00 | Respond to minority shareholder statements; continue CRA account review and call L.Nielson with queries; respond to request for information from D.Taylor, follow-up with counsel on status of US recognition efforts; review U.S. draft submissions. |
| 16-Aug-21 | Peter Crawley | \$ 450.00 | 0.50 | \$ | 225.00 | Discuss accounting of deemed trust liability with W.Reuger of CRA. |
| 16-Aug-21 | Zack Fennema | \$ 250.00 | 0.20 | \$ | 50.00 | Follow-up on outstanding wire from Titan |
| 24-Aug-21 | Peter Crawley | \$ 450.00 | 1.00 | \$ | 450.00 | Review U.S. Court Order and Subpoena obtained for BOA and BB&T; prepare and fax letter to BOA; review potential HST ITC's on unpaid payables; call to CRA auditor; |
| 25-Aug-21 | Peter Crawley | \$ 450.00 | 1.00 | \$ | 450.00 | Review payroll account transactions; prepare for and have update call with J.Brindley; |
| 2-Sep-21 | Peter Crawley | \$ 450.00 | 0.10 | \$ | 45.00 | Review email from counsel and R.Byrd objection to U.S. subpoenas. |
| 7-Sep-21 | Peter Crawley | \$ 450.00 | 0.50 | \$ | 225.00 | Review Byrd objection to subpoenas; email G.Phoenix with comments; review HST proposal letter and cleanup A/P HST schedule to send to CRA. |
| 8-Sep-21 | Peter Crawley | \$ 450.00 | 0.20 | \$ | 90.00 | Review update re: R.Byrd's objection; correspond with counsel re same. |
| 15-Sep-21 | Zack Fennema | \$ 250.00 | 0.20 | \$ | 50.00 | Follow up with AR outstanding request for bank swift |
| 16-Sep-21 | Peter Crawley | \$ 450.00 | 0.20 | \$ | 90.00 | Receipt and respond to query from Comwave re: charges to R.Byrd's credit card. |
| 20-Sep-21 | Peter Crawley | \$ 450.00 | 0.50 | \$ | 225.00 | Review response and documents received from BOA re: subpoena. |
| 23-Sep-21 | Peter Crawley | \$ 450.00 | 1.50 | \$ | 675.00 | Prepare and send response to CRA re: HST audit adjustments; review BOA and BB&T bank statement submissions and begin analysis of activity. |
| 24-Sep-21 | Peter Crawley | \$ 450.00 | 1.00 | \$ | 450.00 | Update to J.Brindley; update to counsel of findings and additional information requirements; email request to J.Morgan. |
| 27-Sep-21 | Peter Crawley | \$ 450.00 | 0.70 | \$ | 315.00 | Review J.Morgan's response to request for wire transfers; prepare HST Return; |
| 28-Sep-21 | Peter Crawley | \$ 450.00 | 1.00 | \$ | 450.00 | Review MPI's general ledger for transactions with VMI USA; prepare schedule of wires for J.Morgan to review. |
| 29-Sep-21 | Peter Crawley | \$ 450.00 | 1.00 | \$ | 450.00 | Call to CRA insolvency and arrange uploading of HST supporting documentation; email B.Gunning; review ITC calculations with Vimel B. of CRA. |
| 30-Sep-21 | Peter Crawley | \$ 450.00 | 0.20 | \$ | 90.00 | Call from T.Minkoff, former business partner of D.Taylor in Versitec. |
| 4-Oct-21 | Peter Crawley | \$ 450.00 | 0.60 | \$ | 270.00 | Discuss report and discharge steps with G.Phoenix; instruct ZF to cancel mail redirect; receipt of accounting from M |
| 4-Oct-21 | Zack Fennema | \$ 250.00 | 0.30 | \$ | 75.00 | Cancel mail redirect and followup with Titan |
| 5-Oct-21 | Peter Crawley | \$ 450.00 | 2.00 | \$ | 900.00 | Update R&D; prepare cheq recs for CRA priorities and Receiver's HST; update HST return; continue BB&T analysis with MPI information. |
| 5-Oct-21 | Carla Casco | \$ 150.00 | 0.30 | \$ | 45.00 | set up payables & other banking task. |
| 6-Oct-21 | Angelo Consoli | \$ 450.00 | 0.10 | \$ | 45.00 | cheques |
| 6-Oct-21 | Carla Casco | \$ 150.00 | 0.50 | \$ | 75.00 | prepared a letter to transfer funds, set up payable & printed cheque |
| 6-Oct-21 | Peter Crawley | \$ 450.00 | 1.00 | \$ | 450.00 | further edit pro forma R&D; request conversion of USD into CAD to cover immediate disbursements and distributions; call with counsel. |

| | | | | | | |
|-----------|----------------|-----------|------|----|----------|--|
| 7-Oct-21 | Peter Crawley | \$ 450.00 | 0.20 | \$ | 90.00 | Finalize and send update to LCX. |
| 12-Oct-21 | Zack Fennema | \$ 250.00 | 0.50 | \$ | 125.00 | Followup with AR company on wire transfer details Cancel mail forwarding and provide confirmation |
| 13-Oct-21 | Peter Crawley | \$ 450.00 | 0.50 | \$ | 225.00 | Review HST reassessments and statement of account; email B.Gunning to file RT0002 HST returns. |
| 19-Oct-21 | Susan Rickards | \$ 150.00 | 0.50 | \$ | 75.00 | Call with Telus Mobility re: outstanding account |
| 21-Oct-21 | Peter Crawley | \$ 450.00 | 0.50 | \$ | 225.00 | Review CRA HST reassessment and verify balance. |
| 22-Oct-21 | Peter Crawley | \$ 450.00 | 1.00 | \$ | 450.00 | BB&T Data Analysis |
| 26-Oct-21 | Sherri Murphy | \$ 150.00 | 0.30 | \$ | 45.00 | file review for report prep re: A/R for PC. Sent to PC for review. |
| 26-Oct-21 | Carla Casco | \$ 150.00 | 0.40 | \$ | 60.00 | prepared cheq requisitions & printed cheques |
| 29-Oct-21 | Peter Crawley | \$ 450.00 | 3.00 | \$ | 1,350.00 | Update BOA banking analysis. |
| 1-Nov-21 | Peter Crawley | \$ 450.00 | 2.00 | \$ | 900.00 | Prepare overview of BOA/BB&T analysis and begin preparing memo re same. |
| 2-Nov-21 | Peter Crawley | \$ 450.00 | 1.50 | \$ | 675.00 | Further verification of sources and use of cash in BB&T and BOA accounts; confirm accounting treatment in QB. |
| 3-Nov-21 | Susan Rickards | \$ 150.00 | 0.20 | \$ | 30.00 | Cheque - & Letter |
| 3-Nov-21 | Peter Crawley | \$ 450.00 | 0.50 | \$ | 225.00 | Update memo on USD trx with Global. |
| 4-Nov-21 | Peter Crawley | \$ 450.00 | 3.00 | \$ | 1,350.00 | Update and finalize memo on BB&T/BOA transactions with Global/Byrd; begin drafting 4th report. |

94.10 \$ 37,982.50

Appendix L – Fee Affidavit of Sarah White dated November 16, 2021

**ONTARIO
SUPERIOR COURT OF JUSTICE
[COMMERCIAL LIST]**

B E T W E E N:

LIQUID CAPITAL EXCHANGE CORP.

Applicant

- and -

**1635536 ONTARIO INC. O/A VERSITEC MARINE & INDUSTRIAL, VERSITEC
MARINE HOLDINGS INC., VERSITEC MARINE USA INC., DAVID TAYLOR,
REUBEN BYRD and DAVID CARPENTER**

Respondents

IN THE MATTER OF AN APPLICATION PURSUANT TO SUBSECTION 243(1) OF THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985 c. B-3, AS AMENDED; AND
SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, c. C.43 AS AMENDED

**AFFIDAVIT OF SARAH WHITE
(Affirmed November 16, 2021)**

I, **SARAH WHITE**, of the City of Toronto, in the Province of Ontario, **AFFIRM
AND SAY:**

1. I am a lawyer at the law firm Loopstra Nixon LLP ("**Loopstra Nixon**"), counsel to BDO Canada Ltd. in its capacity as the substitute receiver (the "**Receiver**"), without security, of all the assets, undertakings and properties of 1635536 Ontario Inc. o/a Versitec Marine & Industrial ("**Versitec Canada**") and Versitec Marine USA Inc. ("**Versitec USA**", and together with Versitec Canada, the "**Debtors**"). Accordingly, I have knowledge of matters hereinafter deposed to.

2. Attached hereto and collectively marked as **Exhibit "A"** are true copies of the Statements of Account issued by Loopstra Nixon in respect of services rendered to the Receiver

for the period from June 1, 2021 through October 12, 2021 (the “**Billing Period**”). During the Billing Period, the total fees and disbursements billed were \$19,672.50 and \$1,716.44, respectively, and applicable taxes of \$2,596.53 for an aggregate amount of \$23,985.47.

3. As set out in the following table, 44.90 hours were billed by Loopstra Nixon during the Billing Period, resulting in an average hourly rate of \$438.14 (exclusive of applicable taxes):

| Name of Professional | Total Hours | Hourly Rate(s) (\$) |
|--------------------------------|--------------------|----------------------------|
| R.G. Phoenix (2006) | 13.40 | 575 |
| T. Lambert (2016) | 11.50 | 350 |
| Jayson Thomas (2008) | 14.90 | 475 |
| Sarah White (2021) | 1.40 | 225 |
| Effie C. Courbetis (Law Clerk) | 1.20 | 250 |
| Amanda Adamo (Law Clerk) | 2.50 | 100 |

4. I confirm that the activities detailed in the Statements of Account attached hereto as Exhibit “A” accurately reflect the services provided by Loopstra Nixon; and, that the rates charged are the standard hourly rates for each such professional at the time that such charges were incurred.

5. In connection with the within accounts, Loopstra Nixon has been paid nil (\$0.00) and holds nil (\$0.00) on retainer in trust.

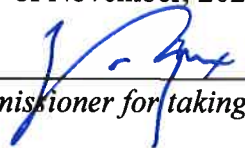
6. In anticipation of completing a discharge motion on behalf of the Receiver and Loopstra Nixon’s involvement in assisting the Receiver with all remaining activities through the completion of its administration, Loopstra Nixon estimates a fee accrual not more than \$5,000 excluding taxes and disbursements (the “**Fee Accrual**”) to complete the same.

7. I affirm this affidavit in support of a motion for, *inter alia*, approval of the fees and disbursements of Loopstra Nixon, including the Fee Accrual detailed herein and for no other reason or improper purpose.

AFFIRMED BEFORE ME at the)
City of Toronto, in the)
Province of Ontario, this)
16th day of November, 2021)
)



SARAH WHITE



A Commissioner for taking affidavits, etc.

This is Exhibit "A" referred to in the Affidavit of Sarah White affirmed before me this 16th day of November, 2021.



A Commissioner, etc.



LOOPSTRA NIXON LLP
BARRISTERS AND SOLICITORS

October 7, 2021

R. Graham Phoenix
Direct Line: 416.748.4776
Email: gphoenix@loonix.com
RGP Professional Corporation

CONFIDENTIAL

BDO Canada Limited
25 Main Street West, Suite 805
Hamilton, ON
L8P 1H1

Matter No. 06325-0009

Attention: Peter Crawley

RE: Receivership of Versitec (1635536 Ontario Inc.)

Please find enclosed herewith our Statement of Account for services rendered with regard to the above-noted matter to and including September 30, 2021 which we trust you will find satisfactory.

If you have any questions, please contact the undersigned.

Yours truly,

LOOPSTRA NIXON LLP

Per:

R. Graham Phoenix
Encl.



October 7, 2021

Invoice No. 103333

Matter No. 06325-0009

BDO Canada Limited
 25 Main Street West, Suite 805
 Hamilton, ON
 L8P 1H1

Attention: Peter Crawley

RE: Receivership of Versitec (1635536 Ontario Inc.)

STATEMENT OF ACCOUNT

TO OUR FEE FOR PROFESSIONAL SERVICES rendered in connection with the above-noted matter through to September 30, 2021.

| | |
|--|---------------------------|
| OUR FEE | \$18,657.50 |
| HST on Fees @ 13% | \$2,425.48 |
| <u>DISBURSEMENTS:</u> | |
| Total Disbursements | \$670.31 |
| HST on Disbursements | \$37.15 |
| Total Fees, Disbursements and HST | <u>\$21,790.44</u> |

The above account represents a summary of the professional services rendered to you, and this firm reserves the right to provide further particulars of our professional services rendered in the event the same is required or requested.

THIS IS OUR STATEMENT OF ACCOUNT HEREIN

LOOPSTRA NIXON LLP

Per:

R. Graham Phoenix
 RGP/cks

In accordance with the Solicitor's Act, interest will be charged on this account until paid, at the rate of 2.0% per annum, commencing one month after delivery, E. & O.E. * HST No. 122610298RT0001



PRIVILEGED AND CONFIDENTIAL
Billing Detail Report to 30-Sep-2021

October 7, 2021

Invoice No. 103333

BDO Canada Limited
25 Main Street West, Suite 805
Hamilton, ON
L8P 1H1

Matter No. 06325-0009

Attention: Peter Crawley

RE: Receivership of Versitec (1635536 Ontario Inc.)

FEES

| <u>Date</u> | <u>Narrative</u> | <u>Professional</u> | <u>Time</u> |
|-------------|--|---------------------|-------------|
| 01-Jun-2021 | Emails with receiver and comment on draft to Stone Marine. | RGP | 0.30 |
| 03-Jun-2021 | Draft mutual release. | RGP | 0.50 |
| 03-Jun-2021 | To receive and review email from RGP, to review of release and to email to Graham Phoenix | TPL | 0.50 |
| 04-Jun-2021 | Emails with receiver re: deal with Stone Marine. Finalizing draft release. | RGP | 0.40 |
| 04-Jun-2021 | To receive and review email from RGP, and to revising Release | TPL | 0.20 |
| 09-Jun-2021 | Emails with P. Crawley re: Stone Marine. Revised release. Ancillary issues. | RGP | 0.60 |
| 09-Jun-2021 | To receive and review RGP comments on security reviews, to amending security reviews and to compiling schedules for attachment | TPL | 1.00 |
| 09-Jun-2021 | To email exchange with Graham Phoenix | TPL | 0.10 |
| 09-Jun-2021 | To receive, review and respond to email from RGP re: Stone Release | TPL | 0.30 |
| 10-Jun-2021 | Further review of revised security review and BDC assignment documents. Revisions and comments to same to Thomas Lambert. Revised release re: Stone Marine. Forward to receiver. Review various emails re: AR. | RGP | 1.20 |
| 10-Jun-2021 | To conference with RGP, to review of Assignment and Priorities Agreement between LCX and BDC, to revising security review and to email to Graham Phoenix | TPL | 1.00 |
| 10-Jun-2021 | To conference with Graham Phoenix | TPL | 0.30 |
| 11-Jun-2021 | To review and consider RGP comments on security, and to email to Peter Crawley | TPL | 0.30 |



| | | | |
|-------------|--|-----|------|
| 13-Jun-2021 | To drafting notice of motion and administrative order | TPL | 3.50 |
| 14-Jun-2021 | Call with Receiver and counsel to LCX. Revisions to and comments on draft third report. Revise and comment on draft order and NoM. | RGP | 1.60 |
| 14-Jun-2021 | Conference with RGP, and to telephone call with S. Thom and P. Crawley | TPL | 0.50 |
| 15-Jun-2021 | Various calls and emails with counsel to Morgan, the receiver and counsel to LCX re: motion materials and fee issues. Revision to motion materials. Conference and directions to Thomas Lambert. | RGP | 1.70 |
| 15-Jun-2021 | To drafting Affidavit of Fees. | AMA | 0.30 |
| 15-Jun-2021 | To drafting motion materials | AMA | 0.20 |
| 16-Jun-2021 | Emails and comments re: motion materials. Finalize same with Thomas Lambert. | RGP | 0.80 |
| 16-Jun-2021 | To review and amend fee affidavit, to email to RGP, and to review and amend motion record documents | TPL | 1.40 |
| 16-Jun-2021 | Email to P. Crawley re: fee affidavit | TPL | 0.10 |
| 16-Jun-2021 | To finalizing order, and to email exchange with client re: commenting on Prior Receiver fees | TPL | 0.30 |
| 16-Jun-2021 | To finalizing Affidavit of Fees. | AMA | 0.20 |
| 16-Jun-2021 | To finalizing notice of motion | AMA | 0.10 |
| 16-Jun-2021 | To updating service list | AMA | 0.10 |
| 17-Jun-2021 | Review final materials. Emails with court and receiver. | RGP | 0.30 |
| 17-Jun-2021 | To bind motion record (x3) | AMA | 0.50 |
| 17-Jun-2021 | To draft service letters re: Motion Record; to arrange for courier pick-up and prepare packages | AMA | 0.50 |
| 17-Jun-2021 | To upload motion materials to CaseLines. | AMA | 0.10 |
| 17-Jun-2021 | To file motion materials electronically | AMA | 0.10 |
| 18-Jun-2021 | Email updates with Receiver. Email update to counsel to Morgan & Partners. | RGP | 0.10 |
| 21-Jun-2021 | Emails and calls with Receiver and counsel to LCX re: CRA issue and update on response to served materials. Preparation for motion. | RGP | 1.10 |
| 22-Jun-2021 | Call with Receiver re: CRA. Revisions to draft order to increase holdback. Circulate same to service list. Circulate same to Justice Gilmore. Further preparation for and attend on motion re: distribution. | RGP | 1.20 |
| 22-Jun-2021 | Phone call with K. Jackson's office re: Zoom link; fwd same to K. Jackson. | AMA | 0.10 |



| | | | |
|-------------|--|-----|------|
| 22-Jun-2021 | Phone call with BB&T Bank re: new branch manager & accounts and left message for Nancy Bruno. | AMA | 0.20 |
| 22-Jun-2021 | To upload updated orders to CaseLines. | AMA | 0.10 |
| 23-Jun-2021 | Emails with Receiver re: banking. | RGP | 0.10 |
| 08-Jul-2021 | Emails with receiver. Directions to clerk re: USA searches. | RGP | 0.20 |
| 08-Jul-2021 | Email from Allan Ritchie; Conducting US search request; Review of same; Email to Graham Phoenix; | ECC | 1.20 |
| 16-Jul-2021 | Update call with Receiver. Preparation of and send letter to BB&T | RGP | 0.50 |
| 05-Aug-2021 | Reviewing order of appointment and correspondence with Bank of America and BB&T; preliminary review of Application Record in receivership application; begin drafting application under 28 U.S.C. ? 1782 | JWT | 1.70 |
| 06-Aug-2021 | Preparing application materials | JWT | 1.80 |
| 07-Aug-2021 | Drafting materials for application under 28 U.S.C. 1782 | JWT | 4.00 |
| 08-Aug-2021 | Drafting materials for application under 28 U.S.C. 1782 | JWT | 2.60 |
| 09-Aug-2021 | Edit and revised US application materials. | RGP | 1.10 |
| 11-Aug-2021 | Revising declaration in support of application and preparing exhibits | JWT | 0.50 |
| 12-Aug-2021 | Revising memorandum in support of application and assembling application record | JWT | 1.40 |
| 13-Aug-2021 | Further revising application materials | JWT | 0.20 |
| 16-Aug-2021 | Coordinating filing of application materials in U.S. District Court | JWT | 0.70 |
| 19-Aug-2021 | Drafting proposed order and subpoenas; instructing US paralegal | JWT | 0.40 |
| 03-Sep-2021 | Review comments re: FLA law and Byrd objection. | RGP | 0.10 |
| 03-Sep-2021 | Corresponding with Graham Phoenix regarding strategy in response to objection raised by Rueben Byrd | JWT | 0.50 |
| 08-Sep-2021 | Emails with J. Thomas and receiver. Calls with counsel to LCX. Review FLA judge endorsement. Email to Receiver. | RGP | 0.50 |
| 17-Sep-2021 | Email with counsel to LCX re: US proceedings. | RGP | 0.10 |
| 20-Sep-2021 | Review BofA disclosures. Emails with Receiver and J. Thomas re: same. | RGP | 0.50 |



LOOPSTRA NIXON LLP
BARRISTERS AND SOLICITORS

| | | | |
|-------------|--|-----|-------------------|
| 20-Sep-2021 | Call with Bank of America representative regarding subpoena; drafting notice of non-filing of Reuben Byrd; reviewing order overruling objection; writing to Truist Bank regarding order overuling objection; reporting to Graham Phoenix | JWT | 1.10 |
| 24-Sep-2021 | Call to counsel to LCX. Emails with reciever re: R. Byrd. | RGP | 0.30 |
| 29-Sep-2021 | Call with S. Thom. | RGP | 0.20 |
| OUR FEE | | | <hr/> \$18,657.50 |

| <u>Time Summary</u> | <u>Hours</u> |
|---------------------|--------------|
| Amanda Adamo | 2.50 |
| Effie C. Courbetis | 1.20 |
| Jayson Thomas | 14.90 |
| R. Graham Phoenix | 13.40 |
| Thomas Lambert | 9.50 |
| Total hours: | <hr/> 41.50 |

| <u>DISBURSEMENTS</u> (E=HST exempt) | Amount |
|-------------------------------------|----------------|
| Capitol Services Incorporations (E) | 64.53 |
| Courier | 173.43 |
| Motion Record (E) | 320.00 |
| Oncorp EDD | 12.35 |
| Transaction Levy Surcharge LIT | 100.00 |
| Total Disbursements | <hr/> \$670.31 |



LOOPSTRA NIXON LLP
BARRISTERS AND SOLICITORS

October 31, 2021

R. Graham Phoenix
Direct Line: 416.748.4776
Email: gphoenix@loonix.com
RGP Professional Corporation

CONFIDENTIAL

BDO Canada Limited
25 Main Street West, Suite 805
Hamilton, ON
L8P 1H1

Matter No. 06325-0009

Attention: Peter Crawley

RE: Receivership of Versitec (1635536 Ontario Inc.)

Please find enclosed herewith our Statement of Account for services rendered with regard to the above-noted matter to and including October 31, 2021 which we trust you will find satisfactory.

If you have any questions, please contact the undersigned.

Yours truly,

LOOPSTRA NIXON LLP

Per:

R. Graham Phoenix
Encl.



October 31, 2021

Invoice No. 104685

Matter No. 06325-0009

BDO Canada Limited
 25 Main Street West, Suite 805
 Hamilton, ON
 L8P 1H1

Attention: Peter Crawley

RE: Receivership of Versitec (1635536 Ontario Inc.)

STATEMENT OF ACCOUNT

TO OUR FEE FOR PROFESSIONAL SERVICES rendered in connection with the above-noted matter through to October 31, 2021.

| | |
|--|--------------------------|
| OUR FEE | \$1,015.00 |
| HST on Fees @ 13% | \$131.95 |
| <u>DISBURSEMENTS:</u> | |
| Total Disbursements | \$1,046.13 |
| HST on Disbursements | \$1.95 |
| Total Fees, Disbursements and HST | <u>\$2,195.03</u> |

The above account represents a summary of the professional services rendered to you, and this firm reserves the right to provide further particulars of our professional services rendered in the event the same is required or requested.

THIS IS OUR STATEMENT OF ACCOUNT HEREIN

LOOPSTRA NIXON LLP

Per:

R. Graham Phoenix
 RGP/cks

In accordance with the Solicitor's Act, interest will be charged on this account until paid, at the rate of 2.0% per annum, commencing one month after delivery, E. & O.E. * HST No. 122610298RT0001



**PRIVILEGED AND CONFIDENTIAL
Billing Detail Report to 31-Oct-2021**

October 31, 2021

Invoice No. 104685

BDO Canada Limited
25 Main Street West, Suite 805
Hamilton, ON
L8P 1H1

Matter No. 06325-0009

Attention: Peter Crawley

RE: Receivership of Versitec (1635536 Ontario Inc.)

FEES

| <u>Date</u> | <u>Narrative</u> | <u>Professional</u> | <u>Time</u> |
|-------------|--|---------------------|-------------|
| 04-Oct-2021 | To finalizing security reviews, and to email to Graham Phoenix | TPL | 2.00 |
| 04-Oct-2021 | To drafting discharge order | SBW | 0.90 |
| 05-Oct-2021 | To draft order. | SBW | 0.10 |
| 12-Oct-2021 | To review and edit Discharge Order. | SBW | 0.40 |
| OUR FEE | | | \$1,015.00 |

| <u>Time Summary</u> | <u>Hours</u> |
|---------------------|--------------|
| Sarah White | 1.40 |
| Thomas Lambert | 2.00 |
| Total hours: | 3.40 |

DISBURSEMENTS (E=HST exempt)

| | <u>Amount</u> |
|---------------------|---------------|
| Agent Fee (E) | 1,031.13 |
| Wire Transfer Fee | 15.00 |
| Total Disbursements | \$1,046.13 |

LIQUID CAPITAL EXCHANGE CORP.

-and-

**1635536 ONTARIO INC. O/A VERSITEC MARINE &
INDUSTRIAL, et al.**

Applicant

Respondents

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced at TORONTO

AFFIDAVIT OF FEES

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*Lawyer for the Court-appointed Substitute
Receiver, BDO Canada Ltd.*

LIQUID CAPITAL EXCHANGE CORP. -and- 1635536 ONTARIO INC., et al.

Court File No.: CV-20-00637427-00CL

Applicant

Respondents

**ONTARIO
SUPERIOR COURT OF JUSTICE
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Proceeding commenced at **TORONTO**

**FOURTH REPORT OF THE SUBSTITUTE
RECEIVER (NOVEMBER 18, 2021)**

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