

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

**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

RESPONDING MOTION RECORD OF THE RESPONDENT, REUBEN BYRD

September 12, 2022

Paliare Roland Rosenberg Rothstein LLP
155 Wellington Street West
35th Floor
Toronto ON M5V 3H1

Jeffrey Larry (LSO# 44608D)

Tel: 416.646.4330

jeff.larry@paliareroland.com

Danielle Glatt (LSO# 65517N)

Tel: 416.646.7440

danielle.glatt@paliareroland.com

Lawyers for the Respondent, Reuben Byrd

TO: SERVICE LIST

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INDEX

Tab		Page
1	Affidavit of Reuben Byrd	1
	Exhibit A - Agreement of Purchase and Sale executed June 21, 2017	10
	Exhibit B - Forbearance Agreement dated April 25, 2019	29
	Exhibit C - Letter from Kevin Jackson to Jon Swergold, dated March 29, 2021	48
2	Affidavit of John Howard Deane Morgan	51
	Exhibit A - John H. D. Morgan Testifying as a Witness	58
	Exhibit B - First Report of the Court Appointed Receiver, Morgan & Partners Inc. dated Feb 5, 2021	60

Tab		Page
	Exhibit C - MPI Report on the Versitec Group of Companies dated Jan 8, 2022	79
3	Reply Affidavit of Jonathan Brindley	195
	Exhibit "A" - Judgments issued against the Respondents by Order of the Honorable Justice Penny dated November 24, 2021	223
	Exhibit "B" - Communications between LCX and Versitec respecting regularly-held meetings and requests for information	227
	Exhibit "C" - Swindells Settlement	250
	Exhibit "D"- Carpenter Settlement	253
	Exhibit "E" - Connaught Settlement	256
	Exhibit "F" - February 11, 2021 email from Mr. Thom to counsel for MPI	275
	Exhibit "G" - Communications respecting the negotiation and execution of the LCX/MPI Agreement	279
	Exhibit "H" - Executed LCX/MPI Agreement	286
	Exhibit "I" - Fourth Report of Substitute Receiver dated November 18 2021	291
	Exhibit "J" - Exhibit I to Fourth Report	306

SERVICE LIST

TORKIN MANES LLP

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

Stewart Thom (55695C)
Tel: 416.777-5197
Email: sthom@torkinmanes.com

Lawyers for the Applicant,
Liquid Capital Exchange Corp

LIQUID CAPITAL EXCHANGE CORP.

c/o Jonathan Brindley
Tel: (416) 727-4521
E-mail: jbrindley@liquidcapitalcorp.com

BDO CANADA LIMITED

25 Main Street West, Suite 805
Hamilton, Ontario L8P 1H1

Attn: Peter Crawley, Vice President
Tel: 905-524-1008
E-mail: pcrawley@bdo.ca
Court-Appointed Receiver

LOOPSTRA NIXON LLP

135 Queen's Plate Drive, Suite 600
Toronto, ON M9W 6V7

R. Graham Phoenix (52650N)
Tel: 416-748-4776
E-mail: gphoenix@loonix.com

Sarah White (82985M)
Tel.: 416-748-5145
E-mail: swhite@loonix.com

Lawyers for the Court-Appointed Receiver,
BDO Canada Limited

DAVID TAYLOR

518 King Street
Port Colborne, ON L3K 4H6
Email: davidtaylormarine@outlook.com

BLACKADDER LEON MARION & FAZARI LLP

Barristers and Solicitors
149 West Main Street
P.O. Box 366
Welland ON L3B 5P7

Paul Leon (136570)
Tel: 905-735-2921
E-mail: pdleon@leonlaw.ca

Lawyers for Ra-Tech CAD Services Inc.

ANDREW FERRI

E-mail: andyferri@outlook.com
Representative of Ra-Tech CAD Services Inc.

FLETT BECCARIO

Barristers and Solicitors
190 Division Street
P.O. Box 340
Welland ON L3B 5P9

Carlo Gualtieri (367150)
Tel: 905-732-4481
E-mail: cgualtieri@flettbeccario.com

Lawyers for the Proposed Purchaser

JAMES SMITH

E-mail: smitty2729@gmail.com
Proposed Purchaser

CANADA REVENUE AGENCY

c/o Department of Justice
Ontario Regional Office
120 Adelaide Street West, Suite 400
Toronto ON M5H 1T1

Diane Winters (20824V)
Tel: 647-256-7459
E-mail: diane.winters@justice.gc.ca

Lawyers for the Canada Revenue Agency

MINISTRY OF FINANCE (ONTARIO)

Legal Services Branch
33 King Street West, 6th Floor
Oshawa ON L1H 8H5

Steven Groeneveld (454201)
E-mail: steven.groeneveld@ontario.ca
Tel: 905-433-5657

Leslie Crawford, Law Clerk
E-mail: leslie.crawford@ontario.ca

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

Barristers and Solicitors
155 Wellington Street West, 35th Floor
Toronto ON M5V 3H1

Max Starnino
Tel: 416-646-4300
E-mail: max.starnino@paliareroland.com

Lawyers for the Respondent, Reuben K. Byrd

KEVIN JACKSON P.A.

1136 Southeast Third Avenue
Fort Lauderdale, FL 33316

Tel.: 954-779-2272
E-mail: kjackson@krjlaw.com

Lawyer for Reuben Kary Byrd

REUBEN KARY BYRD

19480 Saturina Lakes Drive
Boca Raton, FL 33498
Email: reuben@globalmarineengineering.com

MORGAN & PARTNERS INC.

4 Cedar Pointe Drive, Unit J-2
Barrie, ON L4N 5R7

Attn.: John Morgan
Tel: 705-739-7003 ext. 23
Email: johnmorgan@morgantrustees.com
Original Court-Appointed Receiver of Versitec

ROUTE TRANSPORT & TRADE LAW
40 Wynford Drive, Suite 305
Toronto ON M3C 1J5

William Sharpe (22218B)
wmsharpe@routelaw.ca
Tel: 416-482-5321

Lawyers for Morgan & Partners Inc.,
Original Court-Appointed Receiver of Versitec

E-MAIL DISTRIBUTION LIST

sthom@torkinmanes.com; pcrawley@bdo.ca; gphoenix@loonix.com; swhite@loonix.com;
davidtaylormarine@outlook.com; pdleon@leonlaw.ca; andyferri@outlook.com;
cgualtieri@flettbeccario.com; smitty2729@gmail.com; diane.winters@justice.gc.ca;
steven.groeneveld@ontario.ca; leslie.crawford@ontario.ca; max.starnino@paliareroland.com;
Jeff.Larry@paliareroland.com; Danielle.Glatt@paliareroland.com; kjackson@krjlaw.com;
reuben@globalmarineengineering.com; johnmorgan@morgantrustees.com;
wmsharpe@routelaw.ca

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AFFIDAVIT OF REUBEN BYRD

I, Reuben Byrd, of Boca Raton, Florida, in the United States of America, MAKE
OATH AND SAY:

1. I am the former consultant and acting CEO and COO of each of 1635536 Ontario Inc. o/a Versitec Marine & Industrial ("**Versitec Canada**") and Versitec Marine USA Inc. ("**Versitec USA**" and together with Versitec Canada, "**Versitec**"), and as such I have personal knowledge of the facts related herein. Where I do not have personal knowledge of such facts, I have indicated the source of my information, and I believe such facts to be true.

2. I am swearing this affidavit in response to a motion brought by the Applicant, Liquid Capital Exchange Corp. ("**LCX**") seeking judgment against me in respect of my

guarantee of the debts owing to LCX by each of Versitec Canada and Versitec USA. My issue with the relief being sought is that I do not believe that there is a debt owing to LCX. I have, on numerous occasions, asked LCX to provide an accounting of the amounts withheld by it from the purchase price of the Respondents' receivables factored by LCX, as well as payments received by LCX from the Respondents' customers in respect of receivables which were not factored by LCX. LCX has never provided me with that accounting, nor have they provided the court with an accounting in connection with the pending motions. Based on my discussions with Versitec's former acting chief financial officer, I always understood that, on a net basis, LCX was indebted to the Respondents. I am advised by John Morgan, the receiver originally appointed in these proceedings at the request of LCX, that his analysis confirmed as much.

My Background

3. I have a Bachelor of Science degree in Mechanical Engineering, bestowed upon me in 1982 by Virginia Tech University, which I attended on a football (linebacker) scholarship. I have been certified as a professional engineer (I allowed my certification to lapse a number of years ago). In 2011 I received an MBI degree (Master of International Business) from Robert Kennedy University in Switzerland, and in 2012 I received an MBA degree (Master of Business Administration) from the University of Florida. I am a member of the American Society of Professional Engineers, and the Society of Port Engineers (New York) and the American Waterways Organization. My industry focus relates to global marine engineering.

4. I have, since 1987, owned and operated my own engineering consulting firm (Global Marine Engineering, Inc.) Through this company, I have developed innovative technologies and patented solutions, and provided consulting services to various companies in the global marine industry, with particular emphasis on ship engineering services, shipyard management, and stern tube seals. Within the past four years, I have been involved in metalizing corrosion control through my company Global Metalizing Corporation. I have, generally, been successful in improving the profitability of the companies with which I have worked.

5. I was first approached by Versitec in October 2017. Versitec manufactured stern tube seals and provided related repair and maintenance services. My review of Versitec's business and operations suggested to me that its business concept had potential, but that its operations and processes needed to be improved. In or about June of 2018, I agreed to assume the position of Consulting CEO of Global Operations of Versitec, with a mandate to grow and improve the profitability of its business.

6. I first became aware of Versitec's factoring arrangement with and indebtedness to LCX in late July or early August 2018. For ease of reference, a copy of the factoring agreement between Versitec and LCX is marked as **Exhibit "A"** to this affidavit.

7. My instructions to Versitec's accounting staff upon learning of the arrangement with LCX was to stop factoring receivables. My goal was to pay out the indebtedness, and we made progress in that regard. Ultimately, however, Versitec became the victim of its own success.

8. I was, in short order, able to expand Versitec's business, improving its sales from approximately \$1.2 million per year to around \$5 million per year. In addition, I had been very successful in creating fleet agreements with several Greek and German shipping lines, and we were targeting sales of \$25 million per year within 5 years and \$50 million within 10 years. As a result, we needed to maximize our cash flow. I reconsidered my earlier decision to stop factoring of receivables.

9. I met with representatives of LCX (Johnathan Brindley and Florian Meyer) in or about March 2019, in Buffalo, NY, to determine whether we could work together going forward. We decided that we could, and to move forward we entered into forbearance agreement marked as **Exhibit "B"** to this affidavit. In addition, as part of the arrangement, various officers of Versitec, including myself, provided guarantees and collateral mortgages securing Versitec's indebtedness to LCX.

10. Thereafter, we met weekly with LCX, by phone, to discuss what was factored, what was on the books and what was coming in the future. We were ramping up to \$100k in sales per week.

11. The weekly calls between Versitec and LCX started off being productive but by September 2019 they had become contentious. LCX was not remitting funds to Versitec in a timely way, or accounting for its receipt of funds that fell outside of its dealings with Versitec Marine. To be clear, there were two issues.

- (a) First, when LCX purchased a receivable, it held back 20% of the face value of the receivable on account of collection risk (the "**Reserve**"). As the receivable was collected, the Reserve was to be remitted to Versitec.

(b) Second, the way the factoring arrangement worked was that Versitec would invoice its customers, and, in anticipation of factoring the invoice, the payment terms on the invoice would direct payment to an LCX account. Versitec would then submit a list of the receivables to be factored to LCX. Occasionally, LCX would refuse to factor a receivable because, for example, LCX formed the view that the receivable did not meet its financing criteria. Despite this, LCX would still receive payment into its account in respect of the receivable because that is what the invoice terms stipulated. I refer to these payments as the “**Unfactored Receivable Payments**”.

12. As a result of the foregoing, Versitec made repeated requests for an accounting of the Reserves and the Unfactored Receivable Payments, and for payment of the amounts due to it. LCX refused or was unable to provide that accounting and remit funds, even though Versitec knew, based on its dealings with its customers and payment records, that payment had been made to LCX by the customer or, sometimes, in the case of factored receivables, by Versitec itself. I believe that part of the problem may have been that LCX did not operate segregated accounts but commingled funds (including funds belonging to other LCX clients).

13. On or about October 15, 2019, I provided a report prepared by Mr. Gunning directly to Mr. Brindley, demonstrating that, on a net basis, LCX was indebted to each of Versitec Canada and Versitec USA. I believe Mr. Gunning to have been correct. Mr. Brindley denied this, but he refused to send me any records or otherwise explain how LCX came to its calculations.

14. By November 2019, LCX's failure to account for and remit funds had become a real problem for Versitec's business. Rather than providing cash flow, the factoring arrangement with LCX was strangling the business. I decided to stop factoring receivables, and Versitec sent a letter to its customers instructing them to pay all future invoices to Versitec.

15. Versitec's relationship with LCX continued to devolve.

16. On or about March 4 2020, I departed for Tampico, Mexico, to service a vessel. On arrival I received an email attaching a 362 page application by LCX, for, among other things, the appointment of a receiver, scheduled for hearing on March 9, 2020. The application did not include anything about Versitec's efforts to work things out, the fact that they had kept the Unfactored Receivable Payments, that they had withheld the Reserve, or even Versitec's own accounting. Given the short notice and my other commitments, I was not in a position to supplement the record.

17. Morgan & Partners Inc. was appointed as receiver on March 9, 2020. Mr. Morgan struck me as being a fair and reasonable man. I explained the issues pertaining to the Reserve and the Unfactored Receivable Payments to him, and I worked with him to collect Versitec's receivables.

18. I was subsequently advised by Mr. Morgan that he had completed an analysis of Versitec's accounts and the receivables collections, and that his findings were directionally consistent with the findings of Mr. Gunning. That is, that he had concluded that on a net basis LCX was indebted to each of Versitec Canada and Versitec USA. He also advised me that Mr. Brindley continued to dispute this on behalf of LCX, but

was refusing to provide the receiver access to LCX's accounts and had failed to provide Mr. Morgan with a satisfactory explanation for LCX's disagreement. Shortly thereafter Mr. Morgan and his company were replaced as receiver.

19. I have consistently taken the position that Versitec was not liable to LCX. For example, attached hereto as **Exhibit "C"** is a letter dated March 29, 2021, from my U.S. counsel, Kevin Jackson, to LCX's U.S. counsel making this point. I am advised by Mr. Jackson that he never received a response to this letter.

20. At paragraph 34 of his affidavit sworn November 18, 2021, Mr. Brindley deposes that I attended and did not oppose the motion that took place before this court on June 22, 2021, relating to the distribution of funds to LCX. In fact, I did not attend that hearing as I was on a ship in Port-Fourchon, Louisiana at that time trying to get the ship out of dock, and I have no recollection of attending the hearing. I did ask my U.S. counsel, Mr. Jackson, to audit the hearing in my absence and to let me know what happened, which he did. I did not oppose the motion because I did not perceive that it affected my interests, as judgment was not being sought against me, and it was no longer my issue what happened to Versitec's money.

21. On Friday, November 19, 2021, I received a copy of the record for the pending motion seeking judgment on the debt against me personally only a couple of business days later, on Wednesday, November 24, 2021. I am advised by Mr. Jackson that his office was consulted about the scheduling of a motion a number of weeks earlier, and that when they asked for a copy of the motion they were told that the motion was not available and would follow in due course, but that the motion did not affect my interests.

22. Plainly the motion did affect my interests, and I immediately responded and attended the hearing to oppose the relief being sought.

23. The record filed by LCX in support of its motion for judgment against me still does not provide an accounting in respect of the alleged debt, much less an accounting with supporting documentation that addresses LCX's failure to remit the Reserves or the Unfactored Receivable Payments.

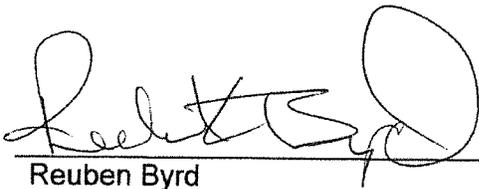
24. I understand from speaking to Mr. Morgan that LCX gets to its position by applying a number of charge-backs and penalties which are either unsubstantiated or based on factual assertions that Mr. Morgan has determined to be incorrect (notably, that certain receivables were not paid to LCX). I understand that Mr. Morgan will be providing an affidavit that attaches his accounting and attests to the fact that there is no debt owing to LCX by Versitec.

AFFIRMED remotely by Reuben Byrd at Boca Raton, in the State of Florida in the United States of America, before me on this 7th day of January, 2022 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely



Commissioner for Taking Affidavits

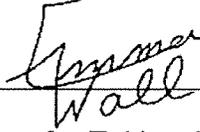
Emma Janine Wall, a Commissioner etc.,
Province of Ontario, while a Student-At-Law.
Expires July 14, 2023.

} 

Reuben Byrd

This is **Exhibit "A"** referred to in the affidavit of Reuben Byrd

Affirmed before me on this 7th day of January 2022

A handwritten signature in black ink, appearing to read "Emma Wall", is written over a horizontal line.

Commissioner for Taking Affidavits (or as may be)

Emma Janine Wall, a Commissioner **etc.**,
Province of Ontario, while a **Student-At-Law**.
Expires July 14, 2023.



PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (the "**Agreement**") dated as of June 21, 2017 is executed by and between Liquid Capital Exchange Corp., a corporation organized under the laws of the Province of Ontario, having a business address at 5734 Yonge Street, Suite 400, Toronto, ON M2M 4E7 (hereinafter referred to as "**Factor**") and 1635536 Ontario Inc., a corporation organized under the laws of the Province of Ontario, having a business address at 4 Stonebridge Drive, Unit 4, Port Colborne, Ontario L3K 5V4 and Versitec Marine USA Inc., corporation organized under the laws of the State of Delaware, having a business address at 1623 Military Road, #283, Niagara Falls, NY 14304 (each a "**Seller**"). All capitalized terms in this Agreement, unless otherwise defined herein or required by the context, shall have the meanings given those terms (whether or not capitalized) in and as defined under the *Personal Property Security Act* ("**PPSA**") of the Province of Ontario as in effect from time to time. Seller and Factor agree to the following terms and conditions:

1. **Purchase and Sale of Accounts.** Pursuant to the terms of this Agreement, Seller agrees to sell, transfer, convey, assign and deliver to Factor, and Factor agrees to purchase and receive from Seller, all of Seller's right, title and interest in and to certain Accounts arising from the sale of Goods or the rendering of services by Seller in the ordinary course of Seller's business.

2. **Sale Procedure.** Upon Seller's submission of any Account to Factor for purchase, Seller shall execute a Schedule of Accounts in a form provided by and acceptable to Factor for each such Account or group of Accounts that Seller offers for sale to sell to Factor. The Schedule of Accounts must, among other things, identify and describe the Accounts being offered for purchase and the total face amount of such Accounts. Each Account offered for sale to Factor shall be evidenced by an identical duplicate written invoice or other such equivalent document(s) as Factor may require, together with supporting documentation, including, but not limited to, the purchase order or contract referencing the sale of goods and/or services and any modification(s) or amendment(s) thereto and any such other documentation that Factor may request. Factor may accept or reject any Account offered for sale in its sole discretion. Upon submission of any Account to Factor for purchase, Sellers shall not seek or authorize any modification to the terms of the Account.

3. **Purchase Price and Payment.** Factor, in its sole discretion, may advance a percentage (%) (hereinafter referred to as "**Advance**") of the face amount of the Accounts purchased, less the applicable discount fee. The purchase price of any Accounts shall be the amount actually received in payment of such Accounts, but for purposes of any Advance, the purchase price shall be equal to the face amount of the Accounts less any selling, payment or

other discounts offered. In addition, Factor, in its sole discretion, may elect to maintain a reserve from each Advance (hereinafter referred to as "**Reserve**"). As a general rule Reserves on paid invoices are released upon the request of the Seller or when the Factor's next purchase of Accounts from Seller is funded. Factor, however, may increase or decrease the amount of such Reserve at any time and from time to time if it deems it necessary in order to protect its interests. The Reserve is designed to protect Factor against losses or potential losses that Factor may reasonably anticipate might arise in the future due to, among other things, contingencies, disputes, potential breach of warranties, or other potential non-payments, reductions or losses from the purchase of the Accounts. Payments received will be credited to specific invoices when credit is given by Factor's bank, not to exceed three (3) banking days. The applicable discount fee is calculated based on the discount rate set forth in the Discount Rate Schedule (attached as a schedule hereto and incorporated herein by reference). Factor may condition future purchases on Seller's agreeing to modification(s) of the Discount Rate Schedule. **IT IS THE INTENTION OF THE PARTIES HERETO THAT AS TO ALL ACCOUNTS THAT FACTOR ELECTS TO PURCHASE, SUCH TRANSACTION SHALL CONSTITUTE AN ABSOLUTE ASSIGNMENT OR TRUE SALE OF SUCH ACCOUNTS AND NOT AN ASSIGNMENT INTENDED AS SECURITY AND AS SUCH, SELLER SHALL HAVE NO LEGAL OR EQUITABLE INTEREST IN THE ACCOUNTS SOLD.**

4. **Maximum Amount** It is further understood and agreed that the maximum face amount of purchased accounts sold to Factor and outstanding at any time (the "**Maximum Amount**") shall not exceed the amount set forth on the Discount Rate Schedule (attached as a schedule hereto and incorporated herein by reference), in which event, Factor shall have no obligation to purchase additional Accounts. Factor may however, in its sole and exclusive discretion, increase or decrease the Maximum Amount from time to time.

5. **Notice of Assignment**. Upon Seller's execution of this Agreement, Factor shall be entitled to notify each customer (hereinafter referred to as "**Account Debtor**") of the sale and/or assignment of the Accounts in a manner and method as Factor, in its sole discretion, may elect, which may include Seller's written acknowledgement. Seller agrees that, if so requested by Factor, each document evidencing Accounts (*i.e.*, invoice) shall bear the following language, conspicuously placed, which language may be modified or amended at Factor's request:

This invoice has been assigned, sold and is payable only to Liquid Capital Exchange Corp. **5576 Yonge Street, P.O. Box 10065, Yonge and Finch, North York, ON M2N 0B6**. In the event of any dispute as to quantity, quality or otherwise, notification must be given to Liquid Capital Exchange Corp., in writing, within five (5) days of receipt of goods or rendition of services.

Seller agrees, if so requested by Factor, to use its best efforts to assist Factor in procuring the Account Debtor's acknowledgment and acceptance of such notice of assignment and redirection of payment if requested to do so by Factor. Factor's inability, for whatever reason, to receive Account Debtor's acknowledgment and acceptance may result in the rejection of the Accounts submitted for purchase or revocation of a conditional approval to purchase Accounts without any obligation or liability on the part of Factor.

6. **Security.** In addition to those Accounts Factor purchases, in order to secure the payment of all indebtedness and obligations of Seller to Factor, Seller hereby grants to Factor a security interest in and lien upon all of Seller's presently and after-acquired Personal Property including, without limitation, any and all Reserves and all payments (if any) due or to become due to Seller from the Reserves as well as all monies on deposit, holdbacks and credits, and all Proceeds of the foregoing (collectively, the "**Collateral**"). Without limiting the foregoing and as a further inducement for Factor to enter into this Agreement with Seller, Seller shall execute and deliver a separate general security agreement concurrently with the execution and delivery of this Agreement by Seller, to secure *inter alia*, the performance and observance of the provisions under this Agreement on Seller's part to be observed or performed, on terms and conditions and as more fully provided in such separate general security agreement.

7. **Seller's Representations.** As an inducement for Factor to purchase Accounts from Seller, Seller, and each of its principals as identified on Factor's list of authorized signatories, hereby makes the following representations, warranties and covenants to Factor. The following representations, warranties and covenants shall be, as may be applicable, deemed made upon the execution of this Agreement, in each instance in which Seller submits an Account to Factor for purchase and for long as there are any obligations outstanding under this Agreement from Seller to Factor.

(a) Seller is duly organized and existing under the laws of the Province of Ontario or the laws of the State of Delaware, is duly qualified, and as may be required, properly licensed, is in good standing in such jurisdiction and every other jurisdiction in which it is doing business, the execution, delivery and performance of this Agreement are within its corporate powers and have been duly authorized and are not in contravention of any law or the powers of its charter, bylaws, articles of incorporation, operating agreement, partnership agreement, or other incorporation papers, or of any indenture, agreement or undertaking to which Seller is a party or by which it is bound. Seller's true and correct legal name is as set forth on the signature line below and Seller will notify Factor in writing no less than 30 days prior to any change of name, dba, place of business, jurisdiction of incorporation or corporate status or organizational identification number.

(b) If Seller is operating under a trade or assumed name, said name has been filed with the proper authorities and each name has been provided, in writing, to Factor.

(c) Seller has and will maintain good, clear and undisputed exclusive title to the Accounts offered for sale to Factor hereunder, and such sale will vest absolute ownership to such Accounts in Factor, free and clear of any lien, encumbrances, claims or security interest of any kind or nature including but not limited to Federal and/or Provincial tax liens.

(d) Each Account sold and assigned to Factor shall be an Account based upon a *bona fide* sale and the delivery and acceptance of Goods or performance of services by Seller to an Account Debtor and shall be an unconditional, valid and enforceable obligation of the Account Debtor, with no claim, offset, allowance, discount, deduction, dispute, contingency or counterclaim, which could reduce the amount of such Account, affect the validity thereof, or

hinder Factor's ability to collect or receive payment of the full face amount of said Account.

(e) All information furnished by Seller to Factor, including, but not limited to, past histories of the payment of Account Debtors, and any and all information given to Factor in connection with the Accounts, is true, complete and accurate, and contains no material omissions, misstatements or misrepresentations.

(f) Seller is the sole and absolute owner of the Collateral and any other property in which Factor is given a security interest; has good right and authority to grant a security interest to Factor in such Collateral or other property; there is no presently outstanding lien, security interest or encumbrance in or on the Collateral or proceeds and there is no financing statement covering the Collateral or proceeds on file in any public office except as may show on the exhibit 7(f) attached hereto. There are no judgments outstanding against Seller and there are no actions, charges, suits, proceedings or investigations pending or threatened against Seller or any of its property and none of Seller's inventory has been produced or imported in violation of any applicable law or treaty.

(g) All financial records (including, but not limited to, balance sheets, income statements, federal income tax returns, and Accounts aging, listing or reports) which may have been or may hereafter be furnished to Factor by Seller shall fairly and accurately represent the financial conditions and operating results of Seller as of the dates or for the periods stated thereon. Such financial records shall be accurate and correct in all material respects and complete insofar as necessary to give Factor a true and accurate knowledge of the subject matter.

(h) Seller shall reflect on its books the absolute sale of the Purchased Accounts to Factor. Seller shall furnish Factor, upon request, such information and statements as Factor may request from time to time regarding Seller's business affairs, financial condition and results of its operations. Without limiting the generality of the foregoing, Seller shall provide Factor, on or prior to the thirtieth (30th) day of each month, unaudited financial statements with respect to the prior month and, within ninety (90) days after the end of each of Seller's fiscal years, annual financial statements and such certificates relating to the foregoing as Factor may request including, without limitation, a monthly certificate from the president and chief financial officer of Seller stating whether any Events of Default have occurred and stating in detail the nature of the Events of Default. Seller will furnish to Factor upon request a current listing of all open and unpaid accounts payable and Accounts, and such other items of information that Factor may deem necessary or appropriate from time to time.

(i) If Seller should change the location of the principal office or the offices where the books and records of Seller are kept, Seller shall notify Factor immediately in writing of such change.

(j) The Accounts are due and payable on the selling terms noted on the face of each invoice, none of the Accounts represents a pack, bill and hold sale, or a consignment, guaranteed sale, cash on delivery sale or sale to an affiliate of Seller or to any entity to whom Seller has a financial or performance obligation of any kind.

(k) Seller assigns and transfers to Factor, effective upon an Event of Default hereunder, a nonexclusive right and license to use any trade names, marks, and styles used or owned by Seller together with any goodwill associated therewith, to the extent necessary to enable Factor to realize on the assets of Seller in which Factor has been granted a security interest. Such right and license is granted free of charge with no monetary payment requirement to Seller or any third party.

(l) Each Account Debtor's business is solvent to the best of Seller's knowledge.

(m) Seller has paid and will pay all taxes and governmental charges imposed with respect to sale of Goods and furnish to Factor upon request satisfactory proof of payment and compliance with all federal, state and local tax requirements.

(n) Seller will promptly notify Factor of (i) the filing of any lawsuit against Seller involving amounts greater than Ten Thousand Dollars (\$10,000), and (ii) any attachment or any other legal process levied against Seller.

(o) In no event shall the funds paid to Seller hereunder be used directly or indirectly for personal, family, household or agricultural purposes.

(p) Any invoice or written communication that is issued by Seller to Factor by facsimile or e-mail transmission is a duplicate of the original.

(q) Any electronic communication of data, whether by e-mail, tape, disk, or otherwise, Seller remits or causes to be remitted to Factor shall be authentic and genuine.

(r) Seller's principal(s) acknowledge that the duty to accurately complete each Schedule of Accounts is critical to this Agreement and as such all obligations with respect thereto are non-delegable. Each of Seller's principal(s) acknowledge that he/she shall remain fully responsible for the accuracy of each Schedule of Accounts delivered to Factor regardless of who is delegated the responsibility to prepare and/or complete such Schedule of Accounts.

(s) Seller agrees to execute any and all forms (e.g., Form RC59) that Factor may require in order to enable Factor to obtain and receive tax information issued by Revenue Canada or the Department of the Treasury, Internal Revenue Service, as applicable, or receive refund payments.

8. **Recourse To Seller.** In the event that:

(a) an Account purchased by Factor is not paid in full by the Account Debtor for any reason (or for no reason), on or before the date when due in accordance with its terms,

(b) an Account Debtor objects to the quality of property sold or services performed by Seller, or rejects, revokes acceptance or fails or refuses to accept or receive any property or services represented by any Account purchased by Factor,

(c) an Account Debtor suspends business, requests a general extension of time within which to pay debts or makes an assignment for the benefit of creditors, or if a voluntary assignment, petition or filing in bankruptcy under the *Bankruptcy and Insolvency Act* (Canada) or other applicable law is filed by or with respect to an Account Debtor or a receiver or receiver and manager or other agent or official having similar functions is appointed either privately or by a court by or on behalf of a creditors of an Account Debtor, or if any proceedings are commenced under the *Companies Creditors Arrangement Act* (Canada) or other applicable law, or if an event occurs amounting to a general business failure of an Account Debtor, or

(d) Factor in its sole and absolute discretion determines that any Account is or has become uncollectible, then, Factor may require the Seller to promptly repurchase such Account from Factor by either (i) making payment to Factor of the amount represented by Factor to be owing on such Account or (ii) by providing Factor with another Account acceptable to Factor in its sole discretion with a face value equal to or exceeding the face value of the unpaid Account (the "**Replacement Account**") in substitution therefor or (iii) by Factor charging Seller's Reserve. The method of repayment or replacement shall be determined by Factor in its sole discretion. The provisions of this Section are cumulative to and may be exercised concurrently with any other rights, powers or remedies of Factor.

9. **Power of Attorney.** In order to carry out the intention of the parties hereto, Seller hereby irrevocably appoints Factor, or any person designated by Factor, as its agent and attorney-in-fact, which agency shall be deemed to be coupled with an interest and which appointment shall be irrevocable until all obligations Seller owes Factor are fully satisfied. Factor's express authority under this appointment shall include the rights to (i) sign and endorse on behalf of Seller all cheques, drafts and other forms of payment received by Factor, waiving any notice of presentment and dishonor, whether or not said cheques represent payment on purchased Accounts, (ii) receive, open and dispose of Seller's mail received at Factor's address, (iii) change the Seller's address in order to re-route the delivery of all mail to Factor, (iv) strike out Seller's address on any billing or statement sent to an Account Debtor and substitute Factor's address, (v) in Seller's name demand, sue for, collect and give releases for any and all monies due on or to become due on purchased Accounts, (vi) compromise, prosecute, or defend any and all things necessary and proper to carry out this Agreement, specifically including, but not limited to, executing any documents necessary to perfect or continue the perfection of the security interest granted herein, and (vii) complete and issue any blank notices of assignment of Accounts lodged by Seller with Factor.

10. **Payments Received by Seller.** Should Seller receive payment of all or any portion of an Account sold pursuant to this Agreement, Seller shall immediately notify Factor of the receipt of the payment, hold said payment in trust for Factor separate and apart from Seller's own property and funds, and shall deliver said payment to Factor without delay in the identical form in which received. Should Seller receive a cheque or other instrument of payment representing payment of amounts due to both Factor and Seller, Seller shall surrender said cheque or payment instrument to Factor. Should Seller receive a cheque or other instrument of payment representing payment of amounts due Factor and fail to surrender to Factor, or deposit

in a bank account designated by Factor, said cheque or payment instrument within two (2) business days, Seller shall be deemed to have committed a material default in this Agreement. In addition to all other damages to which Factor shall be entitled, Factor shall be entitled, in the event Seller violates its obligations under this paragraph, to charge Seller a misdirected payment fee equal to ten (10%) percent of the amount of the payment instrument or One Thousand Dollars (\$1,000.00), whichever is greater, to compensate Factor for the additional administrative expenses that are likely to be incurred as a result of a breach. In the event any merchandise, the sale of which gave rise to an Account purchased by Factor, is returned to or repossessed by Seller, such merchandise shall be held by Seller in trust for Factor, separate and apart from Seller's own property and subject to Factor's sole direction and control.

11. **Default.** The term "**Event of Default**" as used in this Agreement shall mean the occurrence of any of the following events:

(a) The failure of Seller to punctually and properly observe, keep or perform any covenant, agreement or condition herein required to be observed, kept or performed; or required under any other agreement or contract that may be executed between Seller and Factor.

(b) A representation or warranty made by Seller in this Agreement shall prove to be untrue or incorrect or any financial statement or other statement purporting to represent the financial condition of Seller proves to be false or incorrect.

(c) The failure of Seller to, within two (2) business days, deliver to Factor or deposit into a bank account designated by Factor, a remittance received by Seller in payment of a purchased Account.

(d) The failure of Seller to pay any indebtedness owed by Seller to Factor whether or not said indebtedness arises hereunder or under some other agreement or contract by and between Seller and Factor.

(e) The appointment of a receiver or trustee for Seller or the suspension or cessation of Seller's business or operations.

(f) Seller becomes insolvent, is unable to pay its debts as they mature or makes an assignment for the benefit of creditors.

(g) Seller is adjudicated a debtor in bankruptcy or requests, either by way of petition or answer, that Seller be adjudicated a bankrupt or that Seller be allowed or granted any composition, reassignment, extension, reorganization or other relief under any bankruptcy law or any other law for the relief of debtors now or hereafter existing.

(h) An involuntary petition in bankruptcy is filed by or against Seller or any guarantor.

(i) A levy(s) or notice(s) of attachment, execution(s), tax lien(s) or assessment(s) or similar process is issued against Seller or the Collateral.

(j) The dissolution of Seller.

(k) The death or incompetency of any guarantor of Seller's obligation.

(l) Factor has reasonable grounds to deem itself insecure.

(m) If there is a change in the ownership of Seller or Seller sells, leases transfers or otherwise disposes of all or substantially all of Seller's assets or consolidates with or merges into any other entity.

12. **Remedies Upon Default.** Factor shall have the rights and remedies provided in this Agreement and (without limiting the other rights and remedies exercisable by Factor either prior or subsequent to an Event of Default) as available to a Secured Party under the PPSA in effect in any applicable jurisdiction in accordance with general law. Upon the occurrence of an Event of Default, Factor may resort to any one or more of the following remedies. The exercise or election of any particular remedy shall not prevent the concurrent or subsequent exercise or election of any other available remedy:

(a) Declare any indebtedness secured hereby immediately due and payable.

(b) Exercise its rights as a Secured Party and enforce the security interest granted hereunder pursuant to applicable law, including, but not limited to, Factor's right to establish contact with and instruct any and all of Seller's customers to remit payment(s) due or to become due on Accounts directly to Factor at Factor's address, whether or not said payments relate to Accounts purchased by Factor hereunder. Furthermore, Factor shall have the right to establish contact with and instruct any other party from whom Seller may be entitled to receive monies now due or to become due in the future to remit said monies to Factor at Factor's address. In the event Factor deems it necessary to seek equitable relief, including, but not limited to, injunctive or receivership remedies, Seller waives any requirement that Factor post or otherwise obtain or procure any bond. Seller also waives any right to legal fees or costs in the event any equitable relief awarded is subsequently, vacated, dissolved or reversed for whatever reason(s).

(c) Immediately terminate this Agreement as to future transactions, without affecting the rights and obligations of the parties occurring with respect to prior transactions.

(d) Enter the premises of Seller and take possession of the Collateral and of records pertaining to the Accounts and the Collateral.

(e) Grant extensions, compromise claims and settle Accounts for less than face value, all without prior notice to or authority of Seller, except as granted herein.

(f) Exercise all other rights conferred by law or equity or under this Agreement and exercise any remedy existing at law or in equity for the collection of any indebtedness secured hereby and for the enforcement of the covenants and agreements contained in this Agreement. Factor shall be entitled to any form of equitable relief that may be appropriate without having to establish any inadequate remedy at law or other grounds other than to establish that its Collateral is subject to being improperly used, moved, dissipated or withheld from Factor. Factor shall be entitled to freeze, debit and/or effect a set-off against any fund or account Seller may maintain with any bank. In the event Factor deems it necessary to seek equitable relief, including, but not limited to, injunctive or receivership remedies, as a result of an Event of Default, Seller waives any requirement that Factor post or otherwise obtain or procure any bond. Alternatively, in the event Factor, in its sole and exclusive discretion, desires to procure and post a bond, Factor may procure and file with the court a bond in an amount up to and not greater than Ten Thousand Dollars (\$10,000.00) notwithstanding any common or statutory law requirement to the contrary. Upon Factor's posting of such bond it shall be entitled to all benefits as if such bond was posted in compliance with applicable law. Seller also waives any right it may be entitled to, including an award of legal fees or costs, in the event any equitable relief sought by and awarded to Factor is thereafter, for whatever reason(s), vacated, dissolved or reversed. All post-judgment interest shall bear interest at either the contract rate, 18% per annum or such higher rate as may be allowed by law.

13. **Financial Statements.** Seller agrees to keep proper books of record which books shall at all times be open to inspection by Factor. In addition, Seller shall furnish Factor upon request any prior or current income statement, balance sheet, tax return and report, along with any other supplementary financial information requested. Factor shall have the right, at all times during normal business hours, without prior written notice, to examine and make extracts from all books and records of Seller.

14. **Reimbursable Expenses.** In the course of investigating, approving, purchasing and collecting Accounts purchased under this Agreement, Factor may incur routine and/or extraordinary expenses, including, but not limited to long distance telephone, postage, wire transfers, overnight mail delivery, courier delivery, cheque certification, PPSA search and filing fees, other lien search fees, facsimile transmissions, auditing and legal fees, all of which shall be reimbursed to Factor by Seller upon demand or deducted from the proceeds payable on a purchased Account or from the Reserve.

15. **Account Debtor Claims.** Seller shall notify Factor of the assertion of any claim, including any defences, dispute or offset by an Account Debtor with respect to an Account purchased by and assigned to Factor or the merchandise or service relating thereto within three (3) days after receiving such information. Seller may settle all such claims with Factor's approval and at Seller's expense. Factor may, in its sole discretion, opt to settle any Account Debtor claim directly with the Account Debtor involved, at the Seller's expense, upon such terms as Factor may deem advisable at which time Seller shall cease any communications with the respective Account Debtor. In the event Factor exercises its right to settle and compromise Account Debtor claims, Seller hereby specifically agrees to the terms, conditions and provisions of any and all settlements, compromises and other agreements, oral or written, entered into by Factor and

Factor shall be deemed authorized to execute all releases, settlements or compromise agreements, and receive, for and in Seller's name, all money and property that Factor may receive in settlement, release or compromise of Account Debtor claims. The foregoing is discretionary upon the part of Factor and Seller shall have no right to demand or require Factor's exercise of the aforesaid rights. Factor's failure to agree shall not otherwise adversely affect any right(s) of Factor or Seller's waiver(s) herein. In the event of any claim against an Account by the Account Debtor or a breach by Seller of any representation hereunder as to an Account purchased by and assigned to Factor, Seller shall pay the unpaid balance of said Account in accordance with the provision of paragraph 7 above.

16. **Lawyer's Fees.** Seller agrees to pay all reasonable lawyer's fees, court costs and expenses incurred by Factor or its counsel in the event that Factor retains counsel for the purpose of enforcing any rights arising out of the relationship between Seller and Factor or under this Agreement. Seller also acknowledges that Factor may charge and/or setoff against Seller's Reserve all such fees and costs as they are incurred. Notwithstanding the existence of any law, statute, rule, or procedure in any jurisdiction which may provide Seller with a right to lawyer's fees or costs, Seller hereby waives any and all rights to hereafter seek lawyer's fees or costs there under and Seller agrees that Factor exclusively shall be entitled to indemnification and recovery of any and all lawyer's fees or costs in respect to any litigation based hereon, arising out of, or related hereto, whether under, or in connection with, this and/or any agreement executed in conjunction herewith, or any course of conduct, course of dealing, statements (whether verbal or written) or actions of either party.

17. **Notice.** Except for routine day to day business communications, any notice or communication required hereunder shall be in writing and given by personal delivery or delivery service or sent by regular, registered or certified mail, postage prepaid to the addressee at the address shown above or at the most current address that the party has from time to time designated in writing.

18. **Term.** This Agreement shall be effective from the date hereof and shall continue in full force and effect for as long as a balance is owed to Factor from Seller and Factor, whether under this Agreement or otherwise, and for so long as Factor has an outstanding PPSA registration against Seller. Factor or Seller shall be entitled to terminate this Agreement at any time by giving thirty (30) days prior written notice. In addition, Factor shall have the right for any reason or no reason to terminate this Agreement at any time without prior written or oral notice upon the occurrence of an Event of Default. Upon the effective date of termination, all of Seller's obligations, whether incurred under this Agreement or any amendment or supplement thereto or otherwise, shall become immediately due and payable without notice or demand. Notwithstanding any termination, until all of Seller's obligations of every nature whatsoever shall have been fully paid and satisfied, Factor shall retain Factor's security interest in and title to all existing and future Accounts and other Collateral held by Factor hereunder. Until final termination following the notice thereof, Seller shall continue to offer all Accounts to Factor and Factor shall be under no obligation to make any further Advances or purchase any Account. Any termination of this Agreement shall not serve to release any security interest granted herein until all Accounts purchased hereunder and all indebtedness of Seller to Factor has been paid in full

nor shall such termination affect any of the obligations incurred by the parties hereto.

19. **Indemnification.** Seller shall indemnify, defend and save Factor harmless from and against any and all liability, claims, suits, demands, damages, judgments, costs, interest and expenses (including, but not limited to attorney's fees and costs) to which Factor may be subject including any loss arising out of the assertion of any Claim that is made by a party-in-interest in a bankruptcy proceeding that any payment received by Factor from or for the account of an Account Debtor is avoidable under the *Bankruptcy and Insolvency Act* (Canada) or any other debtor relief statute or suffer by reason of any liability or claim arising or resulting from Seller's acts or omission to do any act. This paragraph 19 shall survive termination of this Agreement.

20. **Binding on Future Parties.** The terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, estate trustees, personal representatives, successors and assigns. Seller may not assign this Agreement or any of Seller's rights hereunder to any person without Factor's prior written consent and this Agreement shall be deemed to be one of financial accommodation and not assumable by any debtor, trustee or debtor-in-possession in any bankruptcy proceeding without Factor's express written consent and may be suspended in the event a petition in bankruptcy is filed by or against Seller.

21. **No Waiver.** No failure or delay by Factor in exercising any of Factor's powers or rights hereunder, or under any present or future supplement hereto or under any other agreement between Factor and Seller shall operate as a waiver thereof; nor shall any single or partial exercise of any such power or right preclude other or further exercise thereof or the exercise of any other right or power. Factor's rights, remedies and benefits hereunder are cumulative and not exclusive of any rights, remedies or benefits which Factor may have. No waiver by Factor of any provision hereunder shall be deemed to extend to any other provision hereunder.

22. **Severability.** Each and every provision, condition, covenant and representation contained in this Agreement is and shall be construed to be a separate and independent covenant and agreement. In the event any term or provision of this Agreement shall to any extent be declared illegal, contrary to law, invalid or unenforceable, the remainder of this Agreement shall not be affected thereby and this Agreement shall continue in full force and effect as though such term or provision had not been incorporated herein.

23. **Miscellaneous.**

(a) This Agreement is deemed made and shall be governed, interpreted and construed in accordance with the laws of the Province of Ontario.

(b) If two or more individuals, corporations, limited liability companies, partnerships or other business entities or associations (or any combination of two or more thereof) are named above and execute this Agreement as Seller, the liability of each such individual, corporation, partnership, limited liability company or other business entity or association under this Agreement shall be joint and several and the release or discharge by Factor of one shall not

release or discharge the others. In like manner, if Seller named in this Agreement is a partnership or other business entity or association, the members of which are by virtue of statutory or general law subject to personal liability, the liability of each such member shall be joint and several and the release or discharge by Factor of one shall not release or discharge the others. This Agreement shall be interpreted to reflect multiple parties being named and executing this Agreement as Seller. By way of example, the term "Account" includes an account receivable for any party or parties named and executing this Agreement as Seller.

(c) Factor's books and records shall be admissible in evidence without objection as conclusive evidence of the status of the obligations between Factor and Seller. Each statement, report, or accounting rendered or issued by Factor to Seller shall be deemed conclusively accurate and binding on Seller unless within thirty (30) days after the date of issuance Seller notifies Factor to the contrary by registered or certified mail, setting forth with specificity each reason why Seller believes such statement, report, or accounting or any portion thereof is inaccurate, what Seller believes to be correct amount(s) therefor, and supplies detailed, written support for Seller's objection(s). Seller's failure to receive any monthly statement shall not relieve it of the responsibility to request such statement and Seller's failure to do so shall nonetheless bind Seller to whatever Factor's records would have reported.

(d) Any legal proceeding with respect to any controversy arising under, out of, or relating to, this Agreement, any amendment or supplement thereto or to any transactions in connection therewith whether asserted by way of claim, counterclaim, cross claim or otherwise shall be brought and litigated only in the Province of Ontario, in the City of Toronto or in any county in which Factor has a business location, the selection of which shall be in the exclusive discretion of Factor. Seller hereby waives and agrees not to assert, by way of motion, as a defence or otherwise, that any such proceeding, is brought in any inconvenient forum or that the venue thereof is improper.

(e) Seller expressly authorizes Factor to access the systems of and/or communicate with any shipping or trucking company in order to obtain or verify tracking, shipment or delivery status of any merchandise regarding an Account.

(f) Seller acknowledges that there is no, and it will not seek or attempt to establish any, fiduciary relationship between Factor and Seller, and Seller waives any right to assert, now or in the future, the existence or creation of any fiduciary or joint venture relationship between Factor and Seller in any action or proceeding (whether by way of claim, counterclaim, cross claim or otherwise) for damages.

(g) This Agreement (including any addenda executed contemporaneously herewith) is a complete and final agreement, reflects Seller's and Factor's mutual understanding, supersedes any prior agreement or understanding between the parties, and may not be modified or amended orally. But for the promises and representations expressly contained in this Agreement, no other promise or representation of any kind has been made to induce either party to execute this Agreement. Furthermore, Seller and Factor acknowledge that if any such promise or representation has been made, neither has relied, nor shall either be entitled to rely, upon any

such promise or representation in deciding to enter into this Agreement.

(h) In the event Seller's principals, officers or directors form a new entity, whether corporate, partnership, limited liability company or otherwise, similar to that of Seller during the term of this Agreement or merge into any other entity (regardless of whether Seller is the surviving entity), such entity shall be deemed to have expressly assumed the obligations due Factor by Seller under this Agreement. Upon the formation of any such entity, Factor shall be deemed to have been granted an irrevocable power of attorney with authority to execute, on behalf of the newly formed successor business, a PPSA or Uniform Commercial Code financing statement or amendment and have it filed with the appropriate PPSA or Uniform Commercial Code filing office. Factor shall be held-harmless and be relieved of any liability by Seller or such new entity as a result of Factor's filing any PPSA or Uniform Commercial Code financing statement or the resulting perfection of a lien or security interest in any of the successor entity's assets. In addition, Factor shall have the right to notify the successor entity's account debtors of Factor's security interests and lien rights, its right to collect all Accounts, and to notify any new lender who has perfected a security interest or lien in such successor entity's assets.

(i) Seller acknowledges that Factor may obtain financing from a bank or other financial institution or financing sources and in connection herewith: (a) consents to Factor's granting such financial institution or financing source a security interest in all of its rights under Agreement, the documents executed in connection therewith and all collateral thereunder; and (b) agrees that such financial institution or financing source shall be a beneficiary of all its representations, warranties and covenants in this Agreement and may exercise any power of attorney given by Seller to Factor under this Agreement or otherwise.

(j) **Seller and Factor hereby irrevocably waive any right either may have to a trial by jury in respect of any litigation directly or indirectly at any time arising out of, under or in connection with this Agreement or any transaction contemplated hereby or associated herewith. Seller irrevocably waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any such litigation any special, exemplary, punitive or consequential damages, or damages other than, or in addition to, actual damages. Seller certifies that no party hereto nor any representative or agent or counsel for any party hereto has represented, expressly or otherwise, or implied that such party would not, in the event of litigation, seek to enforce the foregoing waivers. Seller acknowledges that Factor has been induced to enter into this Agreement and the transactions contemplated hereby, in part, as a result of the mutual waivers and certifications contained in this paragraph.**

24. **Paragraph Headings.** The paragraph headings contained in this Agreement are for convenience only and shall in no way enlarge or limit the scope of meaning of the paragraphs hereof.

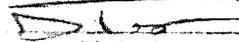
25. **Counterparts.** This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if all signatures were upon the same instrument. Signatures may be affixed manually or digitally and delivery of an executed counterpart of the signature pages to this Agreement by facsimile or by electronic means shall be

effective as delivery of a manually executed counterpart of this Agreement, and any party delivering such an executed counterpart of this Agreement or facsimile or electronic means to any other party shall thereafter also promptly deliver a manually executed counterpart of this Agreement to such other party, provided that the failure to deliver such manually executed counterpart shall not affect the validity, enforceability or binding effect of this Agreement.

SELLER

1635536 ONTARIO INC.

VERSITEC MARINE USA INC.

By: 
Name: David Taylor
Title: President

By: 
Name: David Taylor
Title: President

Executed June 21, 2017

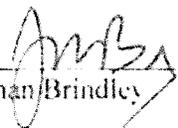
PROVINCE OF ONTARIO, CANADA

The foregoing instrument was acknowledged before me this 21st day of June, by David Taylor on behalf of each Seller. He is personally known to me or who provided _____ as identification.

Notary Public

FACTOR

LIQUID CAPITAL EXCHANGE CORP.

By:  _____
Jonathan Brindley

Executed June 21, 2017



Discount Rate Schedule

Schedule 1

a.	Initial Rate	2.25%
b.	Initial Rate Period	Thirty (30) Days
c.	Further Rate	0.075% per day
d.	Further Rate Period	N/A
e.	Maximum Amount	\$500,000.00
f.	Minimum Charge Per Invoice	N/A
g.	Per Invoice Fee	N/A
h.	Reserve	15%

DT
JMB

1635536 ONTARIO INC.
4 Stonebridge Drive, Unit 4, Port Colborne, Ontario L3K 5V4

Attention: Accounts Payable Department

Subject: Payment of Account

1635536 Ontario Inc. o/a Versitec Marine & Industrial ("Versitec") has entered into certain financing arrangements with Liquid Capital Exchange Corp. ("LCX"). As part of those financing arrangements, Versitec has made an absolute assignment to LCX of your outstanding accounts and will be making further such assignments on an ongoing basis with respect to all of your future outstanding accounts.

You are hereby irrevocably authorized and directed to pay all monies due and owing in respect of all your present and future accounts with Versitec to Liquid Capital Exchange Corp. at the following address:

Liquid Capital Exchange Corp.
5734 Yonge Street, Suite 400
Toronto, Ontario
M2J 4E7

This authorization and direction is irrevocable until you are advised otherwise in writing signed by authorized signing officers of both Versitec and LCX. Facsimile and other electronically transmitted documents pertaining to these matters are to be considered and treated the same as original documents. It is contemplated that LCX might delay delivery of this letter to you indefinitely. Any such delay shall not adversely affect the validity of the notification or the direction upon delivery.

Please acknowledge your receipt of this notification of absolute assignment and this irrevocable direction by signing below where indicated and sending signed copies by email to Versitec at service@versitec.ca and to LCX at afloren@liquidcapitalcorp.com. But please note that your receipt of this notification of absolute assignment, without any acknowledgement or acceptance by you, is sufficient to require that payments be made in accordance with this notification and that payments made contrary to this notification might not be applied in satisfaction of your account.

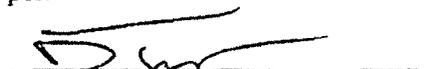
We appreciate our business relationship. Please be assured that the assignment to LCX of your accounts will not disrupt our continued relationship. If you have any questions concerning these matters, please call me directly at 905-834-5566 or Adam Flomen of LCX at 416-222-5599.

Sincerely,

Acknowledged this ___ day of _____, 201__.

1635536 Ontario Inc.
o/a Versitec Marine & Industrial
per:

per:



(authorized signing officer)
Name: David Taylor
Title: President

(authorized signing officer)
Name:
Title:
Telephone #:

VERSITEC MARINE USA INC.
1623 Military Road, #283, Niagara falls, NY 14304

Attention: Accounts Payable Department

Subject: Payment of Account

Versitec Marine USA Inc. ("Versitec USA") has entered into certain financing arrangements with Liquid Capital Exchange Corp. ("LCX"). As part of those financing arrangements, Versitec USA has made an absolute assignment to LCX of your outstanding accounts and will be making further such assignments on an ongoing basis with respect to all of your future outstanding accounts.

You are hereby irrevocably authorized and directed to pay all monies due and owing in respect of all your present and future accounts with Versitec USA to **Liquid Capital Exchange Corp.** at the following address:

Liquid Capital Exchange Corp.
5734 Yonge Street, Suite 400
Toronto, Ontario
M2J 4E7

This authorization and direction is irrevocable until you are advised otherwise in writing signed by authorized signing officers of both Versitec USA and LCX. Facsimile and other electronically transmitted documents pertaining to these matters are to be considered and treated the same as original documents. It is contemplated that LCX might delay delivery of this letter to you indefinitely. Any such delay shall not adversely affect the validity of the notification or the direction upon delivery.

Please acknowledge your receipt of this notification of absolute assignment and this irrevocable direction by signing below where indicated and sending signed copies by email to Versitec USA at service@versitec.ca and to LCX at afloren@liquidcapitalcorp.com. But please note that your receipt of this notification of absolute assignment, without any acknowledgement or acceptance by you, is sufficient to require that payments be made in accordance with this notification and that payments made contrary to this notification might not be applied in satisfaction of your account.

We appreciate our business relationship. Please be assured that the assignment to LCX of your accounts will not disrupt our continued relationship. If you have any questions concerning these matters, please call me directly at 905-834-5566 or Adam Floren of LCX at 416-222-5599.

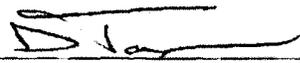
Sincerely,

Acknowledged this ___ day of _____, 201__.

Versitec Marine USA Inc.

per:

per:



(authorized signing officer)

(authorized signing officer)

Name: David Taylor
Title: President

Name:
Title:
Telephone #:

This is **Exhibit "B"** referred to in the affidavit of Reuben Bryd

Affirmed before me on this 7th day of January 2022

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

Commissioner for Taking Affidavits (or as may be)

Emma Janine Wall, a **Commissioner etc.**,
Province of Ontario, while a **Student-At-Law**.
Expires July 14, 2023.

FORBEARANCE AGREEMENT

THIS AGREEMENT is made as of the 25th day of April, 2019

A M O N G:

1635536 ONTARIO INC., o/a VERSITEC MARINE & INDUSTRIAL

a corporation incorporated pursuant to the Laws of the Province of Ontario

(a borrower hereinafter individually called "**Versitec Canada**")

OF THE FIRST PART;

-and-

VERSITEC MARINE USA INC.

a corporation incorporated pursuant to the Laws of the State of Delaware

(a guarantor hereinafter individually called "**Versitec USA**" and collectively with Versitec Canada as the "**Borrowers**")

OF THE SECOND PART;

- and -

REUBEN KARY BYRD, of

Boca Raton, Florida

(a guarantor hereinafter individually referred to as ("**BYRD** ") and collectively a "**Guarantor**")

OF THE THIRD PART;

- and -

DAVID TAYLOR, of

Port Colborne, Ontario

(a guarantor hereinafter individually referred to as ("**TAYLOR**") and collectively a "**Guarantor**")

OF THE FOURTH PART;

-and-

VERSITEC MARINE HOLDINGS INC.

a corporation incorporated pursuant to the Laws of the Province of Ontario

(a guarantor hereinafter individually called "**Holdings**" and collectively as a "**Guarantor**")

OF THE FIFTH PART;

- 2 -

-and -

LIQUID CAPITAL EXCHANGE CORP.
 5734 Yonge Street, Suite 400
 Toronto, ON M2M 4E7

(hereinafter called "Liquid Capital")

OF THE SIXTH PART

1. **INDEBTEDNESS OF THE BORROWER**

WHEREAS the Borrowers carry on business as an equipment manufacturer and service supplier.

AND WHEREAS the Borrower is party to various documents and agreements which establish credit facility arrangements between Liquid Capital, as lender, and each of Versitec Canada and Versitec USA, as borrowers, pursuant to: (i) a financing facility agreement dated June 21, 2017 providing for a \$500,000 Canadian & US Dollars loan, (the "**Facility Agreement**"); and (ii) a purchase and sale agreement dated June 21, 2017 providing for the purchase by Liquid Capital and the sale by the Borrowers of certain accounts receivable of the Borrowers (the "**Purchase Agreement**", and together with the Facility Agreement, the "**Borrower Documents**").

AND WHEREAS particulars of the aggregate Borrower Indebtedness to Liquid Capital as of April 25, 2019 are as follows:

A. **FACILITY INDEBTEDNESS – CANADIAN DOLLARS**

PRINCIPAL AMOUNT OWING	CAD\$49,557.96
INTEREST ACCRUED TO AND INCLUDING April 25, 2019	16,013.58
TOTAL INDEBTEDNESS (the "CAD Indebtedness")	\$65,571.54

* per diem interest is CAD\$45.72 and continues to accrue

B. **FACILITY INDEBTEDNESS – UNITED STATES DOLLARS**

PRINCIPAL AMOUNT OWING	USD\$0
INTEREST ACCRUED TO AND INCLUDING April 2, 2019	0
TOTAL INDEBTEDNESS (the "USD Indebtedness", and together with the CAD Indebtedness, the "Indebtedness")	\$0

* per diem interest is USD\$0 and continues to accrue

- 3 -

C. **SECURITY GRANTED BY BORROWER**

AND WHEREAS as security for the Indebtedness, and for any other monies advanced, or as may be advanced in the future by Liquid Capital to the Borrowers, and for all other present and future indebtedness, fees, expenses and other liabilities, direct or indirect, absolute or contingent, due from time to time by Liquid Capital to the Borrowers (collectively, the “**Obligations**”), the Borrowers granted to Liquid Capital security over its assets and undertaking consisting of a General Security Agreement dated June 21, 2017 (the “**Security**”).

D. **GUARANTEES IN SUPPORT OF THE INDEBTEDNESS**

AND WHEREAS the Obligations were guaranteed by each of Byrd, Taylor and Versitec Marine Holdings pursuant to separate written continuing guarantee and postponement of claim agreements, each dated June 21, 2017 (collectively, the “**Guarantees**”).

E. **DEFAULT**

AND WHEREAS each of the Borrowers and Guarantors acknowledges and agrees that various defaults have occurred under the Borrower Documents, which include, without limitation, the collection of funds and payments from various companies under invoices that had been factored and assigned to Liquid Capital. The failure to remit the foregoing funds constitutes a breach of trust by the Borrowers under the Borrower Documents. The other defaults under the Borrower Documents are more particularly set for in the letter of demand dated November 16, 2018 and issued by Liquid Capital to the Borrowers and the Guarantors.

F. **FORBEARANCE**

AND WHEREAS each of the Borrowers and the Guarantors have requested Liquid Capital not effect realization on the Security or upon their respective guarantees, and that Liquid Capital allow the Borrowers a Forbearance Period, as hereinafter set out, within which the Borrowers will obtain refinancing in an amount sufficient to fully repay the Indebtedness on or before the end of the Forbearance Period.

AND WHEREAS this Agreement reflects the terms upon which Liquid Capital is agreeable to not immediately take steps to exercise on the Security and the Guarantees and to forbear (having made demand and issuance of Notice of Intention to Enforce Security (“**NITES**”)), which forbearance shall only be effective provided all terms contained in this Agreement are fully complied with.

AND WHEREAS the Borrowers and each Guarantor acknowledges and confirms that Liquid Capital issued a demand for repayment to each of them and also issued NITES to each of them, and all of them each hereby request that Liquid Capital forbear in accordance with the terms contained herein, and to not enforce on such demand and NITES, the security granted by the Borrowers, or on the Guarantees, all as hereinafter more particularly set out.

AND WHEREAS Liquid Capital has agreed, in reliance upon the representation, warranties and covenants of the Borrowers and each Guarantor contained in this Agreement, and

- 4 -

subject to the terms and conditions contained herein being fully performed, to permit the parties hereto a Forbearance Period. The Borrowers and the Guarantors each agree to the Forbearance Terms and Forbearance Period as set out in this Forbearance Agreement (“**Agreement**”) and each of them acknowledge the terms and Forbearance Period are reasonable.

2. **REQUEST FOR FORBEARANCE FROM ENFORCING SECURITY**

Each of the Borrowers and the Guarantors, have requested Liquid Capital refrain from effecting on the respective security pledged to Liquid Capital and on the Guarantees given for the Indebtedness until the earlier of (1) December 31, 2019; (2) an Event of Default (as herein after defined) terminating the Forbearance Agreement (“**Forbearance Period**”).

3. **ACKNOWLEDGMENTS**

The Borrowers and each Guarantor jointly and severally, irrevocably and unconditionally acknowledge, represent, warrant and confirm that Liquid Capital is acting herein strictly in reliance upon the representations, warranties and covenants of each of the Borrowers and the Guarantors that:

- (a) each of the documents and agreements comprising the Security is valid and enforceable in accordance with its terms;
- (b) the Forbearance Period is reasonable and accepted by them as such;
- (c) the guarantees given by each of Byrd, Taylor and Versitec Marine Holdings, with respect to the Indebtedness, are valid and enforceable in accordance with its terms;
- (d) there has been a change in ownership of the Borrowers as follows:
 - (i) David Carpenter is no longer an employee with the Borrowers;
 - (ii) Reuben Byrd is a new investor and the CEO of the Borrowers;
 - (iii) Reuben Byrd has agreed to sign a personal guarantee of the obligations of the Borrower to Liquid Capital and Liquid Capital has agreed to enter into this Forbearance Agreement and continue factoring services, as outlined herein, in reliance on such guarantee;
- (e) except as provided in this Agreement or applicable law, Liquid Capital, having delivered demand and NITES as herein set out, is in a position to take steps to enforce on the Security, and on the Guarantees, and pursue all remedies with respect to the obligations of each of the Borrowers and each Guarantor, as it may deem appropriate;
- (f) except as provided in this Agreement, Liquid Capital (either by itself or through its officers, employees or agents or advisors) has made no promises or statement (express or implied, verbal or otherwise), nor has it taken any action or omitted to take any action that would constitute a waiver of its rights to enforce on the

- 5 -

Security and the Guarantees given in support of the Indebtedness, and pursue its remedies in respect of the obligations of the Borrowers and the Guarantors, including, but not limited to, the Security and the Guarantees;

- (g) The Borrowers will operate solely at their respective leased premises and carry on business in the normal course at all times, and all inventory, accounts receivable, equipment and other assets (including intangibles) used or owned by each of the Borrowers shall at all times continue to be owned by it for its own account and each of the Borrowers will daily and promptly deposit all receivables, and any other income sources, solely in its respective corporate bank account;
- (h) in the event of a default in one or more terms of this Forbearance Agreement, and an Event of Default notice being given (which default has not been specifically waived in writing by Liquid Capital), and a resultant termination of the Forbearance Period, the Borrowers and the Guarantors each acknowledge that the agreement by Liquid Capital to forbear shall automatically, and without further notice thereafter, terminate and be of no further force or effect, it being expressly agreed that the effect of termination will be to permit Liquid Capital to exercise its rights and remedies immediately, including, without limitation, the appointment of a Receiver-Manager ("Receiver") or a trustee in bankruptcy of the assets and undertaking of the Borrowers and to enforce on the Security and the Guarantees;
- (i) The Borrowers hereby expressly acknowledge and confirm their liability for the Indebtedness to Liquid Capital and the Guarantors confirm their Guarantees and that they are valid and enforceable in accordance with the terms of their respective Guarantees.
- (j) The Borrowers and the Guarantors confirm that the demand and NITES sent to them remain in full force and effect throughout the Forbearance Period and that Liquid Capital has not, and will not be deemed to have waived, varied, altered or in any other manner whatsoever withdrawn same. Each of the Borrowers and the Guarantors further acknowledge, consent, and confirm that Liquid Capital may continue to rely on the Demand and NITES and in the event of default hereunder, Liquid Capital shall be entitled to act on them without the need to issue any further or fresh Demand and/or NITES;
- (k) The Borrowers and the Guarantors each acknowledge and confirm that their respective liability for the Indebtedness are valid and enforceable in accordance with the respective loan term agreements and for guarantee agreements and that neither the Borrowers nor the Guarantors have any valid defence, claim, cause of action, counterclaim or rights of setoff or right of reduction or any other claim (in law or in equity) of any kind or nature whatsoever against Liquid Capital, its officers, directors or employees and confirm that Liquid Capital may, and is relying upon such acknowledgment as part of the consideration for entering into this Forbearance Agreement;
- (l) all statements contained in the recitals to this Forbearance Agreement are true and accurate in every respect and are incorporated herein;

- 6 -

- (m) each of the Demands and NITES issued to the Borrowers and the Guarantors has been validly and effectively given to them and will remain in effect at all times until all Indebtedness and obligations are fully satisfied;
- (n) Liquid Capital has not waived, and shall not be deemed to have waived, any defaults by the Borrowers, and Liquid Capital is immediately entitled, subject only to the terms of this Forbearance Agreement, to take enforcement steps as it determines to do so;
- (o) the entering into of this Forbearance Agreement by Liquid Capital does not constitute a withdrawal or revocation of the Demands or NITES or a waiver of existing or future defaults, or events of default under this Forbearance Agreement or a waiver of the obligation to pay the entirety of the Indebtedness by or before the end of the Forbearance term;
- (p) this Forbearance Agreement has been duly authorized and duly executed and delivered by a duly authorized officer of each of the Borrowers and the Guarantors, that is not an individual, and constitutes a legal, valid and binding obligation of such Borrower and Guarantor, enforceable in accordance with the terms herein set out, and each Guarantor that is an individual has the legal capacity to enter into this Forbearance Agreement;
- (q) this Forbearance Agreement has been fairly and freely negotiated between commercial parties and their respective legal counsel and each party is entering into this Forbearance Agreement voluntarily and without duress, bad faith, unreasonable or oppressive conduct, undue influence or other unfair advantage of any kind by or on behalf of any party hereto;
- (r) as of the date of this Forbearance Agreement being executed, Liquid Capital has acted in a commercially reasonable manner and each of the Borrowers and the Guarantors confirm same and are estopped from disputing same; and
- (s) the facts as set out in the recitals to this Agreement are true and correct, and are incorporated herein and form an integral part of this Agreement and are given knowing they are being relied upon by Liquid Capital as part of the consideration to enter into this Forbearance Agreement.

4. **CONTINUATION OF FACTORING SERVICES UP TO \$600,000**

The purchase and sale of certain accounts receivable (the “**Factoring Services**”) under the Terms of the Purchase Agreement, shall continue to be provided during the Forbearance Period, subject to the following, which shall amend the terms of the Purchase Agreement, as necessary to give effect the following:

- (a) each of the Borrowers shall be required to factor with Liquid Capital all of their respective accounts receivable which are acceptable to Liquid Capital;

- 7 -

- (b) all factored receivables shall be on a full notification basis to the applicable customers and with full recourse to the Borrowers and Guarantors, notwithstanding the factoring of such receivables to Liquid Capital;
- (c) A minimum of \$[600,000] of new accounts receivable of the Borrowers that are acceptable to Liquid Capital shall be factored immediately and the initial advance amount, together with any reserve payable on collection, shall be applied against the Indebtedness and all other amounts owing to Liquid Capital hereunder or under the Borrower's Documents, subject to the following deductions, which the Borrowers and the Guarantors agree shall be deducted from the initial advance:
 - (i) legal and other fees incurred by Liquid Capital, which shall include without limitation, legal fees and the fees of the Consultant (which is hereinafter defined); and
 - (ii) all amounts currently owing on account of the Indebtedness.
- (d) Effective immediately, the Borrower shall pay a 3% discount fee of the face value of the accounts receivable invoices purchased by Liquid Capital plus 0.1% per day on any amount that is not paid under such invoices after 30 days from the date of purchase.
- (e) The Borrowers shall comply with all of Liquid Capital's notification conditions and processes from time to time, which shall include, without limitation, the following:
 - (i) sign any required custom factor notification letters;
 - (ii) have a Liquid Capital assignment notification clearly printed on all invoices;
 - (iii) Liquid Capital is hereby authorized to contact and collect from the Borrower's customers any amounts owing under invoices that have been factored by Liquid Capital and to direct all payments owing by such customers to Liquid Capital or as it may otherwise direct; and;
- (f) accounts receivable eligible to be factored by Liquid Capital shall be limited to those accounts receivable that are credit insured by a Liquid Capital insurer or by the Borrowers under an Export Development Canada ("EDC") insurance policy, that is acceptable to Liquid Capital in its sole discretion. The Borrowers and Guarantors acknowledge and agree that all of the Borrowers' rights and benefits under their existing and any future EDC credit policies have been assigned pursuant to the Security. The Borrowers covenant and agree that they will sign such other documents and do such other things as may be requested by Liquid Capital in respect of the assignment of the assignment of the EDC insurance policies and the rights and benefits that arise therefrom.

- 8 -

5. COVENANTS

Each of the Borrowers and Guarantors covenants, acknowledges and agrees with Liquid Capital that:

- (a) Performance of all conditions and terms of this Agreement is an integral inducement for Liquid Capital to agree to enter into this Forbearance Agreement and that Liquid Capital is relying upon strict performance of all of the terms hereof and the accuracy and truthfulness of the representations and warranties provided herein as an inducement to enter into this Forbearance Agreement;
- (b) The Borrowers shall engage Newhouse Partners Inc. (the “**Consultant**”) on the terms and conditions more particularly set forth in the engagement letter dated **[March 29, 2019]**. The Borrowers acknowledge and agree that any costs associated with the engagement of the Consultant will be for the account of the Borrowers alone and Liquid Capital shall have no obligation in respect of same.
- (c) The Borrowers acknowledge and agree that notwithstanding any provisions of the Purchase Agreement to the contrary, Liquid Capital may directly contact any of the Borrowers’ account debtors whose accounts have been purchased by Liquid Capital pursuant to the Purchase Agreement in connection with collecting upon such accounts.
- (d) The Borrowers acknowledge and agree that Liquid Capital may continue to provide the Borrowers with factoring services pursuant to the terms of the Purchase Agreement, and subject to section 4 above, during the Forbearance Period in its sole and absolute discretion and Liquid Capital may hold back from any advance amount pursuant such continued factoring arrangements any additional reserves Liquid Capital deems necessary in connection therewith.
- (e) The Borrowers will forthwith provide to Liquid Capital:
 - (i) Payment to Liquid Capital of an extension and administrative fee of \$10,000 (“**Fee**”) to partially reimburse Liquid Capital with respect to the time expended by it with respect to dealing with default issues and negotiating this Agreement. The Fee becomes fully earned, due and payable upon execution by all parties of this Forbearance Agreement. The Fee will be paid by the Borrowers to Liquid Capital on execution of this agreement, without further notice. The Borrowers will ensure there are sufficient funds in its account to pay the Fee;
 - (ii) The Borrowers acknowledge failure to obtain alternate funding sufficient to repay Liquid Capital in full by **December 31, 2019** will be an event of default enabling Liquid Capital to immediately terminate the Forbearance Period and forthwith take all steps it deems necessary to protect its loan and security therefore;

- 9 -

- (iii) The Borrowers will not declare any dividends, nor repay any shareholders' loan, inter-corporate indebtedness or make any other payment to any corporation or person who does not deal at arm's length (as such term is defined in the *Income Tax Act* (Canada)) with it and no salaries, bonuses or other form of compensation, direct or indirect, will be paid out except as was paid to employees, officers and directors and with payment being consistent with past payment amounts;
- (iv) Each of the Borrowers covenants and warrants that all lease payments for the premises it carries on business from are and will be kept current. Each of the Borrowers covenant to immediately notify Liquid Capital of any non-payment of rent when due, or any other covenant breach by such Borrower of its lease;
- (v) The Borrowers will reimburse Liquid Capital for all expenses, including all legal fees and disbursements, that Liquid Capital has incurred or will incur arising out of its dealings with it, both to date and with respect to, and including the Forbearance Agreement, all matters related to payout, and in any protection, preservation and/or enforcement of the Security or the Guarantees, including the preparation of this Agreement, and covenants and agrees to fully reimburse Liquid Capital for all such expenses and legal fees and disbursements;
- (vi) The Borrowers will provide to Liquid Capital, in accordance with its loan agreement and credit facility terms, all reports, including, but not limited to, weekly reporting as required by Liquid Capital, including, but not limited to, weekly updated cash flow reports and bank statements for all accounts of the Borrowers, and in addition thereto, monthly reporting, including internally prepared financial reports, bank statements with copies of all cancelled cheques, and a statutory declaration signed by a director of the Borrowers, setting out all government priorities (including HST, withholding taxes, CPP and employment insurance), paid and payable, and that all wages to date of declaration are paid and that there are no unpaid monies due for government taxes, liens, deemed trust, super priorities and the Borrowers acknowledge failure to keep same current will be an event of default;
- (vii) prior to any contemplated sale or other disposition of any assets, including but not limited to, the premises lease, or equipment, out of the ordinary course of business, the Borrowers will provide Liquid Capital with full particulars of the contemplated transaction and will not carry out such transaction without the prior written consent of Liquid Capital having been first obtained; and
- (viii) Taylor agrees to provide a collateral charge against his property located at 518 King Street, Port Colborne, Ontario; and

- 10 -

- (ix) Byrd agrees to provide a collateral charge against his property located at 19480 Saturnia Lakes Drive, Boca Raton, Florida or such local properties as Liquid Capital may agreed upon. To the extent required by law, Byrd covenants and agrees to obtain his spouse's consent to such charge and obtain independent legal advice for his spouse;
- (f) In order to ensure the smooth running and continued operations, the Borrowers agrees to use comfort letters and irrevocable directions as required to ensure key suppliers are paid. As at April 2, 2019 there is approximately \$450,000 of the Borrowers' accounts payable which need to be paid; and
- (g) While the Forbearance Agreement is in place, the Borrowers agree not to obtain or such any borrowings or loans from third parties, including without limitation, Merchant cash loan. In addition, the Borrowers agree, upon the request of Liquid Capital, to repay all outstanding loan obligations to Premium Capital Group Inc. and Merchant Advance Capital and to obtain the discharge of any security relating to these loans, which shall include the registration of financing statements under the *Personal Property Security Act* (Ontario) discharging such loans.

6. GUARANTOR ACKNOWLEDGEMENT

Each of the Guarantors confirms to Liquid Capital that each is cognisant of the current financial circumstances of the Borrowers for which it has guaranteed payment pursuant to its guarantee.

7. DELIVERY OF DOCUMENTS

The Borrowers and Guarantors shall deliver or cause to be delivered, the following documents, all in a form required by Liquid Capital on or before May 10, 2019:

- (a) Byrd shall deliver an unlimited guarantee using Liquid Capital's standard form guarantee;
- (b) the collateral charges referenced above shall be delivered;
- (c) the consulting agreement with the Consultant; and
- (d) this Forbearance Agreement.

8. CONSENT TO APPOINTMENT OF RECEIVER-MANAGER ("RECEIVER")

Receiver Application

Upon the earlier of (i) the expiry of the Forbearance Period without repayment in whole to Liquid Capital; or (ii) the occurrence of an Event of Default of which Liquid Capital has given the Borrowers and the Guarantors notice, Liquid Capital may immediately terminate all credit facilities, terminate its forbearance hereunder and the Forbearance Period, and take steps to enforce, without further notice or delay, all of its rights and remedies against each of the Borrowers and each Guarantor for such indebtedness, including taking steps to realize on the

- 11 -

security and guarantees, which rights and remedies may, at the sole option of Liquid Capital include an application to Court for the appointment of a receiver or receiver-manager and each of the Borrowers and the Guarantors consent to such appointment of a receiver and agree that they do not, and will not, oppose such appointment and that Liquid Capital can rely upon the consent to appointment of a Receiver contained herein and that such consent shall be ongoing until such time as all Indebtedness is fully repaid. Each of the Borrowers and the Guarantors shall be estopped from disputing their respective consent to the appointment of a receiver following an event of default and termination of the forbearance term and this agreement.

9. **EVENTS OF DEFAULT**

The occurrence of any one or more of the following events shall constitute an event of default (“**Event of Default**”) under this Agreement:

- (a) Liquid Capital shall not be repaid in full on or before [December 31], 2019;
- (b) failure to make any other payments to Liquid Capital on their due date;
- (c) failure to provide any reports, certificates, information or materials required to be provided to Liquid Capital pursuant to any Liquid Capital facility agreement, the security granted to Liquid Capital or this Agreement;
- (d) if any representation or warranty provided to Liquid Capital (herein or otherwise) by the parties hereto was incorrect when made or becomes incorrect;
- (e) failure to execute and deliver to Liquid Capital this Forbearance Agreement no later than May 10 2019 ;
- (f) failure to materially perform or comply with any of the covenants, terms, obligations or conditions contained in this Agreement, or in any other agreement or undertaking made between the parties hereto and Liquid Capital;
- (g) if the Security ceases to constitute a valid and perfected security interest against all assets of the Borrowers granted to Liquid Capital, ranking first in priority, or for any other reason Liquid Capital reasonably considers that its security, or any part thereof, is at risk;
- (h) the Borrowers or the Guarantors, or any of them, take any steps to challenge the validity or enforceability of Liquid Capital’s security, the Indebtedness (which shall include without limitation, all indebtedness owing under any continued factoring services provided by Liquid Capital as set out herein, any security granted to Liquid Capital as security for the Indebtedness, the Guarantees, or this Agreement, or any parts thereof;
- (i) if, in Liquid Capital’s commercially reasonable opinion, a material adverse change occurs in the business, affairs or condition of the Borrowers, financial or otherwise, arising for any reason whatsoever;

- 12 -

- (j) default by the Borrowers under this Forbearance Agreement and for which default Liquid Capital declares an Event of Default and terminates this Agreement and the Forbearance Period;
- (k) if at any time during the forbearance term any of the Borrowers or the Guarantors consents to or makes a general assignment for the benefit of creditors or takes advantage of any insolvency, restructuring, reorganization, other creditor protection legislation, or takes any corporate steps in furtherance of the foregoing, or is declared a bankrupt, or if a liquidator, trustee in bankruptcy, custodian, interim receiver, receiver or receiver manager or other party with similar powers is appointed over the Borrowers or any step in furtherance of any of the foregoing is taken for the Borrowers; and
- (l) the expiry or early termination of this Forbearance Agreement without repayment of all indebtedness owing by the Borrowers to Liquid Capital.

10. **TOLLING ARRANGEMENTS**

- (a) as of the date hereof, and continuing until the termination of the Forbearance Period and thereafter, until the termination of the tolling arrangements hereof in the manner provided for herein, Liquid Capital, each of the Borrowers and the Guarantors hereby agree to toll and suspend the running of the applicable statutes of limitations, laches or other doctrines related to the passage of time in relation to the Indebtedness, the security and the guarantees, and any entitlements arising from the indebtedness or the Security and any other related matters, and each of the parties confirms that this agreement is intended to be an agreement to suspend or extend the basic limitation period provided by Section 4 of the *Limitations Act*, 2002 (Ontario) as well as the ultimate limitation period provided by Section 15 of the *Limitations Act*, 2002 (Ontario) in accordance with the provisions of Section 22 (2) of the *Limitations Act*, 2002 (Ontario) and as a business agreement in accordance with the provisions of Section 22 (5) of the *Limitations Act*, 2002 (Ontario), and any contractual time limitation on the commencement of proceedings, any claims or defences based upon such applicable statute of limitations, contractual limitations, or any time related doctrine including waiver, estoppel or laches; and
- (b) the tolling provisions of this Forbearance Agreement will terminate upon either party providing the other with 60 clear days written notice of an intention to terminate the tolling provisions hereof, and upon the expiry of such 60 days' notice, and any time provided for under the statutes of limitations, laches, or any other doctrine related to the passage of time in relation to the indebtedness, the Security or any entitlements arising from the indebtedness of the Borrowers or the Security and guarantees, and any other related matters, will recommence running as of the effective date of such notice, and, for greater certainty, the time during which the limitation period is suspended pursuant to the tolling provisions of this Forbearance Agreement shall not be included in the computation of any limitation period.

- 13 -

11. **ENFORCEMENT**

Upon the occurrence of either an Event of Default or the non-payment of the Obligations of the Borrowers ("**Termination Event**"), Liquid Capital may forthwith take steps to terminate the Forbearance Period and enforce all security and pursue any or all remedies that it may have against either of the Borrowers and the Guarantors, including, without limitation, the appointment of a Receiver, or a Receiver and Manager over the Borrowers as Liquid Capital shall determine in its sole discretion.

12. **CREDIT ENQUIRIES**

If Liquid Capital is asked to respond to any credit enquiry concerning the Borrowers made by any other bank, financial institution or any other lending party, Liquid Capital may refuse to respond to such enquiry, unless each of the Borrowers and the Guarantors each consent in writing to Liquid Capital responding, and the Borrowers and the Guarantors, hereby release and discharge Liquid Capital in respect of any loss that the Borrowers and/or the Guarantors may suffer as a result of such refusal to respond, or arising from Liquid Capital responding following receipt of written confirmation by each of the Borrowers and the Guarantors to do so.

13. **NO CLAIMS AGAINST LIQUID CAPITAL**

- (a) Each of the Borrowers and the Guarantors, jointly and severally confirm that they do not dispute their liability to pay the indebtedness of the Borrowers or the amount they have guaranteed, on any basis whatsoever, and each of the Borrowers and the Guarantors have no cause of action, claim, set-off, counterclaim or damages, direct or indirect, contingent or otherwise, on any basis whatsoever (in law or in equity) against Liquid Capital as of the date of this Agreement.
- (b) The Borrowers and each of the Guarantors acknowledge that all security and guarantees for the indebtedness of the Borrowers granted to Liquid Capital, or any of it, has not been discharged, varied, waived, released, forgiven, amended, or altered in any manner whatsoever, and continues to be binding upon and is enforceable against it in accordance with its terms. The guarantors acknowledges that the guarantees granted by them to Liquid Capital as security for the Obligations of the Borrowers are in full force and effect and enforceable against them in accordance with the terms thereof.
- (c) Each of the Borrowers and the Guarantors (collectively the "**Releasors**") hereby releases, remises, acquits and forever discharges Liquid Capital, its officers, directors, employees, consultants and advisors (the "**Released Parties**") from any and all actions, causes of action, judgments, executions, suits, debts, claims, liabilities, obligations, setoffs, recoupments, counterclaims, defences, damages and expenses of any and every character, known or unknown, suspected or unsuspected, direct and/or indirect, at law or in equity of whatsoever kind or nature, whether heretofore or hereafter arising, for or because of any matter or things done, omitted or suffered to be done by any of the Released Parties prior to and after the date hereof, and in any way directly or indirectly arising out of or in any manner connected with the Forbearance Agreement, the loan facility

- 14 -

documents, the security granted to Liquid Capital (and any enforcement relating thereto) (the “Released Matters”). Each Releasor acknowledges that the agreements in this section are intended to be in full satisfaction of all or any alleged injuries or damages arising in connection with the Released Matters and constitute a complete waiver of any right of setoff or recoupment, counterclaim or any other defence or cause of action of any nature whatsoever with respect to the Released Parties or which might limit or restrict the effectiveness or scope of its agreements in this section. Each Releasor represents and warrants that it has no knowledge of any claim by it against the Released Parties or any facts, or acts or omissions of the Released Parties which is not released hereby. Each Releasor represents that it has not purported to transfer, assign, pledge or otherwise convey any of its rights, title or interest in any Released Matter to any other person or entity and that the foregoing constitutes a full and complete release of all Released Matters. The Releasors have granted this release freely and voluntarily and without duress.

- (d) Each of the Borrowers acknowledges and agrees with Liquid Capital that with respect to this Agreement, nothing contained herein, or any agreement with Liquid Capital referred to herein, shall have the effect of changing the nature of any part of the Obligations which are characterized as demand facilities from a demand facility, subject to the terms of this Agreement. This Agreement will not discharge or constitute novation of any debt, obligation, covenant or obligation contained in any agreement with Liquid Capital or any security, and same shall remain in full force and effect, save to the extent it is specifically amended by the provisions of this Agreement.

14. **SURVIVAL OF REPRESENTATIONS AND WARRANTIES**

All representations and warranties made in this Forbearance Agreement or any other document furnished in connection herewith shall survive the execution and delivery of this Forbearance Agreement and such other document and shall not affect the continuation of all such representations and warranties and the right of Liquid Capital to rely upon them.

15. **NOTICE**

Without prejudice to any other method of giving notice, any notice required or permitted to be given to a party pursuant to this Agreement shall be conclusively deemed to have been received by such party on the next business day following the sending of the notice by prepaid private courier or on the next business day if sent by facsimile to such party at his, her or its facsimile number and address noted on the first page of this Agreement. Any party may change his, her or its address for service by notice given in the foregoing manner. In the case of The Borrowers and the Guarantors, the address for service as of the date of this Agreement is:

1635536 Ontario Inc.
4 Stonebridge Drive, Unit 4
Port Colborne, Ontario L3K 5V4
Attention: David Taylor

Versitec Marine USA Inc.

- 15 -

1623 Military Road, #283
Niagara Falls, New York, USA 14304
Attention: David Taylor

David Taylor
4 Stonebridge Drive, Unit 4, Port Colborne,
Ontario, L4K 5V5 Email:
dtaylor@versitecmarine.com

Reuben Kary Byrd 19480 Saturnia Lakes
Drive, Boca Raton, Florida 33498
Email: rbyrd@versitecmarine.com

Liquid Capital Exchange Corp.
5734 Yonge Street, Suite 400
Toronto, ON M2M 4E7
Attention: Jonathan Brindley
Email: jbrindley@liquidcapitalcorp.com

– with a copy to –
Torkin Manes LLP
151 Yonge Street, Suite 1500
Toronto, ON M5C 2W7
Attention: Jeffrey Alpert
Email: jalpert@torkinmanes.com

16. TIME OF THE ESSENCE

Each of the parties hereto acknowledges that time is of the essence of this Agreement. A waiver by Liquid Capital of any default, event of default, breach or non-compliance under this Agreement is not effective unless in writing and executed by Liquid Capital confirming such waiver by Liquid Capital.

17. FURTHER ASSURANCES

Each party agrees to promptly do, make, execute and deliver all such further acts, documents and instruments as Liquid Capital may reasonably require to allow Liquid Capital to enforce any of its rights under this Agreement and to give effect to the intention of this Agreement.

18. LAWS OF ONTARIO

This Agreement shall be governed by the laws of the Province of Ontario and the laws of Canada (without regard to any rules or principles relating to conflicts of law) applicable therein. The parties hereto irrevocably submit and attorn to the non-exclusive jurisdiction of the Courts of the Province of Ontario and the Provincial and federal laws of Canada applicable thereto. Notwithstanding the provisions herein, each of the Borrowers and the Guarantors acknowledge

- 16 -

and agree that Liquid Capital shall be at liberty to take enforcement proceedings, including appointment of a Receiver, in the [Province of Ontario or the State of New York] should Liquid Capital so determine to do so.

19. GENERAL

If any provision of this Agreement shall be deemed by any court of competent jurisdiction to be invalid or void, the remaining provisions shall remain in full force and effect.

This Agreement shall be binding upon and shall enure to the benefit of the parties hereto and their respective heirs, executors and successors.

This Agreement constitutes the entire agreement of the parties relating to the subject matter hereof and may not be amended or modified except by written consent executed by all parties. No provision of this Agreement shall be deemed waived by any course of conduct unless such waiver is in writing and signed by all parties, specifically stating that it is intended to modify this Agreement. In the event of a contradiction between the terms and conditions of this Agreement, and the terms and conditions of the security, the terms and conditions of this Agreement shall prevail.

20. LEGAL ADVICE

Each of the Borrowers and the Guarantors acknowledge they have reviewed this Agreement in its entirety with their legal counsel prior to executing same, and execute this Agreement with full capacity to do so, freely and voluntarily, with full knowledge and understanding of the contents and obligations contained herein and acknowledge Liquid Capital has advised them to seek legal advice before executing this Agreement.

21. COUNTERPART

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same instrument. This Agreement may be executed as an original hereof or by facsimile transmission, with an original to be exchanged between the parties hereto forthwith thereafter.

22. SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon and shall enure to the benefit of the parties hereto and their respective permitted successors and assigns.

23. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement of the parties relating to the subject matter hereof and may not be amended or modified except by written consent executed by all parties. No provision of this Agreement shall be deemed waived by any course of conduct unless such waiver is in writing and executed by all parties, specifically stating that it is intended to modify this Agreement. In the event of a contradiction between the terms and conditions of this Agreement and terms of any credit facility with the Borrowers, the terms hereof to the extent applicable, shall prevail.

IN WITNESS WHEREOF AND FOR VALUABLE CONSIDERATION, this Agreement has been executed, sealed and delivered by the parties hereto.

1635536 ONTARIO INC.

Per: [Signature]
Name: DAVE Taylor
Title: President
I have the authority to bind the corporation

VERSITEC MARINE USA INC.

Per: [Signature]
Name: DAVE TAYLOR
Title: President
I have the authority to bind the corporation

VERSITEC MARINE HOLDING INC.

Per: _____
Name: DAVE TAYLOR
Title: President
I have the authority to bind the corporation

[Signature]
Witness

[Signature]
DAVID TAYLOR

Witness

REUBEN BYRD

LIQUID CAPITAL EXCHANGE CORP.

Per: _____
Name:
Title:
I have the authority to bind the corporation

IN WITNESS WHEREOF AND FOR VALUABLE CONSIDERATION, this Agreement has been executed, sealed and delivered by the parties hereto.

1635536 ONTARIO INC.

Per: Reuben Byrd
Name: Reuben Byrd
Title: CEO
I have the authority to bind the corporation

VERSITEC MARINE USA INC.

Per: Reuben Byrd
Name: Reuben Byrd
Title: CEO
I have the authority to bind the corporation

VERSITEC MARINE HOLDING INC.

Per: Reuben Byrd
Name: Reuben Byrd
Title: CEO
I have the authority to bind the corporation

Witness

DAVID TAYLOR
Reuben Byrd
REUBEN BYRD

Witness



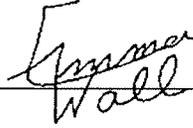
LIQUID CAPITAL EXCHANGE CORP.

Per: [Signature]
Name: E. Brandon
Title:
I have the authority to bind the corporation

[Signature]

This is **Exhibit "C"** referred to in the affidavit of Reuben Byrd

Affirmed before me on this 7th day of January 2022

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

Commissioner for Taking Affidavits (or as may be)

Emma Janine Wall, a Commissioner **etc.**,
Province of Ontario, while a **Student-At-Law**.
Expires July 14, 2023.

THE LAW OFFICES OF
KEVIN JACKSON, P.A.
1136 SOUTHEAST THIRD AVENUE
FORT LAUDERDALE, FLORIDA 33316
TELEPHONE: (954) 779-2272
FACSIMILE: (954) 463-2301

March 29, 2021

SENT VIA U.S. MAIL AND EMAIL

Jon Swergold
Greenberg Traurig, P.A.
401 E. Las Olas Blvd., #2000
Ft. Lauderdale, FL 33301
swergoldj@gtlaw.com

Re: Notice of Default and Intent to Accelerate dated March 23, 2021 related to
Liquid Capital Exchange, Inc. and Reuben Byrd

Dear Mr. Swergold:

Please be advised that this law firm represents Reuben Byrd in the above referenced matter (as such, all future communication and inquires should be directed to the undersigned at the address set forth within the letterhead). We are in receipt of your correspondence to Mr. Byrd, sent on behalf of Liquid Capital Exchange, Inc. ("Liquid Capital"), dated March 23, 2021, wherein it is Liquid Capital's position that Versitec Marine (CAN), Versitec Marine USA, Inc and Reuben Byrd (as guarantor) are in default of certain loan documentation between the Versitec entities and Liquid Capital, as more specifically set forth within your correspondence. Further, it is our understanding that it is your client's position that, as a result of said alleged default of the loan documentation, your client is alleging that \$321,238.44 is owed to it from Verstice Marine (CAN) and \$265,078.13 is owed to it from Versitec Marine USA, all of which is guaranteed by Mr. Byrd.

It is Mr. Byrd's position that not only are the monetary amounts set forth within your correspondence not owed to Liquid Capital but, in fact, Liquid Capital has been overpaid a total of \$84,399.15 (CAN) with respect to Liquid Capital's account number 4822 and has been overpaid a total of \$6,310.47 (USD) with respect to Liquid Capital's accounts number 4821 and 4820U by the Versitec entities. These figures were calculated and determined by a neutral third party, Versitec's prior receiver, John Morgan, and have been provided to your client multiple times. These figures were also verified by Versitec's accountant, Brian Gunning. The majority of the funds that make up the credit due to Versitec stems from your client's continuous refusal to acknowledge, and account for, the 20% in escrow reserves that Versitec has retained related to Versitec's collections but for which Versitec has not been provided credit. Additionally, Liquid Capital has collected monies that it should not have collected, for which it had no right to collect (i.e, collected upon invoices that had nothing to do with the factoring agreement) but for which the Versitec entities have not been given credit (for example, from January 23, 2019 through August4, 2020, Liquid Capital withheld monies from Fund 33, Fund 40, had customers pay Liquid Capital funds directly on non-factored invoices (i.e., invoices 219042, 219064, 219108, 219110, 219127, 219143, 219144, 219164, 219165, 219167, 219181, etc..) and simply took money from Versitec customers that Liquid Capital

had no right to take and for which Versitec was never provided credit).

Within your March 23, 2021 correspondence, you set forth that if the amounts claimed to be owed to Liquid Capital are not paid by April 2nd, Liquid Capital shall move forward as against Versitec and/or Reuben Byrd accordingly, including an action for foreclosure of a lien/mortgage as against the property located at 19480 Saturnia Lakes Drive, Boca Raton, FL 33498. Please be advised that if your client attempts to file such a lawsuit, after being on notice that its accounting, as set forth within your letter, is completely inaccurate, Mr. Byrd has authorized our firm to defend such an action, to bring a counter-claim against Liquid Capital for the funds owed to Versitec, from Liquid Capital, and to seek sanctions and recovery of its attorney's fees and costs in any way related to said litigation based on the bringing of a frivolous lawsuit.

Please advise if you would like to discuss meeting to try to resolve this matter or, in the alternative, how your client would like to proceed in this matter. We look forward to hearing from you.

Yours very truly,

Kevin R. Jackson, Esquire
For the Firm

cc: client

LIQUID CAPITAL EXCHANGE CORP.
Applicant

-and- 1635536 ONTARIO INC. et al
Respondents

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
Toronto

AFFIDAVIT OF JOHN HOWARD DEANE MORGAN

Paliare Roland Rosenberg Rothstein LLP
155 Wellington Street West
35th Floor
Toronto ON M5V 3H1

Jeffrey Larry (LSO# 44608D)
Tel: 416.646.4330
jeff.larry@paliaroland.com

Massimo (Max) Starnino (LSO# 41048G)
Tel: 416.646.7431

max.starnino@paliaroland.com

Danielle Glatt (LSO# 65517N)
Tel: 416.646.7440
danielle.glatt@paliaroland.com

Lawyers for the Respondent, Reuben Byrd

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

**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

AFFIDAVIT OF JOHN HOWARD DEANE MORGAN

I, John Howard Deane Morgan, of the City of Barrie , in the Province of Ontario,
MAKE OATH AND SAY:

1. I am the principal of Morgan & Partners Inc. ("**MPI**"), the former receiver in these proceedings (the "**Receiver**"). I have held a Chartered Accounting designation since 1980, and I obtained my designation as a Chartered Insolvency and Restructuring Professional and trustee license in 1995. In 2001 I received designations as a Certified Fraud Examiner and in Certified Business Management. I have been qualified as an expert witness in a number of forensic accounting and insolvency related matters. A comprehensive list of those cases is contained in **Exhibit "A"** to this affidavit. In each of those cases my evidence was found to be credible and was accepted by the court.

2. I am swearing this affidavit in connection with a motion brought by Liquid Capital Exchange Corp. ("**LCX**"), for judgment against Reuben Byrd ("**Mr. Byrd**") in respect of his guarantee of the Respondents' debt to LCX. I have personal knowledge of the facts to which I depose in this affidavit by virtue of my position with MPI. Where I do not have personal knowledge, I indicate the source of my information and I believe all such facts as related herein to be true.

3. In particular, I am swearing this affidavit because LCX's motion record was brought to my attention by Mr. Byrd and it appears to me that LCX, and perhaps BDO Dunwoody, the current Receiver, are misinterpreting a statement made by MPI in its first report to this court dated February 5, 2021 (the "**First Report**"), and relying on the statement for a purpose other than that for which it was intended. For ease of reference, a copy of the First Report is marked as **Exhibit "B"** to this affidavit.

4. Specifically, LCX refers to paragraph 54 of the First Report as support for the proposition that the Respondents are indebted to LCX *on a net basis*.

5. I wish to be clear that based on the information that I personally reviewed on behalf of MPI, it appears to me that the Respondents are NOT, on a net basis, indebted to LCX. To the contrary, on a net basis it appears to me that at the effective time of my review, LCX was indebted to the Respondents in the approximate amount of \$41,667.46, before considering the payment made to it in the course of these proceeding in the amount of \$81,000, and assuming that it was entitled to other fees charged and allowed by MPI in the amount of \$149,701. If these were also reversed on

equitable grounds because Versitec was not indebted to LCX at the outset of these proceedings, then aggregate amount owing by LCX would be in the range of \$280,000.

6. There were two parts to the analysis conducted by MPI during its tenure as Receiver in respect of the Respondents' dealings with LCX. They were as follows.

- (a) First, MPI verified the amount of the Respondents' outstanding receivables factored by LCX (the "**Factored Receivables Analysis**"). The passage from the MPI Report cited above speaks to the findings of that analysis, which confirmed the amount of the receivables factored by LCX which remained outstanding.
- (b) Second, MPI calculated the amount owing to the Respondents by LCX on account of:
 - (i) the amount of the reserves withheld by LCX from the purchase price of the factored receivables (the "**Reserves**"); and
 - (ii) the amount of the Respondents' receivables which were not factored by LCX, but for which LCX nonetheless received payment from the Respondents' customers as a result of the course of dealings between the parties¹ (the "**Unfactored Receivable Payments**"), based upon the records available to the Respondents (the "**Reserve and Unfactored Receivables Analysis**").

¹ The invoices issued by the Respondents directed their customers to make payment to LCX's account in anticipation that LCX would factor the receivable. When the Respondents subsequently submitted the list of receivables to LCX, however, LCX would sometimes refuse to factor certain receivables. Nonetheless, in light of the payment terms stipulated on the invoice, the customer would make payment to LCX's account.

7. The Reserve and Unfactored Receivables Analysis showed that LCX was indebted to each of the Respondents in respect of both the Reserve and the Unfactored Receivable Payments, and, moreover, that on a net basis (i.e., when the cross-obligations of LCX and the Respondents were set off against each other), LCX was indebted to the Respondents.

8. I first presented these results to LCX's representative, Jonathan Brindley ("**Mr. Brindley**"), on or about September 22, 2020. LCX disputed the Reserve and Unfactored Receivables Analysis, and I asked LCX (Mr. Brindley) to provide me with LCX's source documentation in respect of the Reserves and the Unfactored Receivable Payments, together with the analysis relied upon by LCX in support of its position. LCX never provided me with this information.

9. The fundamental point of disagreement relates to the application of various penalties (or "chargebacks") applied by LCX to the Versitec accounts. I backed-out many of these chargebacks because they were not substantiated by my review.

- (a) In some cases LCX failed to provide any justification for the penalty.
- (b) In cases where LCX did tie the penalty to non-payment of a particular receivable, I found, on review of the payment history, that LCX had, in fact, received the funds in a timely way. The most that can be said is that in some cases factored receivables were paid into Versitec's account as opposed to LCX's account, but in all instances the funds were transferred by Versitec to LCX within a matter of days. The transfer did not always occur within the two day timeframe contemplated by the APS, but LCX did

not provide me with evidence of any loss associated with these payments and I was unable to independently identify such a loss. Moreover, LCX did not provide me with information from which I might infer that the charges contemplated by the APS constitute a genuine pre-estimate of damages and not a penalty.

- (c) Finally, LCX charged a penalty for alleged “fraud and conversion”. LCX did not provide and I was unable to independently identify any basis for a claim of fraud or conversion by Versitec.

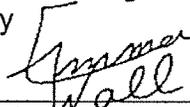
10. In or about February 2021, in light of a series of disagreements between MPI and LCX, MPI brought a motion seeking its substitution, and in connection with that motion it filed the First Report. The First Report expressly states that its purpose was “to summarize and seek approval of limited activities of the Receiver...on consent” (underlining added). Paragraph 54 of the First Report is specific to “the factored accounts receivable which could be released to LCX”, and “the amounts owed to LCX”. Having regard to the purpose of the First Report, it is necessarily silent as to the amount owed by LCX to the Respondents. That is, MPI did not report on the Reserve and Unfactored Receivables Analysis because it remained a point of disagreement between MPI and LCX, and because I did not perceive the issue to be material to the relief being sought at that time. Judgment was not being granted against the Respondents.

11. In light of the relief that is now being sought, I have been asked to review and revisit the Reserve and Unfactored Receivables Analysis, and to provide my findings to

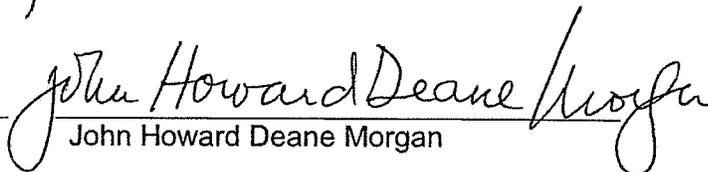
the court. I confirm that apart from payment for my time at my usual hourly rate, I have no pecuniary interest in the outcome of the pending motion.

12. I have reviewed my earlier analysis and no further information has been provided by LCX. My report detailing my methodology and findings is marked as **Exhibit "C"** to this affidavit. In summary, although I picked up some mistakes made in my earlier analysis, I remain of the view that at the time of my review, LCX was indebted to the Respondents.

AFFIRMED remotely by John Howard Deane Morgan at the City of Barrie, in the Province of Ontario, before me on this 10th day of January, 2022 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely



Commissioner for Taking Affidavits

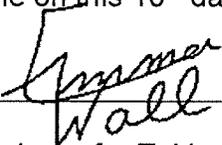


John Howard Deane Morgan

Emma Janine Wall, a **Commissioner etc.**,
Province of Ontario, while a **Student-At-Law**.
Expires July 14, 2023.

This is **Exhibit "A"** referred to in the affidavit of John Howard Deane Morgan

Affirmed before me on this 10th day of January 2022

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

Commissioner for Taking Affidavits (or as may be)

Emma Janine Wall, a **Commissioner etc.**,
Province of Ontario, while a **Student-At-Law**.
Expires July 14, 2023.

**JOHN H.D MORGAN
TESTIFYING AS A WITNESS**

1. Brian Strutt a bankrupt solicitor

testified at the Superior Court of Justice (in Bankruptcy) concerning the use of an inactive foreign company holding a fraudulent mortgage in 2004
resulted in funds seized as a result of the sale of the property reverting to the bankrupt estate
and being paid out to creditors as opposed to the funds being seized and remitted to a foreign jurisdiction

2. Allaird , a bankrupt

testified at the Superior Court of Justice (in Bankruptcy) on identity theft in 2002
resulted in an assignment in bankruptcy being annulled as a result of proving false
identity used in original filing of assignment
assisted the OPP in arresting the bankrupt that was wanted on two counts of murder in Quebec
set precedent with this case for annulling a bankruptcy on this basis

3. Czmerik bankruptcy/ McGregor Marine insolvency

testified before Superior Court of Justice in 2004 and 2005
bankrupts were accused of breach of fiduciary responsibilities under the Bankruptcy and Insolvency Act
after completing testimony 37 of the 38 charges were dropped and the bankrupt that I was responsible for
pleaded to a lesser charge while other individuals were found guilty and sentenced accordingly

4. Earl vs Earl matrimonial proceeding

testified before Divisional Court on misappropriated and hidden assets and skimming totalling \$450K
testified on numerous occasions between 2003 and 2005 in this matter
resulted in Court settling an equalization claim for a significantly higher amount than previously thought

5. Linda Belfry Economic loss award

gave testimony in 2003 before Superior Court of Justice on an economic and medical loss award as
a result of prolonged parental abuse
resulted in the Court awarding an award of \$200K in this matter

6. R vs Therrein

was qualified as an expert witness in Forensic Accounting and gave testimony in Criminal court in 2008
accused was prosecuted for cash larceny in various forms totalling \$80,000 from a Construction company
proceedings were by way of a Judge and Jury trial

7. Fontana, a bankrupt

was asked by the Crown to give expert witness testimony in a fraud case involving cash larceny
and elder abuse in an amount in excess of \$150,000.
this case is ongoing as of October 1, 2013
attended at fraud trial and gave evidence October 2016

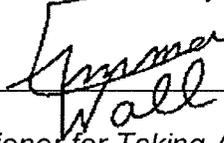
8. Northern Overhead Doors, a bankrupt corporation

was qualified in June 2013 in Superior Court of Justice as an expert witness in both Insolvency and
accounting of a bankrupt company and its shareholders of defrauding a supplier of inventory exceeding
\$300,000.00
Court found the company and the sister company guilty of Fraud under the Criminal Code as well as the officers and directors
of the companies guilty of being co-conspirators in the fraud and breaching the Bulk Sales Act

In all of these cases was qualified by the presiding Judge as an expert witness and evidence was considered creditable by the Court

This is **Exhibit "B"** referred to in the affidavit of John Howard Deane Morgan

Affirmed before me on this 10th day of January 2022

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

Commissioner for Taking Affidavits (or as may be)

Emma Janine Wall, a **Commissioner etc.**,
Province of Ontario, while a **Student-At-Law**.
Expires July 14, 2023.

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")

TABLE OF CONTENTS

INTRODUCTION.....	1
APPOINTMENT ORDER	1
STABILIZATION AND CONTROL OF OPERATIONS	2
PORT COLBORNE FACILITY/OPERATIONS	4
BANKING PROCESS	6
CANADA REVENUE AGENCY	9
GENERAL SECURED CREDITORS	9
OTHER SECURED CREDITORS	10
OUTSTANDING LITIGATION	11
REVIEW OF AMOUNTS OWED TO LCX	13
CURRENT STATUS	14
APPROVAL OF RECEIVERSHIP ACTIVITIES; SUBSTITUTION	15

INDEX OF EXHIBITS

1. Receivership Order dated March 9, 2020;
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;
5. Management Consulting Agreement dated April 29, 2020;
6. Mold Inventory Listing, Procim Inc.
7. Letter to Customers, dated March 31, 2020;
8. Canada Revenue Agency online account statement, tax year balances;
9. First Vancouver v Canada (Minister of National Revenue – M.N.R.), [2002] 2 S.C.R. 720
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

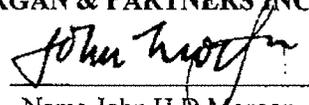
58. The Receiver requests Court approval of its activities as set out in the First Report from the date of its appointment on March 9, 2020 to date, except in relation to any payments made in relation to the litigation settlements described herein, or the litigation settlements themselves, for the reason 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: 

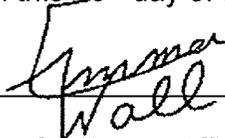
Name John H. R. Morgan

Title: President

I/We have the authority to bind the corporation

This is **Exhibit "C"** referred to in the affidavit of John Howard Deane Morgan

Affirmed before me on this 10th day of January 2022

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

Commissioner for Taking Affidavits (or as may be)

Emma Janine Wall, a **Commissioner etc.**,
Province of Ontario, while a **Student-At-Law**.
Expires July 14, 2023.

MORGAN & PARTNERS INC.
LICENSED INSOLVENCY TRUSTEE

January 8, 2022

Privileged and Confidential

Paliare Roland Rosenberg Rothstein LLP
155 Wellington Street West , 35th Floor
Toronto, ON
M3V 3H1

Attention : Massimo(Max) Starinino ,Partner

Dear Mr. Mr. Starinino

Re : Byrd ats LCX

I have completed and submit my review attached of the accounts of 1635536 Ontario Inc o/a Versitec Marine & Industrial and Versitec Marine USA collectively the Versitec Group ("Versitec").

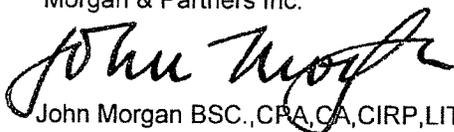
Based on my review as between Versitec and Liquid Capital Exchange ("LCX") I have determined as stated in my report giving regards to the assumptions stated in my report that Versitec is not indebted to LCX. To the contrary ,LCX is indebted to Versitec on a net basis.

The details of this analysis are enclosed in the attached report with supporting exhibits and my conclusions

I am also attaching a curriculum vitae disclosing my qualifications to act in this matter.

Yours sincerely

Morgan & Partners Inc.



John Morgan BSC., CPA, CA, CIRP, LIT, CFE CBM
President

**John H.D. Morgan, B.Sc., CPA, CA, CIRP, LIT, CFE, CBM
CURRICULUM VITAE**

John H. D. Morgan obtained his Bachelor of Science degree in 1974 from McMaster University in Hamilton, Ontario. Mr. Morgan subsequently obtained his Chartered Accountant designation in 1980 (Chartered Professional Accountant (CPA) in 2013) from the Canadian Institute of Chartered Accountants (now CPA Canada) and for the next 10 years held various senior financial positions in the insurance and banking industry, with experience in both Canada and the United States. In 1990 Mr. Morgan returned to public practice specialising in the insolvency and restructuring field obtaining his Chartered Insolvency & Restructuring designation (CIRP) and his trustee license in 1995 from the Canadian Association of Insolvency and Restructuring Professionals later designated by the Office of the Superintendent in Bankruptcy as a Licensed Insolvency Trustee (LIT). In 2001 Mr. Morgan received his Certified Fraud Examiners (CFE) and Certified Business Management (CBM) designations and has worked on a number of litigation support and fraud related assignments in conjunction with insolvency both nationally and internationally. He currently is President of Morgan & Partners Inc. a company practising in insolvency and restructuring as well as JJM & Associates Inc., a company practising in the forensic accounting and litigation support field. Mr. Morgan has taught and given seminars to various organizations on insolvency and fraud related topics over his 30 years as a professional and has been qualified as an expert witness in fraud accounting and insolvency related matters by the Court in a number of legal proceedings.

In the past 10 years Mr. Morgan has combined his forensic accounting knowledge and his Trustee administrative skills in reviewing many complex estate matters both as the Court appointed Estate Trustee during Litigation (ETDL) as well as reviewing fiduciary obligations by Executors facing a potential breach of trust accusation by some of the beneficiaries. Many of the assignments have come from prominent Toronto and Regional firms such as Hull and Hull LLP, Legge & Legge Barristers and Solicitors, HGR Partners LLP, Barriston LLP, Dooley Lucenti LLP and Ferguson Deacon Taws LLP to name a few. In many of these assignments Mr. Morgan has acted as the Court's representative in reviewing and giving evidence as required to assist the Court in making their respective decisions. On the fiduciary side Mr. Morgan has acted as a substituted

Executor in a contentious file bringing unbiased decision making to the estate solicitor in a multimillion dollar deceased estate.

Mr. Morgan has also been requested and been appointed as a Court Appointed Equitable Receiver in various contentious Family Law litigations, providing the Court with unbiased information to assist the Court in resolving the impasse between the parties and their respective legal counsels.

Report on Byrd ats LCX
Prepared by Morgan & Partners Inc.
January 8, 2022

INDEX

Tab	Appendix	
1		Report on the Versitec Group of Companies
2.	A	Purchase and Sale Agreement as between Versitec and Liquid Capital
3.	B	Forebearance Agreement April 25, 2019
4.	C	E-Mail to Jonathan Brindley
5.	D	October 27, 2020 Flow Chart
6.	E	Summary
7	F	Analysis of 1635536 Ontario Inc CDN\$ A/C 4822
8.	G	Analysis of 1635536 Ontario Inc US\$ A/C 4821
9.	H	Versitec Marine USA Inc A/C 4820U

Report on the Versitec Group of Companies

Assignment

Morgan & Partners Inc. ("MPI") has been asked to review the accounts of 1635536 Ontario Inc o/a Versitec Marine & Industrial ("Versitec Canada"), and Versitec Marine USA Inc. ("Versitec USA", and collectively with Versitec Canada, "Versitec") and, on the basis of that review, to calculate the net liability of Versitec to Liquid Capital Exchange Corp ("LCX") in connection with a motion brought by LCX seeking judgment against Mr. Byrd pursuant to his guarantee of Versitec's debt to LCX.

Summary Conclusion

As a result of its review and subject to the accuracy of any assumptions expressed or implied herein, MPI has determined that as of the date of MPI's review Versitec was not indebted to LCX. To the contrary, LCX was indebted to Versitec.

Assumptions

For the purpose of its review, MPI assumed the authenticity of all documents considered by it, and that there are no other documents, facts or information impacting its review.

Where necessary, USD amounts were converted to CAD amounts at a rate of 1.25, which was the prevailing rate at the time that MPI conducted its analysis.

MPI's accounting is current to October 10, 2020, which is the date when, as court appointed receiver of Versitec, MPI prepared its accounting.

For the purpose of its analysis MPI assumed recoverability of and allowed aggregate interest, fees and expenses accrued to LCX as of October 10, 2021, in the amount of \$149,701. Conversely, MPI disallowed bald penalties on the assumption that they are not recoverable, whether as a matter of law or in equity, on the principle of relief from forfeiture, or on other equitable grounds.

Procedures followed by MPI

1. MPI gathered documents at Versitec in Port Colborne Ontario.
 - MPI recovered, from Versitec's records, all funding sheets approved and payments made in respect of receivables to either LCX or Versitec.
 - From this information and the accounting records, a detailed summary by each account showing the disposition of each factored invoice was prepared and reviewed.

- Where necessary, MPI consulted Versitec's management (Mr. Brian Gunning former acting CFO Controller of Versitec) and obtained additional detail with respect to the information found in foregoing records.
- MPI reviewed all files for factored invoices to ensure the invoice was supported by the appropriate documentation within the file (i.e., purchase orders, customer orders, expected delivery time, invoice creation, any specific design requirements, etc.)
- MPI reviewed a copy of the Agreement of Purchase and Sale of Factored Accounts Receivable dated June 21, 2017, attached as **Appendix A** (the "APS"), and, subsequently, a Forbearance Agreement made April 25, 2019 attached as **Appendix B** (the "Forbearance Agreement"), which together governed the factoring relationship between Versitec and LCX.
- MPI reviewed and verified Versitec's analysis of each of its accounts during the forbearance agreement time frame against source documentation (funding sheets, wire transfers and banking receipts).

2. MPI gathered information from LCX.

- In respect of each of the three Versitec accounts, MPI received the following information from LCX:
 - An executive summary of the account positions
 - A Charge Back summary
 - A detail of client activity
 - A summary of penalties for misdirected funds
 - A summary of each outstanding A/R factored in the denomination of funding

3. MPI reconciled Versitec's records with LCX's Information.

Total Invoices / Total Receipts

- Compared the total of factored Accounts Receivable ("A/R") to the same amount in the MPI summary sheet.
- Identified any differences and concluded if the differences were reasonable.
- Compared all the receipts received both from factored invoices, non factored invoices and fund claw backs.
- Reviewed escrow hold back calculation in total as between the two sources of information to identify if the calculations were in accordance with the APS and the Forbearance Agreement.
- Completed a summary for each account.

4. MPI analyzed the Charge Backs applied by LCX to Versitec's accounts.

- From the LCX summaries and client activity MPI compared the Charge Back analysis by receivable factored to see if the invoice was paid or not.

- If not paid, then MPI identified the receivable as an outstanding factored A/R or if it was not on the A/R list MPI referred back to the funding sheet summary to see if the receivable was funded or not.
 - If paid, MPI noted the amount and the date paid as shown on the MPI analysis by factored A/R.
 - For non factored A/R receipts, MPI compared to LCX summaries to ensure that the receipt was received and how it was handled in the Executive Summary.
 - MPI noted any differences from Versitec payment to LCX and direct payment to LCX by client of both Factored and Non-Factored Invoice Receipts.
 - MPI noted and summarized discrepancies in Charge Back analysis.
 - MPI analyzed any penalty for misdirected payments as per s. 10 of the APS and noted any discrepancies and considered if a reconciling item or not depending if properly receipted.
5. Based on the foregoing, MPI recalculated the Reserve accounts by account.
- For each account starting with MPI's analysis, MPI added back the unsubstantiated Charge Backs and the accrued fees.
 - Then, based on the escrow holdback (allowance for Doubtful accounts), MPI adjusted the factored A/R.
 - MPI analyzed the transfer of paid receipts of factored invoices to Reserve account.
 - MPI added back any A/R factored and identified in the Charge Back analysis before adjusting for any changes identified in the Charge Back analysis based on receipts being recognized in both LCX analysis and MPI analysis
 - MPI adjusted for any transfer of Reserves as per LCX reconciliation
 - MPI computed revised factored A/R net of escrow holdback along with Reserve for each account.
 - MPI summarized all of the accounts by net factored A/R and Reserve.
6. Review and Consultation with LCX.
- Following its initial review, while still acting under court-appointment as Receiver of Versitec, MPI provided its analysis to LCX and invited LCX to comment on the analysis. LCX rejected the results of MPI's analysis and advised MPI that it would be providing additional information to inform the analysis.
 - LCX never provided any additional information to MPI, despite follow-up requests by MPI. The e-mail attached as **Appendix C** documents one such request. MPI has been unable to locate any additional information in the court record that would cause it to revise its analysis.

Discussion and Analysis

The factoring of Versitec's receivables by LCX is governed by the APS and the Forbearance Agreement.

The purchase price of a receivable is stated, at paragraph 3 of the APS, to be the amount of the receivable collected.

The APS contemplates advances of the purchase price equal to a percentage of the face amount of the receivable, subject to a discount in the nature of a financing charge (the "**Advance**"). In addition, the APS provides for a discretionary reserve on account of, for example, potential warranty breaches or other potential non-payments (the "**Reserve**").

The APS contemplates that the Reserve will generally be released to Versitec at its request or at the time of the subsequent Advance.

For the purposes of its analysis, MPI refers to the difference between an Advance in respect of a receivable and the amount actually collected in respect of the receivable from Versitec's customer, after any discount, as the Reserve.

MPI's observation based on its review of Versitec's and LCX's records is that the discount or financing charge was taken at the time of the Advance and collected when the factored receivable was paid by Versitec's customer.

The APS does not stipulate either the proportion of the Advance or the amount of the discount/financing charge. MPI's review of the parties' dealings indicates that the Advance was 80% (i.e., there was a 20% holdback). The Forbearance Agreement established a financing charge of 3% of the face value of the factored receivable, plus 0.1% per day on any receivable not paid within 30 days of the date of purchase. As a result, during the forbearance period LCX initially funded 77% of the face value of the factored accounts receivable.

Paragraph 10 of the APS stipulates that where payment of a factored receivable is received by Versitec, it has 2 days to remit payment to LCX, following which LCX may charge a fee equal to the greater of 10% of the amount of the factored receivable and \$1,000. The APS stipulates that this fee is intended to be compensation for the additional administrative expense that is likely to be incurred.

MPI prepared a series of flowcharts illustrating the flow of funds observed by it through its review of the records made available by Versitec and LCX. These are attached as **Appendix D**. They reflect that all the funds were paid out and received in one Investment Bank Account of LCX. This was confirmed in a November 6, 2021, conference call as between Messrs. Brindley and Morgan and Ms. Pia Bannister an accountant with LCX.

On Versitec's side, the factoring arrangement involved three bank accounts: a Canadian dollar account in the name of Versitec Canada; a U.S. dollar account in the name of Versitec Canada; and, a U.S. dollar account in the name of Versitec USA.

Summary of Accounts Receivable and Reserve

Attached as **Appendix E** is a summary of MPI's analysis by account for each of the three Versitec factoring accounts. The detail of these reconciliations by account can be found in **Appendices F, G and H**. These show the opening position of the accounts, LCX's proposed adjustments taken from their Executive Summaries (for completeness and ease of reference, LCX's reconciliations are attached as **Appendices F-1, G-1 and H-1**), and MPI's corrections to the LCX adjustments based on MPI's review of the justification for the LCX adjustments (or lack

thereof). Each of these appendices contains MPI's analysis and supporting documentation and an explanation of the change based on the information available.

Based on its review and by way of summary, MPI notes as follows.

1. The gross factored invoices and the gross receipts that existed between the LCX and MPI were reconciled or agreed in total, indicating that LCX's and MPI's data sets were similar or reconcilable at an aggregate level. This gave MPI confidence in the foundation for its analysis. In particular
 - a. There appears to be consistency and no material disagreement with respect to the universe of factored receivables.
 - b. The non factored receivables received by LCX and not returned to Versitec total \$232,912. There is an unreconciled difference of \$1,486 which MPI treated as immaterial for present purposes.
2. To facilitate its analysis, MPI has divided the Reserve into two parts: Reserve A, which pertains to receivables for which LCX has acknowledged its obligation to Versitec (i.e., MPI understands there to be agreement with respect to Reserve A); and Reserve B, which relates to receivables for which LCX has applied an adjustment.
3. The principle area of disagreement between MPI and LCX relates to the application of various Charge Backs by LCX.
 - a. In the aggregate, MPI reviewed and allowed fees and interest to LCX totalling \$149,701.
 - b. In those instances where LCX failed or refused to relate the Charge Back to a particular receivable transaction or other default, MPI was left without any justification for the Charge Back, and it was reversed.
 - c. In instances where LCX did relate the Charge Back to a particular receivable that it alleged was unpaid and MPI was able to ascertain that the receivable was in fact paid to LCX within the timeframe contemplated by the APS or within a few days thereof, MPI reversed those Charge Backs as well.
 - d. Finally, LCX applied a general Charge Back for alleged fraud and conversion. MPI was unable to identify an instance of fraud or conversion, and so that Charge Back was reversed.
4. Another point of disagreement relates to LCX's effective transfer of a Reserve (B) of USD \$92,000 attributable to Versitec USA to Versitec Canada. The basis for the consolidation of accounts in this way was not disclosed to MPI, and so, as a matter of formal correctness, MPI reversed that transaction. However, for the purposes of the pending motion the reversal of the transaction appears to be irrelevant to the issue of the liability of any guarantors, because, as indicated below, funds would be due by LCX to Versitec regardless of the treatment of this transaction.

5. As summarized in Appendix E, MPI 's analysis indicates that as of October 10, 2020, LCX was indebted to Versitec in the aggregate amount of \$41,667.

APPENDIX A



PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (the "Agreement") dated as of June 21, 2017 is executed by and between Liquid Capital Exchange Corp., a corporation organized under the laws of the Province of Ontario, having a business address at 5734 Yonge Street, Suite 400, Toronto, ON M2M 4E7 (hereinafter referred to as "Factor") and 1635536 Ontario Inc., a corporation organized under the laws of the Province of Ontario, having a business address at 4 Stonebridge Drive, Unit 4, Port Colborne, Ontario L3K 5V4 and Versitec Marine USA Inc., corporation organized under the laws of the State of Delaware, having a business address at 1623 Military Road, #283, Niagara Falls, NY 14304 (each a "Seller"). All capitalized terms in this Agreement, unless otherwise defined herein or required by the context, shall have the meanings given those terms (whether or not capitalized) in and as defined under the *Personal Property Security Act* ("PPSA") of the Province of Ontario as in effect from time to time. Seller and Factor agree to the following terms and conditions:

1. **Purchase and Sale of Accounts.** Pursuant to the terms of this Agreement, Seller agrees to sell, transfer, convey, assign and deliver to Factor, and Factor agrees to purchase and receive from Seller, all of Seller's right, title and interest in and to certain Accounts arising from the sale of Goods or the rendering of services by Seller in the ordinary course of Seller's business.

2. **Sale Procedure.** Upon Seller's submission of any Account to Factor for purchase, Seller shall execute a Schedule of Accounts in a form provided by and acceptable to Factor for each such Account or group of Accounts that Seller offers for sale to sell to Factor. The Schedule of Accounts must, among other things, identify and describe the Accounts being offered for purchase and the total face amount of such Accounts. Each Account offered for sale to Factor shall be evidenced by an identical duplicate written invoice or other such equivalent document(s) as Factor may require, together with supporting documentation, including, but not limited to, the purchase order or contract referencing the sale of goods and/or services and any modification(s) or amendment(s) thereto and any such other documentation that Factor may request. Factor may accept or reject any Account offered for sale in its sole discretion. Upon submission of any Account to Factor for purchase, Sellers shall not seek or authorize any modification to the terms of the Account.

3. **Purchase Price and Payment.** Factor, in its sole discretion, may advance a percentage (%) (hereinafter referred to as "Advance") of the face amount of the Accounts purchased, less the applicable discount fee. The purchase price of any Accounts shall be the amount actually received in payment of such Accounts, but for purposes of any Advance, the purchase price shall be equal to the face amount of the Accounts less any selling, payment or

other discounts offered. In addition, Factor, in its sole discretion, may elect to maintain a reserve from each Advance (hereinafter referred to as "Reserve"). As a general rule, Reserves on paid invoices are released upon the request of the Seller or when the Factor's next purchase of Accounts from Seller is funded. Factor, however, may increase or decrease the amount of such Reserve at any time and from time to time if it deems it necessary in order to protect its interests. The Reserve is designed to protect Factor against losses or potential losses that Factor may reasonably anticipate might arise in the future due to, among other things, contingencies, disputes, potential breach of warranties, or other potential non-payments, reductions or losses from the purchase of the Accounts. Payments received will be credited to specific invoices when credit is given by Factor's bank, not to exceed three (3) banking days. The applicable discount fee is calculated based on the discount rate set forth in the Discount Rate Schedule (attached as a schedule hereto and incorporated herein by reference). Factor may condition future purchases on Seller's agreeing to modification(s) of the Discount Rate Schedule. **IT IS THE INTENTION OF THE PARTIES HERETO THAT AS TO ALL ACCOUNTS THAT FACTOR ELECTS TO PURCHASE, SUCH TRANSACTION SHALL CONSTITUTE AN ABSOLUTE ASSIGNMENT OR TRUE SALE OF SUCH ACCOUNTS AND NOT AN ASSIGNMENT INTENDED AS SECURITY AND AS SUCH, SELLER SHALL HAVE NO LEGAL OR EQUITABLE INTEREST IN THE ACCOUNTS SOLD.**

4. **Maximum Amount** It is further understood and agreed that the maximum face amount of purchased accounts sold to Factor and outstanding at any time (the "Maximum Amount") shall not exceed the amount set forth on the Discount Rate Schedule (attached as a schedule hereto and incorporated herein by reference), in which event, Factor shall have no obligation to purchase additional Accounts. Factor may however, in its sole and exclusive discretion, increase or decrease the Maximum Amount from time to time.

5. **Notice of Assignment.** Upon Seller's execution of this Agreement, Factor shall be entitled to notify each customer (hereinafter referred to as "Account Debtor") of the sale and/or assignment of the Accounts in a manner and method as Factor, in its sole discretion, may elect, which may include Seller's written acknowledgement. Seller agrees that, if so requested by Factor, each document evidencing Accounts (*i.e.*, invoice) shall bear the following language, conspicuously placed, which language may be modified or amended at Factor's request:

This invoice has been assigned, sold and is payable only to Liquid Capital Exchange Corp. 5576 Yonge Street, P.O. Box 10065, Yonge and Finch, North York, ON M2N 0B6. In the event of any dispute as to quantity, quality or otherwise, notification must be given to Liquid Capital Exchange Corp., in writing, within five (5) days of receipt of goods or rendition of services.

Seller agrees, if so requested by Factor, to use its best efforts to assist Factor in procuring the Account Debtor's acknowledgment and acceptance of such notice of assignment and redirection of payment if requested to do so by Factor. Factor's inability, for whatever reason, to receive Account Debtor's acknowledgment and acceptance may result in the rejection of the Accounts submitted for purchase or revocation of a conditional approval to purchase Accounts without any obligation or liability on the part of Factor.

6. **Security.** In addition to those Accounts Factor purchases, in order to secure the payment of all indebtedness and obligations of Seller to Factor, Seller hereby grants to Factor a security interest in and lien upon all of Seller's presently and after-acquired Personal Property including, without limitation, any and all Reserves and all payments (if any) due or to become due to Seller from the Reserves as well as all monies on deposit, holdbacks and credits, and all Proceeds of the foregoing (collectively, the "Collateral"). Without limiting the foregoing and as a further inducement for Factor to enter into this Agreement with Seller, Seller shall execute and deliver a separate general security agreement concurrently with the execution and delivery of this Agreement by Seller, to secure *inter alia*, the performance and observance of the provisions under this Agreement on Seller's part to be observed or performed, on terms and conditions and as more fully provided in such separate general security agreement.

7. **Seller's Representations.** As an inducement for Factor to purchase Accounts from Seller, Seller, and each of its principals as identified on Factor's list of authorized signatories, hereby makes the following representations, warranties and covenants to Factor. The following representations, warranties and covenants shall be, as may be applicable, deemed made upon the execution of this Agreement, in each instance in which Seller submits an Account to Factor for purchase and for long as there are any obligations outstanding under this Agreement from Seller to Factor.

(a) Seller is duly organized and existing under the laws of the Province of Ontario or the laws of the State of Delaware, is duly qualified, and as may be required, properly licensed, is in good standing in such jurisdiction and every other jurisdiction in which it is doing business, the execution, delivery and performance of this Agreement are within its corporate powers and have been duly authorized and are not in contravention of any law or the powers of its charter, bylaws, articles of incorporation, operating agreement, partnership agreement, or other incorporation papers, or of any indenture, agreement or undertaking to which Seller is a party or by which it is bound. Seller's true and correct legal name is as set forth on the signature line below and Seller will notify Factor in writing no less than 30 days prior to any change of name, dba, place of business, jurisdiction of incorporation or corporate status or organizational identification number.

(b) If Seller is operating under a trade or assumed name, said name has been filed with the proper authorities and each name has been provided, in writing, to Factor.

(c) Seller has and will maintain good, clear and undisputed exclusive title to the Accounts offered for sale to Factor hereunder, and such sale will vest absolute ownership to such Accounts in Factor, free and clear of any lien, encumbrances, claims or security interest of any kind or nature including but not limited to Federal and/or Provincial tax liens.

(d) Each Account sold and assigned to Factor shall be an Account based upon a *bona fide* sale and the delivery and acceptance of Goods or performance of services by Seller to an Account Debtor and shall be an unconditional, valid and enforceable obligation of the Account Debtor, with no claim, offset, allowance, discount, deduction, dispute, contingency or counterclaim, which could reduce the amount of such Account, affect the validity thereof, or

hinder Factor's ability to collect or receive payment of the full face amount of said Account.

(e) All information furnished by Seller to Factor, including, but not limited to, past histories of the payment of Account Debtors, and any and all information given to Factor in connection with the Accounts, is true, complete and accurate, and contains no material omissions, misstatements or misrepresentations.

(f) Seller is the sole and absolute owner of the Collateral and any other property in which Factor is given a security interest: has good right and authority to grant a security interest to Factor in such Collateral or other property: there is no presently outstanding lien, security interest or encumbrance in or on the Collateral or proceeds and there is no financing statement covering the Collateral or proceeds on file in any public office except as may show on the exhibit 7(f) attached hereto. There are no judgments outstanding against Seller and there are no actions, charges, suits, proceedings or investigations pending or threatened against Seller or any of its property and none of Seller's inventory has been produced or imported in violation of any applicable law or treaty.

(g) All financial records (including, but not limited to, balance sheets, income statements, federal income tax returns, and Accounts aging, listing or reports) which may have been or may hereafter be furnished to Factor by Seller shall fairly and accurately represent the financial conditions and operating results of Seller as of the dates or for the periods stated thereon. Such financial records shall be accurate and correct in all material respects and complete insofar as necessary to give Factor a true and accurate knowledge of the subject matter.

(h) Seller shall reflect on its books the absolute sale of the Purchased Accounts to Factor. Seller shall furnish Factor, upon request, such information and statements as Factor may request from time to time regarding Seller's business affairs, financial condition and results of its operations. Without limiting the generality of the foregoing, Seller shall provide Factor, on or prior to the thirtieth (30th) day of each month, unaudited financial statements with respect to the prior month and, within ninety (90) days after the end of each of Seller's fiscal years, annual financial statements and such certificates relating to the foregoing as Factor may request including, without limitation, a monthly certificate from the president and chief financial officer of Seller stating whether any Events of Default have occurred and stating in detail the nature of the Events of Default. Seller will furnish to Factor upon request a current listing of all open and unpaid accounts payable and Accounts, and such other items of information that Factor may deem necessary or appropriate from time to time.

(i) If Seller should change the location of the principal office or the offices where the books and records of Seller are kept, Seller shall notify Factor immediately in writing of such change.

(j) The Accounts are due and payable on the selling terms noted on the face of each invoice, none of the Accounts represents a pack, bill and hold sale, or a consignment, guaranteed sale, cash on delivery sale or sale to an affiliate of Seller or to any entity to whom Seller has a financial or performance obligation of any kind.

(k) Seller assigns and transfers to Factor, effective upon an Event of Default hereunder, a nonexclusive right and license to use any trade names, marks, and styles used or owned by Seller together with any goodwill associated therewith, to the extent necessary to enable Factor to realize on the assets of Seller in which Factor has been granted a security interest. Such right and license is granted free of charge with no monetary payment requirement to Seller or any third party.

(l) Each Account Debtor's business is solvent to the best of Seller's knowledge.

(m) Seller has paid and will pay all taxes and governmental charges imposed with respect to sale of Goods and furnish to Factor upon request satisfactory proof of payment and compliance with all federal, state and local tax requirements.

(n) Seller will promptly notify Factor of (i) the filing of any lawsuit against Seller involving amounts greater than Ten Thousand Dollars (\$10,000), and (ii) any attachment or any other legal process levied against Seller.

(o) In no event shall the funds paid to Seller hereunder be used directly or indirectly for personal, family, household or agricultural purposes.

(p) Any invoice or written communication that is issued by Seller to Factor by facsimile or e-mail transmission is a duplicate of the original.

(q) Any electronic communication of data, whether by e-mail, tape, disk, or otherwise, Seller remits or causes to be remitted to Factor shall be authentic and genuine.

(r) Seller's principal(s) acknowledge that the duty to accurately complete each Schedule of Accounts is critical to this Agreement and as such all obligations with respect thereto are non-delegable. Each of Seller's principal(s) acknowledge that he/she shall remain fully responsible for the accuracy of each Schedule of Accounts delivered to Factor regardless of who is delegated the responsibility to prepare and/or complete such Schedule of Accounts.

(s) Seller agrees to execute any and all forms (e.g., Form RC59) that Factor may require in order to enable Factor to obtain and receive tax information issued by Revenue Canada or the Department of the Treasury, Internal Revenue Service, as applicable, or receive refund payments.

8. **Recourse To Seller.** In the event that:

(a) an Account purchased by Factor is not paid in full by the Account Debtor for any reason (or for no reason), on or before the date when due in accordance with its terms.

(b) an Account Debtor objects to the quality of property sold or services performed by Seller, or rejects, revokes acceptance or fails or refuses to accept or receive any property or services represented by any Account purchased by Factor,

(c) an Account Debtor suspends business, requests a general extension of time within which to pay debts or makes an assignment for the benefit of creditors, or if a voluntary assignment, petition or filing in bankruptcy under the *Bankruptcy and Insolvency Act* (Canada) or other applicable law is filed by or with respect to an Account Debtor or a receiver or receiver and manager or other agent or official having similar functions is appointed either privately or by a court by or on behalf of a creditors of an Account Debtor, or if any proceedings are commenced under the *Companies Creditors Arrangement Act* (Canada) or other applicable law, or if an event occurs amounting to a general business failure of an Account Debtor, or

(d) Factor in its sole and absolute discretion determines that any Account is or has become uncollectible, then, Factor may require the Seller to promptly repurchase such Account from Factor by either (i) making payment to Factor of the amount represented by Factor to be owing on such Account or (ii) by providing Factor with another Account acceptable to Factor in its sole discretion with a face value equal to or exceeding the face value of the unpaid Account (the "**Replacement Account**") in substitution therefor or (iii) by Factor charging Seller's Reserve. The method of repayment or replacement shall be determined by Factor in its sole discretion. The provisions of this Section are cumulative to and may be exercised concurrently with any other rights, powers or remedies of Factor.

9. **Power of Attorney.** In order to carry out the intention of the parties hereto, Seller hereby irrevocably appoints Factor, or any person designated by Factor, as its agent and attorney-in-fact, which agency shall be deemed to be coupled with an interest and which appointment shall be irrevocable until all obligations Seller owes Factor are fully satisfied. Factor's express authority under this appointment shall include the rights to (i) sign and endorse on behalf of Seller all cheques, drafts and other forms of payment received by Factor, waiving any notice of presentment and dishonor, whether or not said cheques represent payment on purchased Accounts, (ii) receive, open and dispose of Seller's mail received at Factor's address, (iii) change the Seller's address in order to re-route the delivery of all mail to Factor, (iv) strike out Seller's address on any billing or statement sent to an Account Debtor and substitute Factor's address, (v) in Seller's name demand, sue for, collect and give releases for any and all monies due on or to become due on purchased Accounts, (vi) compromise, prosecute, or defend any and all things necessary and proper to carry out this Agreement, specifically including, but not limited to, executing any documents necessary to perfect or continue the perfection of the security interest granted herein, and (vii) complete and issue any blank notices of assignment of Accounts lodged by Seller with Factor.

10. **Payments Received by Seller.** Should Seller receive payment of all or any portion of an Account sold pursuant to this Agreement, Seller shall immediately notify Factor of the receipt of the payment, hold said payment in trust for Factor separate and apart from Seller's own property and funds, and shall deliver said payment to Factor without delay in the identical form in which received. Should Seller receive a cheque or other instrument of payment representing payment of amounts due to both Factor and Seller, Seller shall surrender said cheque or payment instrument to Factor. Should Seller receive a cheque or other instrument of payment representing payment of amounts due Factor and fail to surrender to Factor, or deposit

in a bank account designated by Factor, said cheque or payment instrument within two (2) business days, Seller shall be deemed to have committed a material default in this Agreement. In addition to all other damages to which Factor shall be entitled, Factor shall be entitled, in the event Seller violates its obligations under this paragraph, to charge Seller a misdirected payment fee equal to ten (10%) percent of the amount of the payment instrument or One Thousand Dollars (\$1,000.00), whichever is greater, to compensate Factor for the additional administrative expenses that are likely to be incurred as a result of a breach. In the event any merchandise, the sale of which gave rise to an Account purchased by Factor, is returned to or repossessed by Seller, such merchandise shall be held by Seller in trust for Factor, separate and apart from Seller's own property and subject to Factor's sole direction and control.

11. **Default.** The term "Event of Default" as used in this Agreement shall mean the occurrence of any of the following events:

(a) The failure of Seller to punctually and properly observe, keep or perform any covenant, agreement or condition herein required to be observed, kept or performed; or required under any other agreement or contract that may be executed between Seller and Factor.

(b) A representation or warranty made by Seller in this Agreement shall prove to be untrue or incorrect or any financial statement or other statement purporting to represent the financial condition of Seller proves to be false or incorrect.

(c) The failure of Seller to, within two (2) business days, deliver to Factor or deposit into a bank account designated by Factor, a remittance received by Seller in payment of a purchased Account.

(d) The failure of Seller to pay any indebtedness owed by Seller to Factor whether or not said indebtedness arises hereunder or under some other agreement or contract by and between Seller and Factor.

(e) The appointment of a receiver or trustee for Seller or the suspension or cessation of Seller's business or operations.

(f) Seller becomes insolvent, is unable to pay its debts as they mature or makes an assignment for the benefit of creditors.

(g) Seller is adjudicated a debtor in bankruptcy or requests, either by way of petition or answer, that Seller be adjudicated a bankrupt or that Seller be allowed or granted any composition, reassignment, extension, reorganization or other relief under any bankruptcy law or any other law for the relief of debtors now or hereafter existing.

(h) An involuntary petition in bankruptcy is filed by or against Seller or any guarantor.

(i) A levy(s) or notice(s) of attachment, execution(s), tax lien(s) or assessment(s) or similar process is issued against Seller or the Collateral.

(j) The dissolution of Seller.

(k) The death or incompetency of any guarantor of Seller's obligation.

(l) Factor has reasonable grounds to deem itself insecure.

(m) If there is a change in the ownership of Seller or Seller sells, leases transfers or otherwise disposes of all or substantially all of Seller's assets or consolidates with or merges into any other entity.

12. **Remedies Upon Default.** Factor shall have the rights and remedies provided in this Agreement and (without limiting the other rights and remedies exercisable by Factor either prior or subsequent to an Event of Default) as available to a Secured Party under the PPSA in effect in any applicable jurisdiction in accordance with general law. Upon the occurrence of an Event of Default, Factor may resort to any one or more of the following remedies. The exercise or election of any particular remedy shall not prevent the concurrent or subsequent exercise or election of any other available remedy:

(a) Declare any indebtedness secured hereby immediately due and payable.

(b) Exercise its rights as a Secured Party and enforce the security interest granted hereunder pursuant to applicable law, including, but not limited to, Factor's right to establish contact with and instruct any and all of Seller's customers to remit payment(s) due or to become due on Accounts directly to Factor at Factor's address, whether or not said payments relate to Accounts purchased by Factor hereunder. Furthermore, Factor shall have the right to establish contact with and instruct any other party from whom Seller may be entitled to receive monies now due or to become due in the future to remit said monies to Factor at Factor's address. In the event Factor deems it necessary to seek equitable relief, including, but not limited to, injunctive or receivership remedies, Seller waives any requirement that Factor post or otherwise obtain or procure any bond. Seller also waives any right to legal fees or costs in the event any equitable relief awarded is subsequently, vacated, dissolved or reversed for whatever reason(s).

(c) Immediately terminate this Agreement as to future transactions, without affecting the rights and obligations of the parties occurring with respect to prior transactions.

(d) Enter the premises of Seller and take possession of the Collateral and of records pertaining to the Accounts and the Collateral.

(e) Grant extensions, compromise claims and settle Accounts for less than face value, all without prior notice to or authority of Seller, except as granted herein.

(f) Exercise all other rights conferred by law or equity or under this Agreement and exercise any remedy existing at law or in equity for the collection of any indebtedness secured hereby and for the enforcement of the covenants and agreements contained in this Agreement. Factor shall be entitled to any form of equitable relief that may be appropriate without having to establish any inadequate remedy at law or other grounds other than to establish that its Collateral is subject to being improperly used, moved, dissipated or withheld from Factor. Factor shall be entitled to freeze, debit and/or effect a set-off against any fund or account Seller may maintain with any bank. In the event Factor deems it necessary to seek equitable relief, including, but not limited to, injunctive or receivership remedies, as a result of an Event of Default, Seller waives any requirement that Factor post or otherwise obtain or procure any bond. Alternatively, in the event Factor, in its sole and exclusive discretion, desires to procure and post a bond, Factor may procure and file with the court a bond in an amount up to and not greater than Ten Thousand Dollars (\$10,000.00) notwithstanding any common or statutory law requirement to the contrary. Upon Factor's posting of such bond it shall be entitled to all benefits as if such bond was posted in compliance with applicable law. Seller also waives any right it may be entitled to, including an award of legal fees or costs, in the event any equitable relief sought by and awarded to Factor is thereafter, for whatever reason(s), vacated, dissolved or reversed. All post-judgment interest shall bear interest at either the contract rate, 18% per annum or such higher rate as may be allowed by law.

13. **Financial Statements.** Seller agrees to keep proper books of record which books shall at all times be open to inspection by Factor. In addition, Seller shall furnish Factor upon request any prior or current income statement, balance sheet, tax return and report, along with any other supplementary financial information requested. Factor shall have the right, at all times during normal business hours, without prior written notice, to examine and make extracts from all books and records of Seller.

14. **Reimbursable Expenses.** In the course of investigating, approving, purchasing and collecting Accounts purchased under this Agreement, Factor may incur routine and/or extraordinary expenses, including, but not limited to long distance telephone, postage, wire transfers, overnight mail delivery, courier delivery, cheque certification, PPSA search and filing fees, other lien search fees, facsimile transmissions, auditing and legal fees, all of which shall be reimbursed to Factor by Seller upon demand or deducted from the proceeds payable on a purchased Account or from the Reserve.

15. **Account Debtor Claims.** Seller shall notify Factor of the assertion of any claim, including any defences, dispute or offset by an Account Debtor with respect to an Account purchased by and assigned to Factor or the merchandise or service relating thereto within three (3) days after receiving such information. Seller may settle all such claims with Factor's approval and at Seller's expense. Factor may, in its sole discretion, opt to settle any Account Debtor claim directly with the Account Debtor involved, at the Seller's expense, upon such terms as Factor may deem advisable at which time Seller shall cease any communications with the respective Account Debtor. In the event Factor exercises its right to settle and compromise Account Debtor claims, Seller hereby specifically agrees to the terms, conditions and provisions of any and all settlements, compromises and other agreements, oral or written, entered into by Factor and

Factor shall be deemed authorized to execute all releases, settlements or compromise agreements, and receive, for and in Seller's name, all money and property that Factor may receive in settlement, release or compromise of Account Debtor claims. The foregoing is discretionary upon the part of Factor and Seller shall have no right to demand or require Factor's exercise of the aforesaid rights. Factor's failure to agree shall not otherwise adversely affect any right(s) of Factor or Seller's waiver(s) herein. In the event of any claim against an Account by the Account Debtor or a breach by Seller of any representation hereunder as to an Account purchased by and assigned to Factor, Seller shall pay the unpaid balance of said Account in accordance with the provision of paragraph 7 above.

16. **Lawyer's Fees.** Seller agrees to pay all reasonable lawyer's fees, court costs and expenses incurred by Factor or its counsel in the event that Factor retains counsel for the purpose of enforcing any rights arising out of the relationship between Seller and Factor or under this Agreement. Seller also acknowledges that Factor may charge and/or setoff against Seller's Reserve all such fees and costs as they are incurred. Notwithstanding the existence of any law, statute, rule, or procedure in any jurisdiction which may provide Seller with a right to lawyer's fees or costs, Seller hereby waives any and all rights to hereafter seek lawyer's fees or costs there under and Seller agrees that Factor exclusively shall be entitled to indemnification and recovery of any and all lawyer's fees or costs in respect to any litigation based hereon, arising out of, or related hereto, whether under, or in connection with, this and/or any agreement executed in conjunction herewith, or any course of conduct, course of dealing, statements (whether verbal or written) or actions of either party.

17. **Notice.** Except for routine day to day business communications, any notice or communication required hereunder shall be in writing and given by personal delivery or delivery service or sent by regular, registered or certified mail, postage prepaid to the addressee at the address shown above or at the most current address that the party has from time to time designated in writing.

18. **Term.** This Agreement shall be effective from the date hereof and shall continue in full force and effect for as long as a balance is owed to Factor from Seller and Factor, whether under this Agreement or otherwise, and for so long as Factor has an outstanding PPSA registration against Seller. Factor or Seller shall be entitled to terminate this Agreement at any time by giving thirty (30) days prior written notice. In addition, Factor shall have the right for any reason or no reason to terminate this Agreement at any time without prior written or oral notice upon the occurrence of an Event of Default. Upon the effective date of termination, all of Seller's obligations, whether incurred under this Agreement or any amendment or supplement thereto or otherwise, shall become immediately due and payable without notice or demand. Notwithstanding any termination, until all of Seller's obligations of every nature whatsoever shall have been fully paid and satisfied, Factor shall retain Factor's security interest in and title to all existing and future Accounts and other Collateral held by Factor hereunder. Until final termination following the notice thereof, Seller shall continue to offer all Accounts to Factor and Factor shall be under no obligation to make any further Advances or purchase any Account. Any termination of this Agreement shall not serve to release any security interest granted herein until all Accounts purchased hereunder and all indebtedness of Seller to Factor has been paid in full

nor shall such termination affect any of the obligations incurred by the parties hereto.

19. **Indemnification.** Seller shall indemnify, defend and save Factor harmless from and against any and all liability, claims, suits, demands, damages, judgments, costs, interest and expenses (including, but not limited to attorney's fees and costs) to which Factor may be subject including any loss arising out of the assertion of any Claim that is made by a party-in-interest in a bankruptcy proceeding that any payment received by Factor from or for the account of an Account Debtor is avoidable under the *Bankruptcy and Insolvency Act* (Canada) or any other debtor relief statute or suffer by reason of any liability or claim arising or resulting from Seller's acts or omission to do any act. This paragraph 19 shall survive termination of this Agreement.

20. **Binding on Future Parties.** The terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, estate trustees, personal representatives, successors and assigns. Seller may not assign this Agreement or any of Seller's rights hereunder to any person without Factor's prior written consent and this Agreement shall be deemed to be one of financial accommodation and not assumable by any debtor, trustee or debtor-in-possession in any bankruptcy proceeding without Factor's express written consent and may be suspended in the event a petition in bankruptcy is filed by or against Seller.

21. **No Waiver.** No failure or delay by Factor in exercising any of Factor's powers or rights hereunder, or under any present or future supplement hereto or under any other agreement between Factor and Seller shall operate as a waiver thereof; nor shall any single or partial exercise of any such power or right preclude other or further exercise thereof or the exercise of any other right or power. Factor's rights, remedies and benefits hereunder are cumulative and not exclusive of any rights, remedies or benefits which Factor may have. No waiver by Factor of any provision hereunder shall be deemed to extend to any other provision hereunder.

22. **Severability.** Each and every provision, condition, covenant and representation contained in this Agreement is and shall be construed to be a separate and independent covenant and agreement. In the event any term or provision of this Agreement shall to any extent be declared illegal, contrary to law, invalid or unenforceable, the remainder of this Agreement shall not be affected thereby and this Agreement shall continue in full force and effect as though such term or provision had not been incorporated herein.

23. **Miscellaneous.**

(a) This Agreement is deemed made and shall be governed, interpreted and construed in accordance with the laws of the Province of Ontario.

(b) If two or more individuals, corporations, limited liability companies, partnerships or other business entities or associations (or any combination of two or more thereof) are named above and execute this Agreement as Seller, the liability of each such individual, corporation, partnership, limited liability company or other business entity or association under this Agreement shall be joint and several and the release or discharge by Factor of one shall not

release or discharge the others. In like manner, if Seller named in this Agreement is a partnership or other business entity or association, the members of which are by virtue of statutory or general law subject to personal liability, the liability of each such member shall be joint and several and the release or discharge by Factor of one shall not release or discharge the others. This Agreement shall be interpreted to reflect multiple parties being named and executing this Agreement as Seller. By way of example, the term "Account" includes an account receivable for any party or parties named and executing this Agreement as Seller.

(c) Factor's books and records shall be admissible in evidence without objection as conclusive evidence of the status of the obligations between Factor and Seller. Each statement, report, or accounting rendered or issued by Factor to Seller shall be deemed conclusively accurate and binding on Seller unless within thirty (30) days after the date of issuance Seller notifies Factor to the contrary by registered or certified mail, setting forth with specificity each reason why Seller believes such statement, report, or accounting or any portion thereof is inaccurate, what Seller believes to be correct amount(s) therefor, and supplies detailed, written support for Seller's objection(s). Seller's failure to receive any monthly statement shall not relieve it of the responsibility to request such statement and Seller's failure to do so shall nonetheless bind Seller to whatever Factor's records would have reported.

(d) Any legal proceeding with respect to any controversy arising under, out of, or relating to, this Agreement, any amendment or supplement thereto or to any transactions in connection therewith whether asserted by way of claim, counterclaim, cross claim or otherwise shall be brought and litigated only in the Province of Ontario, in the City of Toronto or in any county in which Factor has a business location, the selection of which shall be in the exclusive discretion of Factor. Seller hereby waives and agrees not to assert, by way of motion, as a defence or otherwise, that any such proceeding, is brought in any inconvenient forum or that the venue thereof is improper.

(e) Seller expressly authorizes Factor to access the systems of and/or communicate with any shipping or trucking company in order to obtain or verify tracking, shipment or delivery status of any merchandise regarding an Account.

(f) Seller acknowledges that there is no, and it will not seek or attempt to establish any, fiduciary relationship between Factor and Seller, and Seller waives any right to assert, now or in the future, the existence or creation of any fiduciary or joint venture relationship between Factor and Seller in any action or proceeding (whether by way of claim, counterclaim, cross claim or otherwise) for damages.

(g) This Agreement (including any addenda executed contemporaneously herewith) is a complete and final agreement, reflects Seller's and Factor's mutual understanding, supersedes any prior agreement or understanding between the parties, and may not be modified or amended orally. But for the promises and representations expressly contained in this Agreement, no other promise or representation of any kind has been made to induce either party to execute this Agreement. Furthermore, Seller and Factor acknowledge that if any such promise or representation has been made, neither has relied, nor shall either be entitled to rely, upon any

such promise or representation in deciding to enter into this Agreement.

(h) In the event Seller's principals, officers or directors form a new entity, whether corporate, partnership, limited liability company or otherwise, similar to that of Seller during the term of this Agreement or merge into any other entity (regardless of whether Seller is the surviving entity), such entity shall be deemed to have expressly assumed the obligations due Factor by Seller under this Agreement. Upon the formation of any such entity, Factor shall be deemed to have been granted an irrevocable power of attorney with authority to execute, on behalf of the newly formed successor business, a PPSA or Uniform Commercial Code financing statement or amendment and have it filed with the appropriate PPSA or Uniform Commercial Code filing office. Factor shall be held-harmless and be relieved of any liability by Seller or such new entity as a result of Factor's filing any PPSA or Uniform Commercial Code financing statement or the resulting perfection of a lien or security interest in any of the successor entity's assets. In addition, Factor shall have the right to notify the successor entity's account debtors of Factor's security interests and lien rights, its right to collect all Accounts, and to notify any new lender who has perfected a security interest or lien in such successor entity's assets.

(i) Seller acknowledges that Factor may obtain financing from a bank or other financial institution or financing sources and in connection herewith: (a) consents to Factor's granting such financial institution or financing source a security interest in all of its rights under Agreement, the documents executed in connection therewith and all collateral thereunder; and (b) agrees that such financial institution or financing source shall be a beneficiary of all its representations, warranties and covenants in this Agreement and may exercise any power of attorney given by Seller to Factor under this Agreement or otherwise.

(j) Seller and Factor hereby irrevocably waive any right either may have to a trial by jury in respect of any litigation directly or indirectly at any time arising out of, under or in connection with this Agreement or any transaction contemplated hereby or associated herewith. Seller irrevocably waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any such litigation any special, exemplary, punitive or consequential damages, or damages other than, or in addition to, actual damages. Seller certifies that no party hereto nor any representative or agent or counsel for any party hereto has represented, expressly or otherwise, or implied that such party would not, in the event of litigation, seek to enforce the foregoing waivers. Seller acknowledges that Factor has been induced to enter into this Agreement and the transactions contemplated hereby, in part, as a result of the mutual waivers and certifications contained in this paragraph.

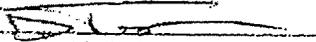
24. **Paragraph Headings.** The paragraph headings contained in this Agreement are for convenience only and shall in no way enlarge or limit the scope of meaning of the paragraphs hereof.

25. **Counterparts.** This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if all signatures were upon the same instrument. Signatures may be affixed manually or digitally and delivery of an executed counterpart of the signature pages to this Agreement by facsimile or by electronic means shall be

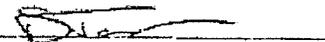
effective as delivery of a manually executed counterpart of this Agreement, and any party delivering such an executed counterpart of this Agreement or facsimile or electronic means to any other party shall thereafter also promptly deliver a manually executed counterpart of this Agreement to such other party, provided that the failure to deliver such manually executed counterpart shall not affect the validity, enforceability or binding effect of this Agreement.

SELLER

1635536 ONTARIO INC.

By: 
Name: David Taylor
Title: President

VERSITEC MARINE USA INC.

By: 
Name: David Taylor
Title: President

Executed June 21, 2017

APPENDIX B

FORBEARANCE AGREEMENT

THIS AGREEMENT is made as of the 25th day of April, 2019

AMONG:

1635536 ONTARIO INC., o/a VERSITEC MARINE & INDUSTRIAL

a corporation incorporated pursuant to the Laws of the Province of Ontario

(a borrower hereinafter individually called "**Versitec Canada**")

OF THE FIRST PART;

-and-

VERSITEC MARINE USA INC.

a corporation incorporated pursuant to the Laws of the State of Delaware

(a guarantor hereinafter individually called "**Versitec USA**" and collectively with Versitec Canada as the "**Borrowers**")

OF THE SECOND PART;

- and -

REUBEN KARY BYRD, of
Boca Raton, Florida

(a guarantor hereinafter individually referred to as ("**BYRD** ") and collectively a "**Guarantor**")

OF THE THIRD PART;

- and -

DAVID TAYLOR, of
Port Colborne, Ontario

(a guarantor hereinafter individually referred to as ("**TAYLOR**") and collectively a "**Guarantor**")

OF THE FOURTH PART;

-and-

VERSITEC MARINE HOLDINGS INC.

a corporation incorporated pursuant to the Laws of the Province of Ontario

(a guarantor hereinafter individually called "**Holdings**" and collectively as a "**Guarantor**")

OF THE FIFTH PART;

- 2 -

-and -

LIQUID CAPITAL EXCHANGE CORP.
 5734 Yonge Street, Suite 400
 Toronto, ON M2M 4E7

(hereinafter called "Liquid Capital")

OF THE SIXTH PART

1. **INDEBTEDNESS OF THE BORROWER**

WHEREAS the Borrowers carry on business as an equipment manufacturer and service supplier.

AND WHEREAS the Borrower is party to various documents and agreements which establish credit facility arrangements between Liquid Capital, as lender, and each of Versitec Canada and Versitec USA, as borrowers, pursuant to: (i) a financing facility agreement dated June 21, 2017 providing for a \$500,000 Canadian & US Dollars loan, (the "Facility Agreement"); and (ii) a purchase and sale agreement dated June 21, 2017 providing for the purchase by Liquid Capital and the sale by the Borrowers of certain accounts receivable of the Borrowers (the "Purchase Agreement", and together with the Facility Agreement, the "Borrower Documents").

AND WHEREAS particulars of the aggregate Borrower Indebtedness to Liquid Capital as of April 25, 2019 are as follows:

A. **FACILITY INDEBTEDNESS – CANADIAN DOLLARS**

PRINCIPAL AMOUNT OWING	CAD\$49,557.96
INTEREST ACCRUED TO AND INCLUDING April 25, 2019	16,013.58
TOTAL INDEBTEDNESS (the "CAD Indebtedness")	\$65,571.54

* per diem interest is CAD\$45.72 and continues to accrue

B. **FACILITY INDEBTEDNESS – UNITED STATES DOLLARS**

PRINCIPAL AMOUNT OWING	USD\$0
INTEREST ACCRUED TO AND INCLUDING April 2, 2019	0
TOTAL INDEBTEDNESS (the "USD Indebtedness", and together with the CAD Indebtedness, the "Indebtedness")	\$0

* per diem interest is USD\$0 and continues to accrue

- 3 -

C. SECURITY GRANTED BY BORROWER

AND WHEREAS as security for the Indebtedness, and for any other monies advanced, or as may be advanced in the future by Liquid Capital to the Borrowers, and for all other present and future indebtedness, fees, expenses and other liabilities, direct or indirect, absolute or contingent, due from time to time by Liquid Capital to the Borrowers (collectively, the "Obligations"), the Borrowers granted to Liquid Capital security over its assets and undertaking consisting of a General Security Agreement dated June 21, 2017 (the "Security").

D. GUARANTEES IN SUPPORT OF THE INDEBTEDNESS

AND WHEREAS the Obligations were guaranteed by each of Byrd, Taylor and Versitec Marine Holdings pursuant to separate written continuing guarantee and postponement of claim agreements, each dated June 21, 2017 (collectively, the "Guarantees").

E. DEFAULT

AND WHEREAS each of the Borrowers and Guarantors acknowledges and agrees that various defaults have occurred under the Borrower Documents, which include, without limitation, the collection of funds and payments from various companies under invoices that had been factored and assigned to Liquid Capital. The failure to remit the foregoing funds constitutes a breach of trust by the Borrowers under the Borrower Documents. The other defaults under the Borrower Documents are more particularly set for in the letter of demand dated November 16, 2018 and issued by Liquid Capital to the Borrowers and the Guarantors.

F. FORBEARANCE

AND WHEREAS each of the Borrowers and the Guarantors have requested Liquid Capital not effect realization on the Security or upon their respective guarantees, and that Liquid Capital allow the Borrowers a Forbearance Period, as hereinafter set out, within which the Borrowers will obtain refinancing in an amount sufficient to fully repay the Indebtedness on or before the end of the Forbearance Period.

AND WHEREAS this Agreement reflects the terms upon which Liquid Capital is agreeable to not immediately take steps to exercise on the Security and the Guarantees and to forbear (having made demand and issuance of Notice of Intention to Enforce Security ("NITES")), which forbearance shall only be effective provided all terms contained in this Agreement are fully complied with.

AND WHEREAS the Borrowers and each Guarantor acknowledges and confirms that Liquid Capital issued a demand for repayment to each of them and also issued NITES to each of them, and all of them each hereby request that Liquid Capital forbear in accordance with the terms contained herein, and to not enforce on such demand and NITES, the security granted by the Borrowers, or on the Guarantees, all as hereinafter more particularly set out.

AND WHEREAS Liquid Capital has agreed, in reliance upon the representation, warranties and covenants of the Borrowers and each Guarantor contained in this Agreement, and

- 4 -

subject to the terms and conditions contained herein being fully performed, to permit the parties hereto a Forbearance Period. The Borrowers and the Guarantors each agree to the Forbearance Terms and Forbearance Period as set out in this Forbearance Agreement ("Agreement") and each of them acknowledge the terms and Forbearance Period are reasonable.

2. **REQUEST FOR FORBEARANCE FROM ENFORCING SECURITY**

Each of the Borrowers and the Guarantors, have requested Liquid Capital refrain from effecting on the respective security pledged to Liquid Capital and on the Guarantees given for the Indebtedness until the earlier of (1) December 31, 2019; (2) an Event of Default (as herein after defined) terminating the Forbearance Agreement ("Forbearance Period").

3. **ACKNOWLEDGMENTS**

The Borrowers and each Guarantor jointly and severally, irrevocably and unconditionally acknowledge, represent, warrant and confirm that Liquid Capital is acting herein strictly in reliance upon the representations, warranties and covenants of each of the Borrowers and the Guarantors that:

- (a) each of the documents and agreements comprising the Security is valid and enforceable in accordance with its terms;
- (b) the Forbearance Period is reasonable and accepted by them as such;
- (c) the guarantees given by each of Byrd, Taylor and Versitec Marine Holdings, with respect to the Indebtedness, are valid and enforceable in accordance with its terms;
- (d) there has been a change in ownership of the Borrowers as follows:
 - (i) David Carpenter is no longer an employee with the Borrowers;
 - (ii) Reuben Byrd is a new investor and the CEO of the Borrowers;
 - (iii) Reuben Byrd has agreed to sign a personal guarantee of the obligations of the Borrower to Liquid Capital and Liquid Capital has agreed to enter into this Forbearance Agreement and continue factoring services, as outlined herein, in reliance on such guarantee;
- (e) except as provided in this Agreement or applicable law, Liquid Capital, having delivered demand and NITES as herein set out, is in a position to take steps to enforce on the Security, and on the Guarantees, and pursue all remedies with respect to the obligations of each of the Borrowers and each Guarantor, as it may deem appropriate;
- (f) except as provided in this Agreement, Liquid Capital (either by itself or through its officers, employees or agents or advisors) has made no promises or statement (express or implied, verbal or otherwise), nor has it taken any action or omitted to take any action that would constitute a waiver of its rights to enforce on the

- 5 -

Security and the Guarantees given in support of the Indebtedness, and pursue its remedies in respect of the obligations of the Borrowers and the Guarantors, including, but not limited to, the Security and the Guarantees;

- (g) The Borrowers will operate solely at their respective leased premises and carry on business in the normal course at all times, and all inventory, accounts receivable, equipment and other assets (including intangibles) used or owned by each of the Borrowers shall at all times continue to be owned by it for its own account and each of the Borrowers will daily and promptly deposit all receivables, and any other income sources, solely in its respective corporate bank account;
- (h) in the event of a default in one or more terms of this Forbearance Agreement, and an Event of Default notice being given (which default has not been specifically waived in writing by Liquid Capital), and a resultant termination of the Forbearance Period, the Borrowers and the Guarantors each acknowledge that the agreement by Liquid Capital to forbear shall automatically, and without further notice thereafter, terminate and be of no further force or effect, it being expressly agreed that the effect of termination will be to permit Liquid Capital to exercise its rights and remedies immediately, including, without limitation, the appointment of a Receiver-Manager ("**Receiver**") or a trustee in bankruptcy of the assets and undertaking of the Borrowers and to enforce on the Security and the Guarantees;
- (i) The Borrowers hereby expressly acknowledge and confirm their liability for the Indebtedness to Liquid Capital and the Guarantors confirm their Guarantees and that they are valid and enforceable in accordance with the terms of their respective Guarantees.
- (j) The Borrowers and the Guarantors confirm that the demand and NITES sent to them remain in full force and effect throughout the Forbearance Period and that Liquid Capital has not, and will not be deemed to have waived, varied, altered or in any other manner whatsoever withdrawn same. Each of the Borrowers and the Guarantors further acknowledge, consent, and confirm that Liquid Capital may continue to rely on the Demand and NITES and in the event of default hereunder, Liquid Capital shall be entitled to act on them without the need to issue any further or fresh Demand and/or NITES;
- (k) The Borrowers and the Guarantors each acknowledge and confirm that their respective liability for the Indebtedness are valid and enforceable in accordance with the respective loan term agreements and for guarantee agreements and that neither the Borrowers nor the Guarantors have any valid defence, claim, cause of action, counterclaim or rights of setoff or right of reduction or any other claim (in law or in equity) of any kind or nature whatsoever against Liquid Capital, its officers, directors or employees and confirm that Liquid Capital may, and is relying upon such acknowledgment as part of the consideration for entering into this Forbearance Agreement;
- (l) all statements contained in the recitals to this Forbearance Agreement are true and accurate in every respect and are incorporated herein;

- 6 -

- (m) each of the Demands and NITES issued to the Borrowers and the Guarantors has been validly and effectively given to them and will remain in effect at all times until all Indebtedness and obligations are fully satisfied;
- (n) Liquid Capital has not waived, and shall not be deemed to have waived, any defaults by the Borrowers, and Liquid Capital is immediately entitled, subject only to the terms of this Forbearance Agreement, to take enforcement steps as it determines to do so;
- (o) the entering into of this Forbearance Agreement by Liquid Capital does not constitute a withdrawal or revocation of the Demands or NITES or a waiver of existing or future defaults, or events of default under this Forbearance Agreement or a waiver of the obligation to pay the entirety of the Indebtedness by or before the end of the Forbearance term;
- (p) this Forbearance Agreement has been duly authorized and duly executed and delivered by a duly authorized officer of each of the Borrowers and the Guarantors, that is not an individual, and constitutes a legal, valid and binding obligation of such Borrower and Guarantor, enforceable in accordance with the terms herein set out, and each Guarantor that is an individual has the legal capacity to enter into this Forbearance Agreement;
- (q) this Forbearance Agreement has been fairly and freely negotiated between commercial parties and their respective legal counsel and each party is entering into this Forbearance Agreement voluntarily and without duress, bad faith, unreasonable or oppressive conduct, undue influence or other unfair advantage of any kind by or on behalf of any party hereto;
- (r) as of the date of this Forbearance Agreement being executed, Liquid Capital has acted in a commercially reasonable manner and each of the Borrowers and the Guarantors confirm same and are estopped from disputing same; and
- (s) the facts as set out in the recitals to this Agreement are true and correct, and are incorporated herein and form an integral part of this Agreement and are given knowing they are being relied upon by Liquid Capital as part of the consideration to enter into this Forbearance Agreement.

4. **CONTINUATION OF FACTORING SERVICES UP TO \$600,000**

The purchase and sale of certain accounts receivable (the "Factoring Services") under the Terms of the Purchase Agreement, shall continue to be provided during the Forbearance Period, subject to the following, which shall amend the terms of the Purchase Agreement, as necessary to give effect the following:

- (a) each of the Borrowers shall be required to factor with Liquid Capital all of their respective accounts receivable which are acceptable to Liquid Capital;

- 7 -

- (b) all factored receivables shall be on a full notification basis to the applicable customers and with full recourse to the Borrowers and Guarantors, notwithstanding the factoring of such receivables to Liquid Capital;
- (c) A minimum of \$[600,000] of new accounts receivable of the Borrowers that are acceptable to Liquid Capital shall be factored immediately and the initial advance amount, together with any reserve payable on collection, shall be applied against the Indebtedness and all other amounts owing to Liquid Capital hereunder or under the Borrower's Documents, subject to the following deductions, which the Borrowers and the Guarantors agree shall be deducted from the initial advance:
 - (i) legal and other fees incurred by Liquid Capital, which shall include without limitation, legal fees and the fees of the Consultant (which is hereinafter defined); and
 - (ii) all amounts currently owing on account of the Indebtedness.
- (d) Effective immediately, the Borrower shall pay a 3% discount fee of the face value of the accounts receivable invoices purchased by Liquid Capital plus 0.1% per day on any amount that is not paid under such invoices after 30 days from the date of purchase.
- (e) The Borrowers shall comply with all of Liquid Capital's notification conditions and processes from time to time, which shall include, without limitation, the following:
 - (i) sign any required custom factor notification letters;
 - (ii) have a Liquid Capital assignment notification clearly printed on all invoices;
 - (iii) Liquid Capital is hereby authorized to contact and collect from the Borrower's customers any amounts owing under invoices that have been factored by Liquid Capital and to direct all payments owing by such customers to Liquid Capital or as it may otherwise direct; and;
- (f) accounts receivable eligible to be factored by Liquid Capital shall be limited to those accounts receivable that are credit insured by a Liquid Capital insurer or by the Borrowers under an Export Development Canada ("EDC") insurance policy, that is acceptable to Liquid Capital in its sole discretion. The Borrowers and Guarantors acknowledge and agree that all of the Borrowers' rights and benefits under their existing and any future EDC credit policies have been assigned pursuant to the Security. The Borrowers covenant and agree that they will sign such other documents and do such other things as may be requested by Liquid Capital in respect of the assignment of the assignment of the EDC insurance policies and the rights and benefits that arise therefrom.

5. COVENANTS

Each of the Borrowers and Guarantors covenants, acknowledges and agrees with Liquid Capital that:

- (a) Performance of all conditions and terms of this Agreement is an integral inducement for Liquid Capital to agree to enter into this Forbearance Agreement and that Liquid Capital is relying upon strict performance of all of the terms hereof and the accuracy and truthfulness of the representations and warranties provided herein as an inducement to enter into this Forbearance Agreement;
- (b) The Borrowers shall engage Newhouse Partners Inc. (the "Consultant") on the terms and conditions more particularly set forth in the engagement letter dated [March 29, 2019]. The Borrowers acknowledge and agree that any costs associated with the engagement of the Consultant will be for the account of the Borrowers alone and Liquid Capital shall have no obligation in respect of same.
- (c) The Borrowers acknowledge and agree that notwithstanding any provisions of the Purchase Agreement to the contrary, Liquid Capital may directly contact any of the Borrowers' account debtors whose accounts have been purchased by Liquid Capital pursuant to the Purchase Agreement in connection with collecting upon such accounts.
- (d) The Borrowers acknowledge and agree that Liquid Capital may continue to provide the Borrowers with factoring services pursuant to the terms of the Purchase Agreement, and subject to section 4 above, during the Forbearance Period in its sole and absolute discretion and Liquid Capital may hold back from any advance amount pursuant such continued factoring arrangements any additional reserves Liquid Capital deems necessary in connection therewith.
- (e) The Borrowers will forthwith provide to Liquid Capital:
 - (i) Payment to Liquid Capital of an extension and administrative fee of \$10,000 ("Fee") to partially reimburse Liquid Capital with respect to the time expended by it with respect to dealing with default issues and negotiating this Agreement. The Fee becomes fully earned, due and payable upon execution by all parties of this Forbearance Agreement. The Fee will be paid by the Borrowers to Liquid Capital on execution of this agreement, without further notice. The Borrowers will ensure there are sufficient funds in its account to pay the Fee;
 - (ii) The Borrowers acknowledge failure to obtain alternate funding sufficient to repay Liquid Capital in full by **December 31, 2019** will be an event of default enabling Liquid Capital to immediately terminate the Forbearance Period and forthwith take all steps it deems necessary to protect its loan and security therefore;

- 9 -

- (iii) The Borrowers will not declare any dividends, nor repay any shareholders' loan, inter-corporate indebtedness or make any other payment to any corporation or person who does not deal at arm's length (as such term is defined in the *Income Tax Act* (Canada)) with it and no salaries, bonuses or other form of compensation, direct or indirect, will be paid out except as was paid to employees, officers and directors and with payment being consistent with past payment amounts;
- (iv) Each of the Borrowers covenants and warrants that all lease payments for the premises it carries on business from are and will be kept current. Each of the Borrowers covenant to immediately notify Liquid Capital of any non-payment of rent when due, or any other covenant breach by such Borrower of its lease;
- (v) The Borrowers will reimburse Liquid Capital for all expenses, including all legal fees and disbursements, that Liquid Capital has incurred or will incur arising out of its dealings with it, both to date and with respect to, and including the Forbearance Agreement, all matters related to payout, and in any protection, preservation and/or enforcement of the Security or the Guarantees, including the preparation of this Agreement, and covenants and agrees to fully reimburse Liquid Capital for all such expenses and legal fees and disbursements;
- (vi) The Borrowers will provide to Liquid Capital, in accordance with its loan agreement and credit facility terms, all reports, including, but not limited to, weekly reporting as required by Liquid Capital, including, but not limited to, weekly updated cash flow reports and bank statements for all accounts of the Borrowers, and in addition thereto, monthly reporting, including internally prepared financial reports, bank statements with copies of all cancelled cheques, and a statutory declaration signed by a director of the Borrowers, setting out all government priorities (including HST, withholding taxes, CPP and employment insurance), paid and payable, and that all wages to date of declaration are paid and that there are no unpaid monies due for government taxes, liens, deemed trust, super priorities and the Borrowers acknowledge failure to keep same current will be an event of default;
- (vii) prior to any contemplated sale or other disposition of any assets, including but not limited to, the premises lease, or equipment, out of the ordinary course of business, the Borrowers will provide Liquid Capital with full particulars of the contemplated transaction and will not carry out such transaction without the prior written consent of Liquid Capital having been first obtained; and
- (viii) Taylor agrees to provide a collateral charge against his property located at 518 King Street, Port Colborne, Ontario; and

- 10 -

- (ix) Byrd agrees to provide a collateral charge against his property located at 19480 Satumia Lakes Drive, Boca Raton, Florida or such local properties as Liquid Capital may agreed upon. To the extent required by law, Byrd covenants and agrees to obtain his spouse's consent to such charge and obtain independent legal advice for his spouse;
- (f) In order to ensure the smooth running and continued operations, the Borrowers agrees to use comfort letters and irrevocable directions as required to ensure key suppliers are paid. As at April 2, 2019 there is approximately \$450,000 of the Borrowers' accounts payable which need to be paid; and
- (g) While the Forbearance Agreement is in place, the Borrowers agree not to obtain or such any borrowings or loans from third parties, including without limitation, Merchant cash loan. In addition, the Borrowers agree, upon the request of Liquid Capital, to repay all outstanding loan obligations to Premium Capital Group Inc. and Merchant Advance Capital and to obtain the discharge of any security relating to these loans, which shall include the registration of financing statements under the *Personal Property Security Act* (Ontario) discharging such loans.

6. GUARANTOR ACKNOWLEDGEMENT

Each of the Guarantors confirms to Liquid Capital that each is cognisant of the current financial circumstances of the Borrowers for which it has guaranteed payment pursuant to its guarantee.

7. DELIVERY OF DOCUMENTS

The Borrowers and Guarantors shall deliver or cause to be delivered, the following documents, all in a form required by Liquid Capital on or before May 10, 2019:

- (a) Byrd shall deliver an unlimited guarantee using Liquid Capital's standard form guarantee;
- (b) the collateral charges referenced above shall be delivered;
- (c) the consulting agreement with the Consultant; and
- (d) this Forbearance Agreement.

8. CONSENT TO APPOINTMENT OF RECEIVER-MANAGER ("RECEIVER")

Receiver Application

Upon the earlier of (i) the expiry of the Forbearance Period without repayment in whole to Liquid Capital; or (ii) the occurrence of an Event of Default of which Liquid Capital has given the Borrowers and the Guarantors notice, Liquid Capital may immediately terminate all credit facilities, terminate its forbearance hereunder and the Forbearance Period, and take steps to enforce, without further notice or delay, all of its rights and remedies against each of the Borrowers and each Guarantor for such indebtedness, including taking steps to realize on the

- 11 -

security and guarantees, which rights and remedies may, at the sole option of Liquid Capital include an application to Court for the appointment of a receiver or receiver-manager and each of the Borrowers and the Guarantors consent to such appointment of a receiver and agree that they do not, and will not, oppose such appointment and that Liquid Capital can rely upon the consent to appointment of a Receiver contained herein and that such consent shall be ongoing until such time as all Indebtedness is fully repaid. Each of the Borrowers and the Guarantors shall be estopped from disputing their respective consent to the appointment of a receiver following an event of default and termination of the forbearance term and this agreement.

9. **EVENTS OF DEFAULT**

The occurrence of any one or more of the following events shall constitute an event of default ("Event of Default") under this Agreement:

- (a) Liquid Capital shall not be repaid in full on or before [December 31], 2019;
- (b) failure to make any other payments to Liquid Capital on their due date;
- (c) failure to provide any reports, certificates, information or materials required to be provided to Liquid Capital pursuant to any Liquid Capital facility agreement, the security granted to Liquid Capital or this Agreement;
- (d) if any representation or warranty provided to Liquid Capital (herein or otherwise) by the parties hereto was incorrect when made or becomes incorrect;
- (e) failure to execute and deliver to Liquid Capital this Forbearance Agreement no later than May 10 2019 ;
- (f) failure to materially perform or comply with any of the covenants, terms, obligations or conditions contained in this Agreement, or in any other agreement or undertaking made between the parties hereto and Liquid Capital;
- (g) if the Security ceases to constitute a valid and perfected security interest against all assets of the Borrowers granted to Liquid Capital, ranking first in priority, or for any other reason Liquid Capital reasonably considers that its security, or any part thereof, is at risk;
- (h) the Borrowers or the Guarantors, or any of them, take any steps to challenge the validity or enforceability of Liquid Capital's security, the Indebtedness (which shall include without limitation, all indebtedness owing under any continued factoring services provided by Liquid Capital as set out herein, any security granted to Liquid Capital as security for the Indebtedness, the Guarantees, or this Agreement, or any parts thereof;
- (i) if, in Liquid Capital's commercially reasonable opinion, a material adverse change occurs in the business, affairs or condition of the Borrowers, financial or otherwise, arising for any reason whatsoever;

- 12 -

- (j) default by the Borrowers under this Forbearance Agreement and for which default Liquid Capital declares an Event of Default and terminates this Agreement and the Forbearance Period;
- (k) if at any time during the forbearance term any of the Borrowers or the Guarantors consents to or makes a general assignment for the benefit of creditors or takes advantage of any insolvency, restructuring, reorganization, other creditor protection legislation, or takes any corporate steps in furtherance of the foregoing, or is declared a bankrupt, or if a liquidator, trustee in bankruptcy, custodian, interim receiver, receiver or receiver manager or other party with similar powers is appointed over the Borrowers or any step in furtherance of any of the foregoing is taken for the Borrowers; and
- (l) the expiry or early termination of this Forbearance Agreement without repayment of all indebtedness owing by the Borrowers to Liquid Capital.

10. **TOLLING ARRANGEMENTS**

- (a) as of the date hereof, and continuing until the termination of the Forbearance Period and thereafter, until the termination of the tolling arrangements hereof in the manner provided for herein, Liquid Capital, each of the Borrowers and the Guarantors hereby agree to toll and suspend the running of the applicable statutes of limitations, laches or other doctrines related to the passage of time in relation to the Indebtedness, the security and the guarantees, and any entitlements arising from the indebtedness or the Security and any other related matters, and each of the parties confirms that this agreement is intended to be an agreement to suspend or extend the basic limitation period provided by Section 4 of the *Limitations Act*, 2002 (Ontario) as well as the ultimate limitation period provided by Section 15 of the *Limitations Act*, 2002 (Ontario) in accordance with the provisions of Section 22 (2) of the *Limitations Act*, 2002 (Ontario) and as a business agreement in accordance with the provisions of Section 22 (5) of the *Limitations Act*, 2002 (Ontario), and any contractual time limitation on the commencement of proceedings, any claims or defences based upon such applicable statute of limitations, contractual limitations, or any time related doctrine including waiver, estoppel or laches; and
- (b) the tolling provisions of this Forbearance Agreement will terminate upon either party providing the other with 60 clear days written notice of an intention to terminate the tolling provisions hereof, and upon the expiry of such 60 days' notice, and any time provided for under the statutes of limitations, laches, or any other doctrine related to the passage of time in relation to the indebtedness, the Security or any entitlements arising from the indebtedness of the Borrowers or the Security and guarantees, and any other related matters, will recommence running as of the effective date of such notice, and, for greater certainty, the time during which the limitation period is suspended pursuant to the tolling provisions of this Forbearance Agreement shall not be included in the computation of any limitation period.

- 13 -

11. ENFORCEMENT

Upon the occurrence of either an Event of Default or the non-payment of the Obligations of the Borrowers ("Termination Event"), Liquid Capital may forthwith take steps to terminate the Forbearance Period and enforce all security and pursue any or all remedies that it may have against either of the Borrowers and the Guarantors, including, without limitation, the appointment of a Receiver, or a Receiver and Manager over the Borrowers as Liquid Capital shall determine in its sole discretion.

12. CREDIT ENQUIRIES

If Liquid Capital is asked to respond to any credit enquiry concerning the Borrowers made by any other bank, financial institution or any other lending party, Liquid Capital may refuse to respond to such enquiry, unless each of the Borrowers and the Guarantors each consent in writing to Liquid Capital responding, and the Borrowers and the Guarantors, hereby release and discharge Liquid Capital in respect of any loss that the Borrowers and/or the Guarantors may suffer as a result of such refusal to respond, or arising from Liquid Capital responding following receipt of written confirmation by each of the Borrowers and the Guarantors to do so.

13. NO CLAIMS AGAINST LIQUID CAPITAL

- (a) Each of the Borrowers and the Guarantors, jointly and severally confirm that they do not dispute their liability to pay the indebtedness of the Borrowers or the amount they have guaranteed, on any basis whatsoever, and each of the Borrowers and the Guarantors have no cause of action, claim, set-off, counterclaim or damages, direct or indirect, contingent or otherwise, on any basis whatsoever (in law or in equity) against Liquid Capital as of the date of this Agreement.
- (b) The Borrowers and each of the Guarantors acknowledge that all security and guarantees for the indebtedness of the Borrowers granted to Liquid Capital, or any of it, has not been discharged, varied, waived, released, forgiven, amended, or altered in any manner whatsoever, and continues to be binding upon and is enforceable against it in accordance with its terms. The guarantors acknowledges that the guarantees granted by them to Liquid Capital as security for the Obligations of the Borrowers are in full force and effect and enforceable against them in accordance with the terms thereof.
- (c) Each of the Borrowers and the Guarantors (collectively the "Releasers") hereby releases, remises, acquits and forever discharges Liquid Capital, its officers, directors, employees, consultants and advisors (the "Released Parties") from any and all actions, causes of action, judgments, executions, suits, debts, claims, liabilities, obligations, setoffs, recoupments, counterclaims, defences, damages and expenses of any and every character, known or unknown, suspected or unsuspected, direct and/or indirect, at law or in equity of whatsoever kind or nature, whether heretofore or hereafter arising, for or because of any matter or things done, omitted or suffered to be done by any of the Released Parties prior to and after the date hereof, and in any way directly or indirectly arising out of or in any manner connected with the Forbearance Agreement, the loan facility

- 14 -

documents, the security granted to Liquid Capital (and any enforcement relating thereto) (the "Released Matters"). Each Releasor acknowledges that the agreements in this section are intended to be in full satisfaction of all or any alleged injuries or damages arising in connection with the Released Matters and constitute a complete waiver of any right of setoff or recoupment, counterclaim or any other defence or cause of action of any nature whatsoever with respect to the Released Parties or which might limit or restrict the effectiveness or scope of its agreements in this section. Each Releasor represents and warrants that it has no knowledge of any claim by it against the Released Parties or any facts, or acts or omissions of the Released Parties which is not released hereby. Each Releasor represents that it has not purported to transfer, assign, pledge or otherwise convey any of its rights, title or interest in any Released Matter to any other person or entity and that the foregoing constitutes a full and complete release of all Released Matters. The Releasors have granted this release freely and voluntarily and without duress.

- (d) Each of the Borrowers acknowledges and agrees with Liquid Capital that with respect to this Agreement, nothing contained herein, or any agreement with Liquid Capital referred to herein, shall have the effect of changing the nature of any part of the Obligations which are characterized as demand facilities from a demand facility, subject to the terms of this Agreement. This Agreement will not discharge or constitute novation of any debt, obligation, covenant or obligation contained in any agreement with Liquid Capital or any security, and same shall remain in full force and effect, save to the extent it is specifically amended by the provisions of this Agreement.

14. SURVIVAL OF REPRESENTATIONS AND WARRANTIES

All representations and warranties made in this Forbearance Agreement or any other document furnished in connection herewith shall survive the execution and delivery of this Forbearance Agreement and such other document and shall not affect the continuation of all such representations and warranties and the right of Liquid Capital to rely upon them.

15. NOTICE

Without prejudice to any other method of giving notice, any notice required or permitted to be given to a party pursuant to this Agreement shall be conclusively deemed to have been received by such party on the next business day following the sending of the notice by prepaid private courier or on the next business day if sent by facsimile to such party at his, her or its facsimile number and address noted on the first page of this Agreement. Any party may change his, her or its address for service by notice given in the foregoing manner. In the case of The Borrowers and the Guarantors, the address for service as of the date of this Agreement is:

1635536 Ontario Inc.
4 Stonebridge Drive, Unit 4
Port Colborne, Ontario L3K 5V4
Attention: David Taylor

Versitec Marine USA Inc.

- 15 -

1623 Military Road, #283
 Niagara Falls, New York, USA 14304
 Attention: David Taylor

David Taylor
 4 Stonebridge Drive, Unit 4, Port Colborne,
 Ontario, L4K 5V5 Email:
 dtaylor@versitecmarine.com

Reuben Kary Byrd 19480 Saturnia Lakes
 Drive, Boca Raton, Florida 33498
 Email: rbyrd@versitecmarine.com

Liquid Capital Exchange Corp.
 5734 Yonge Street, Suite 400
 Toronto, ON M2M 4E7
 Attention: Jonathan Brindley
 Email: jbrindley@liquidcapitalcorp.com

-- with a copy to --
 Torkin Manes LLP
 151 Yonge Street, Suite 1500
 Toronto, ON M5C 2W7
 Attention: Jeffrey Alpert
 Email: jalpert@torkinmanes.com

16. TIME OF THE ESSENCE

Each of the parties hereto acknowledges that time is of the essence of this Agreement. A waiver by Liquid Capital of any default, event of default, breach or non-compliance under this Agreement is not effective unless in writing and executed by Liquid Capital confirming such waiver by Liquid Capital.

17. FURTHER ASSURANCES

Each party agrees to promptly do, make, execute and deliver all such further acts, documents and instruments as Liquid Capital may reasonably require to allow Liquid Capital to enforce any of its rights under this Agreement and to give effect to the intention of this Agreement.

18. LAWS OF ONTARIO

This Agreement shall be governed by the laws of the Province of Ontario and the laws of Canada (without regard to any rules or principles relating to conflicts of law) applicable therein. The parties hereto irrevocably submit and attorn to the non-exclusive jurisdiction of the Courts of the Province of Ontario and the Provincial and federal laws of Canada applicable thereto. Notwithstanding the provisions herein, each of the Borrowers and the Guarantors acknowledge

- 16 -

and agree that Liquid Capital shall be at liberty to take enforcement proceedings, including appointment of a Receiver, in the [Province of Ontario or the State of New York] should Liquid Capital so determine to do so.

19. GENERAL

If any provision of this Agreement shall be deemed by any court of competent jurisdiction to be invalid or void, the remaining provisions shall remain in full force and effect.

This Agreement shall be binding upon and shall enure to the benefit of the parties hereto and their respective heirs, executors and successors.

This Agreement constitutes the entire agreement of the parties relating to the subject matter hereof and may not be amended or modified except by written consent executed by all parties. No provision of this Agreement shall be deemed waived by any course of conduct unless such waiver is in writing and signed by all parties, specifically stating that it is intended to modify this Agreement. In the event of a contradiction between the terms and conditions of this Agreement, and the terms and conditions of the security, the terms and conditions of this Agreement shall prevail.

20. LEGAL ADVICE

Each of the Borrowers and the Guarantors acknowledge they have reviewed this Agreement in its entirety with their legal counsel prior to executing same, and execute this Agreement with full capacity to do so, freely and voluntarily, with full knowledge and understanding of the contents and obligations contained herein and acknowledge Liquid Capital has advised them to seek legal advice before executing this Agreement.

21. COUNTERPART

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same instrument. This Agreement may be executed as an original hereof or by facsimile transmission, with an original to be exchanged between the parties hereto forthwith thereafter.

22. SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon and shall enure to the benefit of the parties hereto and their respective permitted successors and assigns.

23. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement of the parties relating to the subject matter hereof and may not be amended or modified except by written consent executed by all parties. No provision of this Agreement shall be deemed waived by any course of conduct unless such waiver is in writing and executed by all parties, specifically stating that it is intended to modify this Agreement. In the event of a contradiction between the terms and conditions of this Agreement and terms of any credit facility with the Borrowers, the terms hereof to the extent applicable, shall prevail.

IN WITNESS WHEREOF AND FOR VALUABLE CONSIDERATION, this Agreement has been executed, sealed and delivered by the parties hereto.

1635536 ONTARIO INC.

Per: [Signature]
Name: DAVE Taylor
Title: President
I have the authority to bind the corporation

VERSITEC MARINE USA INC.

Per: [Signature]
Name: DAVE TAYLOR
Title: President
I have the authority to bind the corporation

VERSITEC MARINE HOLDING INC.

Per: _____
Name: DAVE TAYLOR
Title: President
I have the authority to bind the corporation

[Signature]
Witness

[Signature]
DAVID TAYLOR

Witness

REUBEN BYRD

LIQUID CAPITAL EXCHANGE CORP.

Per: _____
Name: _____
Title: _____
I have the authority to bind the corporation

APPENDIX C

John Morgan

From: John Morgan
Sent: October 27, 2020 11:45 AM
To: jonathan.brindley@myliquidcapital.com
Cc: Calvin Ho; Stewart Thom
Subject: A/R and cash reserve reconciliation

Good day Jonathan

As a further response to your request a discussion on Versitec the material that I prepared on the subject (A/R and escrow cash balances) along with all the back up source documents was sent by Calvin to Stewart on the 22nd of September 2020 which resulted in a zoom meeting between myself, yourself and Pia on September 28, 2020. You had stated that you had received all the material and that a review and reconciliation would be forthcoming within the week from LCX. It is now a month since we last discussed this and I have not received any comments on that material . Can you advise when I might receive it and if so might I suggest that we defer the discussion until after I have had a chance to review LCX's points on the matter. Can you please advise.

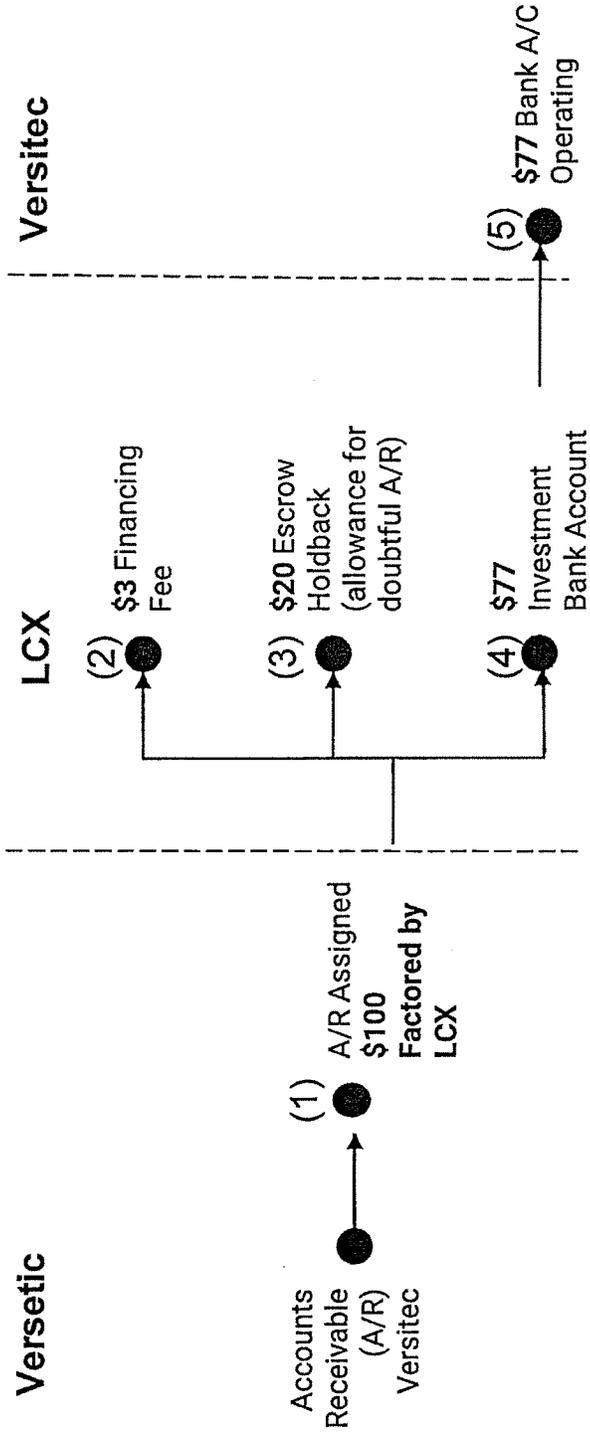
John Morgan, CPA, CA, CIRP, LIT, CFE, CBM
President

MORGAN & PARTNERS INC.
4 Cedar Pointe Drive, Unit J-2, Barrie, ON L4N 5R7
Direct Line: (705) 739-7003 ext 23
Fax: (705) 739-7119

www.morgantrustees.com

APPENDIX D

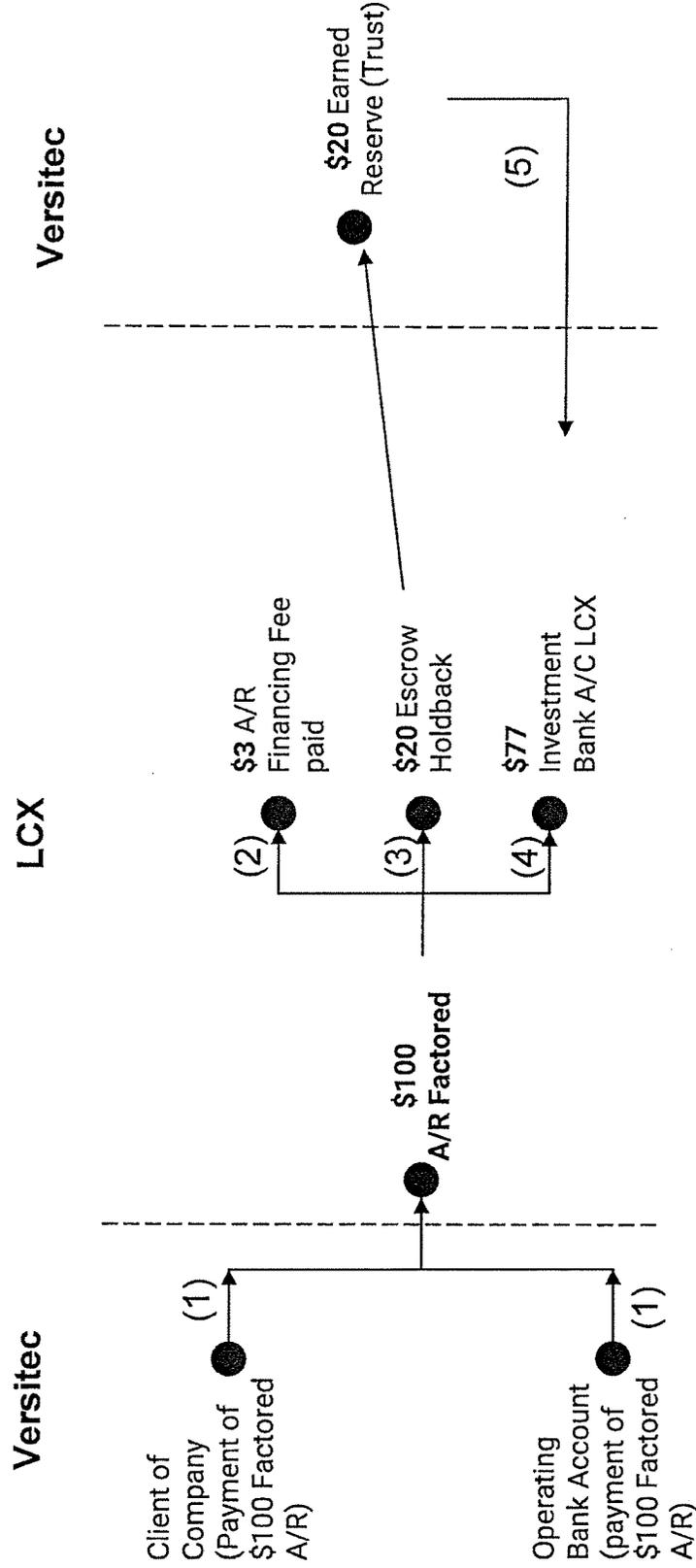
I
Funding Under The Factoring Agreement



I
Funding Under The Factoring Agreement

- Notes:
- (1) Assignment of \$100 Face Value
 - (2) - (4) Funding of \$100 less \$3 for financing & \$20 for Escrow Holdback
 - (5) Funding of net \$77/\$100 face value of A/R

II
Payment of 100% Accounts Receivable

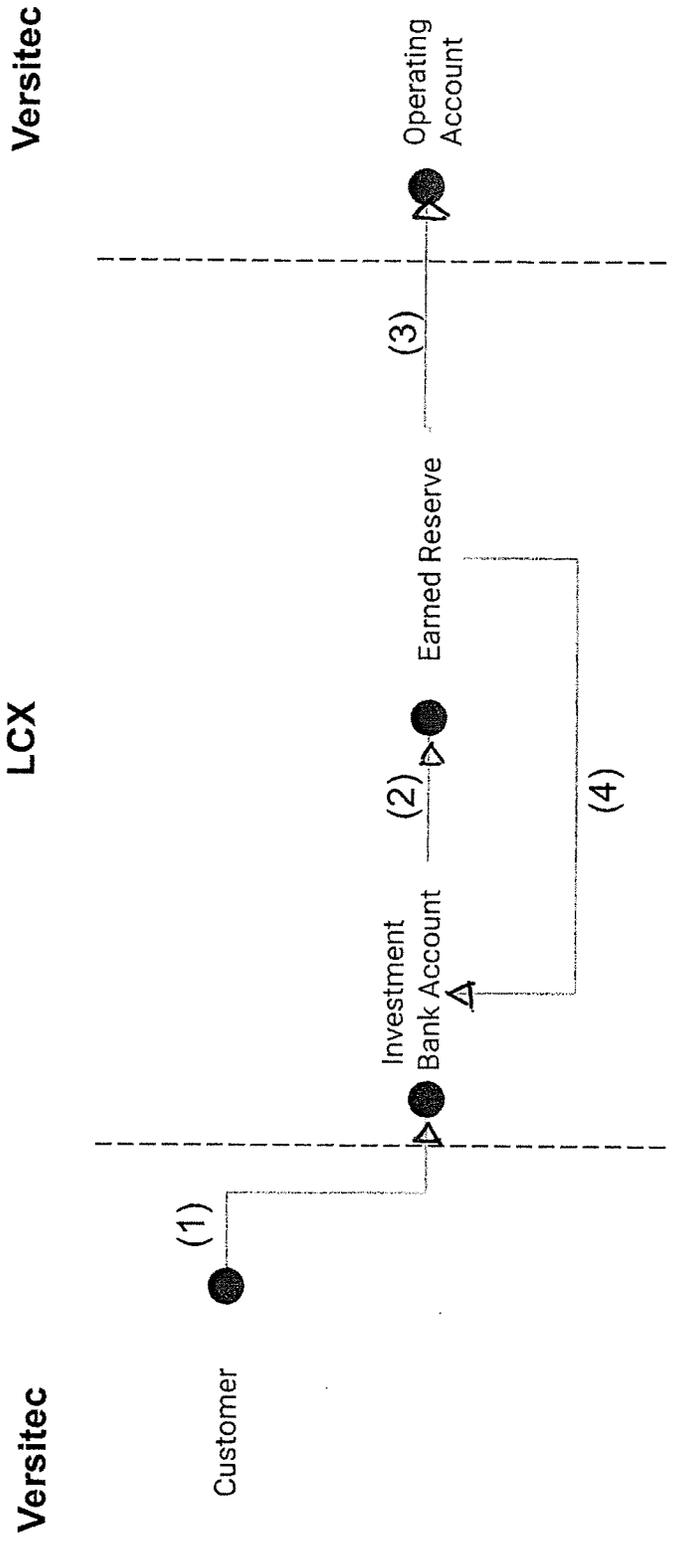


II
Payment of 100% Accounts Receivable

- Notes:
(1)
(2) - (4)
(4)
(5)

Received \$100 face value of assigned A/R
Records paid recovery of financing fee & establishes trust account for Versitec
LCX recovers initial payment of \$77
Earned Reserve held in Investment Bank a/c of LCX on behalf of Versitec

III
Receipts Paid to LCX not on Factored A/R



III
Receipts Paid to LCX not on Factored A/R

Notes:

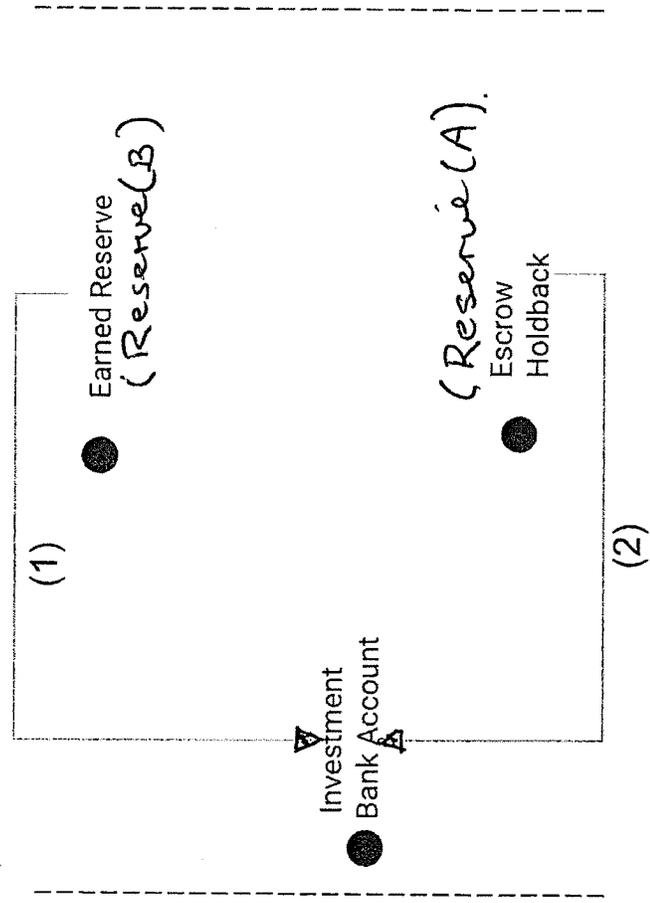
- (1) Customer directed by LCX to send funds directly per assignment agreement to LCX.
Customer sends funds that are non factored in error.
- (2) - (4) Funds not returned to Versitec ^{but} by kept by LCX in Investment Account

IV
Chargeback

Versitec

LCX

Versitec



IV
Chargeback

Notes:
(1) - (2) Chargeback at discretion of LCX via Chargeback (CB) notation per agreement

APPENDIX E
SUMMARY

	<u>Versitec Summary</u>		
	<u>A/R factored</u>	<u>Reserve (B)</u>	<u>Total</u>
	<u>net</u>		
1635536 Ontario Inc			
A/c 4822 Cdn\$	\$ 73,179.98	-\$ 159,892.24	-\$ 86,712.26
1635536 Ontario Inc			
A/c 4821 US \$	86,603.78	42,775.61	129,379.39
VMI USA			
A/C 4820U	62,129.35	- 155,472.90	- 93,343.55
Total US amounts	148,733.13	- 112,697.29	\$ 36,035.84
converted to CDN\$	<u>185,916.41</u>	<u>- 140,871.61</u>	<u>45,044.80</u>
1.25 CDN			
total in CDN \$ as at	<u>\$ 259,096.39</u>	<u>-\$ 300,763.85</u>	<u>-\$ 41,667.46</u>
10-Oct-20			
Add BDO amount	\$81,000*1.25		- 101,250.00
paid to LCX			
Total owing by LCX to Versitec			<u><u>-\$ 142,917.46</u></u>

Conclusion.

- 1 Could not identify any misdirected or converted funds in any of the various LCX accounts
- 2 Could not identify any malfeasance or breach of contract as against LCX
- 3 As a result the guaranty appears to be without justification primarily as a result of the non factored receipts being kept by LCX and not paid to

Versitec during the forbearance period

4 The net amount owing above includes the fees charged by LCX which were not challenged by MPI but were paid as a result of the adjustment to the Chargebacks as follows.

		<u>CDN\$</u>	
			converted @\$1.25/CDN\$
a/c4822	CDN\$	\$ 66,102	\$ 66,102
a/c 4821	US\$	37,342	46,678
A/c 4820U	US\$	29,537	36,921
			<u>\$ 149,701</u>

5 If payment of factored Receivables were paid to Versitec by the customer first then the funds were on average forwarded by Versitec to LCX within two weeks

Reasonable test of Reserve (B) in total

Receipts Received from non factored A/R not remitted back to Versitec		-\$ 221,167	
a/c 4822		\$ 20,000	
less claw back a/c 4822		-	232,912
A/c 4821		<u>31,745</u>	<u>-\$ 232,912</u>
Claw back of funds from funding by LCX to Versitec			
	A/c 4820U	\$ 85,000	
	A/c 4822	20,000	105,000
			<u>-\$ 337,912</u>

as per above	- \$ <u>300,764</u>
Difference	- \$ <u>37,148</u>
Duplicate invoice 219015 for Adventura Patners inc dated April 30, 2019 noted in LCX analysis but in MPI analysis was funded by LCX Fund 34B on May 3, 2019 (a/c 4821)	
Additional Factored Receivables not included in LCX reconciliation	
A/C 4822	14,788.00
a/C 4821	13,994.00
Total identifiable differences	<u>28,782.00</u>
unreconcilable difference pass	<u>35,662.00</u>
	<u>1,486.00</u>
difference immaterial	<u>\$ 37,148</u>

Versitec Payout
As at Oct 19 2020



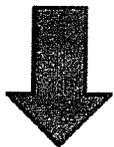
AC #	Currency	AR Balance	Escrow Reserves (Memo only)	Net Funds Employed (NFE)	Accrued Fees	Total Balance owing	Per Diem	Per Month
1635536	4822 CDN	177,854.80	32,421.41	212,746.33	66,102.48	278,848.81	177.85	5,335.64 A
1635536	4821 US	95,073.79	18,001.51	78,058.56	37,342.49	115,401.05	95.07	2,852.21 B
Versitec Marine USA Inc.	4820U US	75,614.67	14,679.02	93,854.50	29,536.56	123,391.06	75.61	2,268.44 B

49,162.00

CDN Torkins Legals

	Escrow Reserves	Net Funds	Accrued Fees	Total Bal Due*	Per Diem	Per Month
A Total CDN	32,421.41	212,746.33	66,102.48	328,010.81	177.85	5,335.64
B Total US	32,680.53	171,913.06	66,879.05	238,792.11	170.69	5,120.65

Memo only:	Convert to CDN	Convert to US
AC 4822 in CDN	328,010.81	234,527.73
AC 4821+4820U in CDN	322,369.35	238,792.11
Total Payout in CDN / US \$	650,380.16	473,319.84



Total Bal due * = includes Torkin Legals

Memo Total Per diem in CDN 408.28

Note: Any escrow reserves ie 20% held when invoices were originally factored has now been fully utilised with additional costs, chargebacks, penalties and accrued fees

APPENDIX F
ANALYSIS OF 1635536 ONTARIO INC
CDN\$ ACCOUNT 4822

1635536 Ontario Inc. O/A Versitec Marine & Industrial
 Analysis of Account with Liquid Capital
 LC account 4822

MPI SUMMARY

	<u>A/R Factored</u>	<u>Earned Reserve (A)</u>	<u>Earned Reserve (B)</u>	<u>Total</u>
Opening	\$ 237,854.00	-\$ 104,674.02	-\$ 320,991.52	-\$ 187,811.54
Less Receiver payment	-\$ 60,000.00			-\$ 60,000.00
Adjusted A/R	<u>\$ 177,854.00</u>	<u>-\$ 104,674.02</u>	<u>-\$ 320,991.52</u>	<u>-\$ 247,811.54</u>

LCX adjustments

Chargebacks (net)	212,391			212,391
Accrued Fees to October 10,2020			66,102	66,102
	<u>\$ 177,854.00</u>	<u>-\$ 104,674.02</u>	<u>-\$ 42,497.67</u>	<u>\$ 30,682.31</u>

Corrections by MPI

1. apply Escrow holdback to A/R
 (allowance for doubtful accounts)
- 2 Charge backs not supported per
 analysis because all were paid by Versitec
- 3 Chargebacks not tied back to invoice

paid as per analysis of chargebacks

4 Penalty as a result of fraud and conversion which not warranted per MPI reconciliation	-	24,470.81	-	24,470.81
	\$ 73,179.98	\$ -	-\$ 274,892.24	-\$ 201,712.26
5 Add back Earned reserve from VMI USA of \$92,000 US\$ @ 1.25 Cdn transferred by LCX			115,000.00	115,000.00
	\$ 73,179.98	\$ -	-\$ 159,892.24	-\$ 86,712.26

Notes

- 1 The opening Accounts receivable were adjusted to what was reported to the Court prior to the first payment by the first Receiver
- 2 The Charge back by LCX were found to be all paid either directly by Versitec and by funds sent to LCX from factored receivables which source documents were provided to LCX initially.
- 3 The reserve analysis between Earned Reserve (A) and Earned reserve (B) was based on the Purchase and sale agreement as amended by the forbearance agreement. The Reserve in LCX statement could not be followed hence the analysis was based on detail Receipts and factored invoices. Since the difference between the LCX amount in total and RB's analysis had differences that were reconcilable the analysis resorted to the more detailed method with a mathematical check based on the agreement for reasonableness basis
- 4 The negative Earned Reserve (B) represents funds that were collected and deposited on behalf of Versitec but never paid by LCX but retained.

in LCX investment account.

5 The earned reserve plus the Earned Reserve (A) plus Earned Reserve (B) is greater than the original Reserve taken. This was the result of non factored invoices being received by LCX and not paid to Versitec during the forbearance agreement. As a result these advances are still owed to Versitec by LCX. When LCX provided there Executive summary they deducted the non factored receipts in order to reconcile to the outstanding factored A/R. The non factored receipts were not picked up in LCX's Escrow reserve calculation because it only focuses on factored receivables. This overage was thus included in the Investment bank account of LCX because it was not segregated in a separate trust bank account in favour of Versitec. Segregated in a separate bank account. This was confirmed with LCX management.

Conclusion

Based on the foregoing it would appear that all funds were accounted for and there would not seem to be misdirected or conversion of funds during the Forebearance agreement time frame

1635536 Ontario Inc. O/A Versitec Marine & Industrial
 Analysis of Account with Liquid Capital
 LC account 4822

MPI NON FACTORED INVOICE RECEIPTS
AND CLAWBACK

\$ 20,000.00	Nov 7, 2019	extra reserve taken by LCx on fund 43 Nov 7, 2019
16,364.27	June 4, 2019	remitted non factored invoice 219042
31,766.54	July 17, 2019	remitted non factored invoice 219064
314.93	July 24, 2019	undry unidentified adjustment by LC
68,334.65	August 8, 2019	LC transfer from VMI USA escrow, LC Batch 153
24,253.98	October 15, 2019	NGM Energy, 219108, 219110, 219143, non factored, paid directly to LC
22,004.96	October 1, 2019	appears on LC stmt., batch # 159
8,859.77	November 27, 2019	remitted non factored invoice 219144
11,371.35	December 4, 2019	remitted non factored invoice 219181
4,206.91	December 11, 2019	remitted non factored invoices 219164, 219165
13,689.98	February 28, 2020	remitted \$10,440.01 US from BOA, invoice unidentified
<u>221,167.34</u>		

Net non factored Receipts received by LCX
 from O/A customer payments directly

\$ 221,167.34

Factored unpaid a/r from LCX
 documentation
 Payment by Receiver

237,854.00
 - 60,000.00
177,854.00

Net over payment

-\$ 43,313.34

Reserve opening after chargebacks
 and fees were adjusted per LCX

-\$ 42,497.67

difference

-\$ 815.67

1635596 Ontario Inc. O/A Versitec Marine & Industrial
 Analysis of Account with Liquid Capital
 LC account 4822

	<u>Reserve (A)</u>	<u>Reserve (B)</u>
	<u>RESERVE</u>	
Original Escrow holdback		
20% X A/R factored	\$ 204,498.20	
20% X \$1022,491.51		
Add reserve from fund	<u>20,000.00</u>	
07-Nov-19		
add opening Reserve	224,498.20	
On A/R	<u>38,402.22</u>	
Total per analysis MPI	<u>\$ 262,900.42</u>	
20% of Receipts		<u>138,226.40</u>
20% X \$691,132		
Unfactored receipts received		86,258.82
by LCX per charge back analysis		
Adjust opening Reserve paid		- 38,402.22
August 8, 2019 Transfer fromVMI (USA) in Batch 153		68,334.65
October 15,2019 NGM Energy Invoices		
21910,219110,219143 non factored funds		24,253.98
received by LCX		
October 1,2019 LCX batch #159 unknown		22,004.96
no invoice		<u>162,450.19</u>
Claw back from Fund dated Nov 7, 2019	- 20,000.00	
total of adjustments		<u>20,000.00</u>
July 24, 2019 misc adjustment by LCX		314.93
USA escrow account		<u>\$ 320,991.52</u>
	<u>\$ 104,674.02</u>	

Per detailed analysis	-\$ 322,255.88
diff not significant to try to reconcile	-\$ 1,264.36

1635536 Ontario Inc. O/A Versitec Marine & Industrial
 1635536 Ontario Inc. Analysis of Account with Liquid Capital
 Analysis of Account w LC account 4822
 LC account 4822

TOTAL INVOICE AND RECEIPTS

<u>Invoices Factored</u>	<u>Per LCX</u>	<u>Per MPI</u>	<u>Per LCX</u>	<u>Receipts</u> <u>Per MPI</u>	<u>difference</u>
	<u>\$ 1,022,491.51</u>	<u>1,147,003.68</u>	<u>\$ 689,173.53</u>	<u>\$ 871,853.11</u>	<u>-\$ 182,679.58</u>
A/R factored		1,147,003.00			
Deduct opening A/R purchased at start of forbearance agreement		<u>-124,512.17</u>			
		1,022,490.83			
		-	per above		\$ 871,853.11
		0.68	less MPI receivers funds		-
		<u>\$ 1,022,491.51</u>			<u>60,000.00</u>
Difference immaterial					811,853.11
Invoices factored per LCX executive summary					-
			deduct		54,721.06
			opening a/R		-
			payment on o/s A/r		66,000.00
			Receipts per LCX		<u>\$ 691,132.05</u>
			less small difference		-
			Receipts per LCX Exec summary		<u>\$ 689,173.53</u>

1635536 Ontario Inc. O/A Versitec Marine & Industrial
 Analysis of Account with Liquid Capital
 LC account 4822

MPI FACTORED INVOICE SUMMARY

Date Funded	Date of Invoice	Batch #	Invoice #	Customer Name	EURO		USD		Escrow Holdback	Net Advance by invoice	Net Advance by batch	Payment to LC Amount	Date		
					Gross Invoice	Funded	Customer Total	Batch Total							
2018			carry forward		124,512.17			38,402.12	86,110.05	86,110.05	54,721.06	January 23, 2019			
2019											66,000.00	April 26, 2019, withholding from Fund 33			
26-Apr	20-Mar	33	219026	Eastern Mediterranean Maritime Ltd.	21,876.27			4,375.25	17,501.02		20,472.52	July 19, 2019 (1 of 2, \$41331.75)			
	20-Mar		219029	Eastern Mediterranean Maritime Ltd.	20,472.52			4,094.50	16,378.02	ok					
	26-Feb		219030	Eastern Mediterranean Maritime Ltd.	20,966.57			4,193.31	16,773.26						
	30-Mar		219031	Eastern Mediterranean Maritime Ltd.	10,299.77			2,059.95	8,239.82						
	20-Mar		219034	Eastern Mediterranean Maritime Ltd.	20,966.57			4,193.31	16,773.26						
	20-Mar		219036	Eastern Mediterranean Maritime Ltd.	20,472.52			4,094.50	16,378.02	ok					
	20-Mar		219039	Eastern Mediterranean Maritime Ltd.	15,820.57			3,164.11	12,656.46	ok					
	20-Mar		219041	Eastern Mediterranean Maritime Ltd.	15,819.69			3,163.94	12,655.75						
	20-Mar		219043	Eastern Mediterranean Maritime Ltd.	15,819.69			3,163.94	12,655.75						
	20-Mar		219044	Eastern Mediterranean Maritime Ltd.	15,819.69			3,163.94	12,655.75						
	21-Mar		219045	Louis Dreyfus Amateurs S.A.S.	28,555.77			5,711.15	22,844.62	ok					
	17-Jan		219010	Louis Dreyfus Amateurs S.A.S.	3,449.06			689.81	2,759.25						
	25-Mar		219055	Premuda S.p.a.	16,882.94			3,376.59	13,506.35						
	25-Mar		219056	Premuda S.p.a.	20,194.32			4,038.86	16,155.46						
	19-Feb		219014	Cruise Management International	10,038.66			2,007.73	8,030.93						
	10-Apr		218203	Jungbunzlauer Canada	24,279.75			4,855.95	19,423.80	ok					
	10-Apr		219046	Jungbunzlauer Canada	11,816.99			2,363.40	9,453.59	ok					
	29-Mar		219058	Spring Marine Management S.A.	25,380.08			5,076.02	20,304.06	ok					
	04-Mar		219042	Titan Maritime	16,364.27			3,272.85	13,091.42						
	02-Apr		219040	Wallem Ship Management	7,939.91			1,587.98	6,351.93						
					343,235.61		343,235.61	68,647.12		274,588.49		7,939.91	September 13, 2019 - paid from additional holdback on Fund 40		
09-May	13-Mar	34	219053	Finbeta spa	8,760.42			1,752.08	7,008.34						
	13-Mar		219075	Hammonia Reederel GmbH	46,825.17			9,365.03	37,460.14	ok					
	08-Apr		219074	Hammonia Reederel GmbH	46,825.17			9,365.03	37,460.14	ok					
	26-Feb		219080	Anglo Eastern Ship Management	32,796.82			6,559.36	26,237.46						
					135,207.58		135,207.58	27,041.52		108,166.06					
28-May	17-May	35A	219086	Bremer Reederei-Gesellschaft mbH & Co. K.G.	29,895.28			5,979.06	23,916.22	ok					
	19-May		219092	InterScan Shipmanagement GmbH & Co. KG	5,061.53			1,012.31	4,049.22						
	14-May		219095	IR Schiffahrts GmbH & Co. KG	7,235.75			1,447.15	5,788.60						
	07-May		219077	Meteor Management Bulgaria Ltd.	14,909.55			2,981.91	11,927.64						
					57,102.11		57,102.11	11,420.42		45,681.69					
													29,895.28	November 22, 2019	paid by LC from escrow, batch 162
													6,530.80	September 6, 2019	

28-Jun	18-Jun-19 13-Jun 10-May 19-Mar	219115 Bundesbeschaffung GMBH 219116 Bundesbeschaffung GMBH 219094 Dalomar Shipping S.A. 219068 Spring Marine Management S.A.	30,063.58 29,150.35 13,295.90 7,813.42	59,213.93	6,012.72 5,830.07 2,659.72 1,562.68	24,050.86 23,320.28 10,636.72 6,250.74	7,507.49	July 24, 2019	64,258.60		
02-Aug	20-Jun-19 20-Jun-19 10-Jun-19 05-Jun-19 27-Jun-19	219072 Rigel Shipping Canada Inc. 219085 Rigel Shipping Canada Inc. 219091 Rigel Shipping Canada Inc. 219102 Transmed Shipping Company Ltd. 219129 Transmed Shipping Company Ltd.	80,323.25 1,784.44 1,945.41 525.71 29,354.41 13,994.45	80,323.25 ok 4,255.56 48,348.86	356.89 389.08 105.14 5,870.88 2,798.89	1,427.55 1,556.33 420.57 23,483.53 11,195.56	1,782.88 1,946.97 525.71 20,033.13 14,325.42	August 16, 2019 August 16, 2019 August 16, 2019 November 19, 2019 November 7, 2019	ok ok ok 38,083.54	Paid directly to LC, LC Batch #152 Paid directly to LC, LC Batch #152 Paid directly to LC, LC Batch #152 Paid directly to LC, LC Batch #170	
22-Aug	10-Jun-19 05-Jul-19 21-Jun-19 25-Jun-19 12-Jul-19 04-Jul-19 18-Jul-19	219101 Fri Kamsund 219103 Wilson Ship Management AS 219124 Admiral Corporation 219126 Green Shipping AS 219131 Dynacom Tankers Management Ltd. 219152 MMI Europe Ltd. 219155 Ast Shipinvest AS	47,604.42 13,898.32 10,009.27 14,965.12 5,439.40 11,628.63 10,091.17 7,084.47	47,604.42 ok	2,779.66 2,001.85 2,993.02 1,087.88 2,325.73 2,018.23 1,416.89	11,118.66 8,007.42 11,972.10 4,351.52 9,302.90 8,072.94 5,667.58	11,838.45 7,618.51	November 5, 2019 December 16, 2019	58,493.10		
27-Aug	07-Aug-19 30-Jul-19 08-Aug-19 12-Aug-19 01-Aug-19 28-Jul-19	219139 Blue Line Ship Management SA 219162 Thenamais Ship Management Inc. 219166 Rigel Shipping Canada Inc. 219171 SIA RIX Shipmanagement 219175 UAB Promar 219178 Premuda SPA	73,116.38 13,035.13 10,811.62 4,547.34 7,967.33 3,111.77 10,313.26	73,116.38 ok	2,607.03 2,162.32 909.47 1,593.47 622.35 2,062.65	10,428.10 8,649.30 3,637.87 6,373.86 2,489.42 8,250.61	paid from BOA and included in VMI Canada USD schedule 3,194.48 7,916.30	December 9, 2019 September 20, 2019 - wire from TD Euro 9/c 5,572.90 euro	39,829.16		
13-Sep	14-Aug-19 14-Aug-19 06-Aug-19 15-Jun-19 08-Jul-19 16-Aug-19	219167 Avin International 219033 Eastern Mediterranean Maritime Ltd. 219035 Eastern Mediterranean Maritime Ltd. 219132 Eastern Mediterranean Maritime Ltd. 219137 Eastern Mediterranean Maritime Ltd. 219160 Hogli AS	49,786.45 13,647.29 13,890.98 22,307.79 7,558.07 9,284.23 4,852.99	49,786.45 ok	9,957.29 2,729.46 2,778.20 4,461.56 1,511.61 1,856.85 970.60	10,917.83 11,117.78 17,846.23 6,046.46 7,427.38 3,882.39	13,943.20 14,076.73 22,055.93	September 19, 2019 - paid directly to LC 9,638.60 EUR November 27, 2019 (2 of 2, \$29538.97) September 30, 2019 - wire from TD Euro 9/c 15,755.20 euro	ok		
20-Sep	09-Sep-19 01-Sep-19	219168 Eastern Mediterranean Maritime Ltd. 219200 Eastern Mediterranean Maritime Ltd.	13,507.84 13,131.77	13,507.84	2,701.57 2,626.35	10,806.27 10,505.42	13,453.10 11,424.55	October 19, 2019 October 19, 2019	21,311.69	paid by customer to LC paid by customer to LC	
26-Sep	09-Sep-19 05-Sep-19	219138 Blue Line Ship Management S.A. 219189 Eastern Mediterranean Maritime Ltd.	26,639.61 13,053.44 4,739.35	26,639.61 ok	5,327.92	10,442.75 3,791.48	4,873.45	October 19, 2019	?	paid by customer to LC	

APPENDIX F - 1
ANALYSIS OF 1635536 ONTARIO INC
LCX RECONCILIATION

Versitec(1635536 Ont Inc) - CDN Factoring
Executive Summary
AC 4822

Reconcile AR @ 30-9-2020

Total AR purchased	1,022,270.70	
Factor Collections	511,010.88	50%
Receiver Receipt	59,982.00	
O/A	118,180.65	
Net collections	-689,173.53	
Less Chargeback	-212,391.37	21%
Add Opening AR	57,149.19	AR from old Factoring agreement not collected, inc in Forbearance Apr 2019
Total AR Factored	177,854.99	Then all charged back

Reconcile Funds Employed (NFE)

Client Fundings	676,739.68	
Res Rel / Transfer in	103,000.00	
Third party legals	7,688.26	
Monitoring Fees (FM)	31,851.92	
	819,279.86	
Less Collections	-711,840.19	
Transfer in	-120,750.00	100,994
Add fees	173,489.31	Shortfall if invoices paid in full
Add Adj	3,010.00	
Add Opening NFE	49,557.96	
Total Net Funds Employed	212,746.94	
Add Accrued fees (to 19-10-2020)	66,102.48	
Total payout including accrued Fees	278,849.42	

Key points

- 1) Only \$511K or 50% of factored AR actually collected !
- 2) Large amount of chargebacks ie \$212K or 21% of factored AR
- 3) Remaining AR totalling \$177K is on average 12 to 15 months old
Hence a large amount of accrued fees due to late / non payment \$ 66,102
- 4) All Escrow reserves ie 20% held on factored AR is full used by chargebacks, additional fees etc
- 5) There was over \$176K of misdirected factored invoice payments , which exceeded the \$118K of non factored collections

BottomLine: Net Funds Employed + accrued fees \$278K > Total remaining factored AR \$178K by \$100K !

PER JOHN MORGAN ANALYSIS PREPARED BY JOHN MORGAN

Note LCX fees / corrections in red

Company	LC Account No	Currency	A/R per Court Order	Per John Morgan		Per Liquid Capital	Total Payout per LCX			
				Net Earned reserve	Net Owning					
1655536 Ontario Inc. o/a Versitec Marine & Industrial	4822	CAD	\$ 237,856.73	\$ 322,255.88	\$ -	84,399.15	177,854.99	212,746.94	66,102.48	278,849.42
1655536 Ontario Inc. o/a Versitec Marine & Industrial	4821	USD	95,073.79	37,141.50	57,932.29		95,073.81	78,058.62	37,342.49	115,401.11
Versitec Marine USA Inc.	4820U	USD	75,614.67	139,857.43	64,242.76		75,614.70	93,864.56	29,536.56	123,391.12
							348,543.50	384,660.12	132,981.53	517,641.65
9.2.2020										49,162.00

Accrued Tortious Legals (Per Receiver)

84,399.15 (Note -ve meaning J Morgan is claiming LCX owes Versitec money)

278,849.47 (Note +ve meaning Versitec owes LCX money)

363,248.57

Estimated Total owing per John Morgan

Total Payout Per LCX (including accrued fees to 19-10-2020)

Total Variance for AC 4822 between LCX vs John Morgan

Key drivers for Variance

- 1) Fees omitted from John Morgan analysis (and many not reflected in Versitec records)
 - Add initial fees on funding (per SOAs) 46,268
 - Add additional fees for late payment 46,750
 - Add Fees on chargebacks 46,000
 - Add Penalty for Fraud / Conversion 24,471
 - Add Forebearance Fee 10,000

2) Monitoring fees per Forebearance Agreement

3) Wire fees @ \$30 per wire sent

4) Third party legals (paid) - Excludes \$49K of legals re Receivables

5) Chargebacks for factored invoices collected by Versitec but not remitted to LCX

6) Accrued fees included in Payout (as at 19-10-2020)

7) Transfers out from 4822 to 4820U

8) Transfers in 4822 from 4820U

Total Value of reconciled items

Memo Quick Rec on AR:	Per Court order	Outstanding AR 30-9-2020	Var
4822 CAD	237,857	177,855	60,002
4821 USD	95,074	95,074	0
4820U USD	75,615	75,615	0
Blended total (with no FX conversions)	408,545	348,544	60,002

Note 1 : Reflects two receipts from Receiver (J Morgan) \$50K on 26-6-2020 + 410K 8-8-2020

Verisec(1695536 Ont, Inc) - CDN Factoring
 Summary of Penalty for Misdirection of funds - Per Clause 10 of factoring agreement

Chargeback #	Date	Invoice #	Debtor	Reason	Amount	Penalty for Misdirected Customer Receipts
CB7	2019-05-10	218091	Avin International Ltd.	Debtor non payment	21,176.99	2,118
CB7	2019-05-10	217289	Ocean Choice International	Old Factoring	19,522.72	1,952
CB7	2019-05-10	218016	Schiffahrtsgesellschaft mbH & Co.	Old Factoring	3,904.50	390
CB7	2019-05-10	218004	Unistorm Maine & Spares	Old Factoring	12,544.87	1,254
CB9	2019-07-03	219019	Eastern Mediterranean	Partial receipt of funds	3,445.06	345
CB11	2019-07-23	219026	Eastern Mediterranean	Debtor non payment	21,876.27	2,188
CB11	2019-07-23	219030	Eastern Mediterranean	Debtor non payment	20,866.57	2,087
CB11	2019-07-23	219031	Eastern Mediterranean	Debtor non payment	10,239.77	1,024
CB11	2019-07-23	219034	Eastern Mediterranean	Debtor non payment	20,866.57	2,087
CB11	2019-07-23	219041	Eastern Mediterranean	Debtor non payment	15,819.69	1,582
CB11	2019-07-23	219045	Eastern Mediterranean	Debtor non payment	15,819.69	1,582
CB11	2019-07-23	219048	Eastern Mediterranean	Debtor non payment	15,819.69	1,582
CB12	2019-08-22	219104	Cruise Management	Allocate OA pymt	10,038.66	0
CB12	2019-08-22	219092	Intersecn Shipmanagement	Allocate OA pymt	5,061.53	0
CB12	2019-08-22	219077	Meteor Management	Allocate OA pymt	14,909.55	0
CB12	2019-08-22	219055	Premuda S.p.a.	Allocate OA pymt	16,882.94	0
CB12	2019-08-22	219056	Premuda S.p.a.	Allocate OA pymt	20,194.32	0
CB16	2019-09-13	219053	Finbeta SPA	Debtor non payment	87,607.2	8,761
CB16	2019-09-13	219040	Walter Shipp Management	Debtor non payment	7,699.91	770
CB18	2019-10-04	219035	Eastern Mediterranean	Allocate OA-10022019	13,647.20	1,365
CB23	2019-11-18	219129	Transmed Shipping Co. Ltd	Allocate OA pymt	13,994.46	0
CB23	2019-11-18	219131	Dynacom Tanker Management Ltd.	Allocate OA pymt	11,628.63	0
CB23	2019-11-18	219200	Eastern Mediterranean	Allocate OA pymt	13,556.70	0
CB23	2019-11-18	219168	Eastern Mediterranean	Allocate OA pymt	13,082.91	0
CB23	2019-11-18	219189	Eastern Mediterranean	Allocate OA pymt	4,739.35	0
CB24	2019-11-22	219086	Bremer Bergere Geseellschaft	Debtor non payment	29,895.28	2,990
CB27	2019-12-04	219102	Transmed Shipping	Allocate OA-1119201922	29,354.10	0
CB29	2019-12-13	219217	Eastern Mediterranean	Allocate OA-121201921	7,273.90	0
CB29	2019-12-13	219031A	Eastern Mediterranean	Allocate OA-121201921	10,638.05	0
CB29	2019-12-13	219151	Eastern Mediterranean	Allocate OA-121201921	12,509.15	0
CB29	2019-12-13	219099	Eastern Mediterranean	Allocate OA-121201921	19,528.19	0
CB30	2019-12-13	219116	Bundesbeschaffung GMBH	debtor non payment	28,875.05	0
CB32	2019-12-16	219039	Eastern Mediterranean	Previously paid on Oct3	15,820.57	0
CB33	2019-12-17	219166	Rigel Shipping	converted to Euros in error	1,361.86	0
CB34	2020-01-03	219152	MMI Europe	Apply OA-1218201917	10,091.17	0
					501,950.29	50,195
						174,612.92

NOTE: Per Factoring agreement dated June 21 2017, Clause 10 "Payments Received by Seller"
 LCX can charge penalty for conversion / fraud ie customer receipts received and misdirected but not remitted to LCX
 Penalty is the greater of \$1000 or 10% of value of funds received and not remitted

Per CAS 24,470.82
 Var 0

CLIENT ACTIVITY STATEMENT (CAS)

From: April 1, 2019 To: September 30, 2020
 Client: 1635598 Ontario Inc dba Venhac Marine - Factoring
 Number: 4822
 Type: LCEC CDN

Discount: Rates per Forbearance agreement - April 2019
 Reserve: Rates per Forbearance agreement - April 2019
 Schedule Purpose: Detailed summary of all client activity per Liquid Capital. Includes funding, collections, fees and movements in AR + NFE

Fee Fund 33 10,297.07
 Fee per SOA 25,297.06
 Posting per CAS -15,000.01
 Net 10,297.07
 Holdback for Forbearance fees + legals posted as fees instead on extra reserves

Date	Batch	Type	Accounts Receivable		Disbursements and Charges		Balances		Availability: Reserve %
			Debit	Credit	Debit	Credit	Acct. Receiv.	Funding	
2019-04-30	4822-0033	Opening							
2019-04-30	4822-0034	Purchase	10,859.34	25,337.75			51,115.95	48,537.96	7,991.23
2019-05-10	4822-0138	Receipt	135,207.58		183,141.42		183,141.42	595,922.39	169,270.87
2019-05-27	4822-0035	Purchase	46,825.17		104,078.84		104,078.84	486,787.22	319,406.35
2019-05-31	4822-0037	Purchase	51,103.12					431,618.14	336,152.85
2019-06-18	4822-0038	Receipt		8.00				431,618.14	346,152.85
2019-06-21	4822-0039	Purchase	25,380.08					406,238.07	384,819.53
2019-06-24	4822-0040	Receipt		3,448.08				406,238.07	384,819.53
2019-07-03	4822-0142	Receipt			774.84			406,238.07	384,819.53
2019-07-08	4822-0144	Receipt			9,748.26			406,238.07	384,819.53
2019-07-17	4822-0145	Receipt			61,818.90			406,238.07	384,819.53
2019-07-22	4822-0146	Receipt			28,546.77			406,238.07	384,819.53
2019-07-23	4822-0147	Receipt			31,797.54			406,238.07	384,819.53
2019-07-24	4822-0148	Receipt			36,096.74			406,238.07	384,819.53
2019-08-01	4822-0041	Purchase	7,813.42					406,238.07	384,819.53
2019-08-14	4822-0150	Receipt			8,215.00			406,238.07	384,819.53
2019-08-15	4822-0151	Receipt			36,625.42			406,238.07	384,819.53
2019-08-21	4822-0152	Receipt			46,990.19			406,238.07	384,819.53
2019-08-22	4822-0153	Receipt			4,255.56			406,238.07	384,819.53
2019-08-23	4822-0154	Receipt			68,334.65			406,238.07	384,819.53
2019-08-28	4822-0044	Purchase	48,788.48					406,238.07	384,819.53
2019-09-11	4822-0156	Receipt			56,269.60			406,238.07	384,819.53
2019-09-13	4822-0045	Purchase	71,319.66					406,238.07	384,819.53
2019-09-13	4822-0157	Receipt			42,872.44			406,238.07	384,819.53
2019-09-20	4822-0046	Purchase	26,839.62					406,238.07	384,819.53
2019-09-27	4822-0049	Purchase	37,330.98					406,238.07	384,819.53
2019-10-01	4822-0159	Receipt			22,004.96			406,238.07	384,819.53

Accounts Receivable		Disbursements and Charges		Balances		Availability: Reserve %
Debit	Credit	Debit	Credit	Acct. Receiv.	Funding	
10,859.34	25,337.75	183,141.42		51,115.95	48,537.96	13.29%
135,207.58		104,078.84		30.00	386,112.52	15.33%
46,825.17				30.00	386,112.52	15.33%
51,103.12				30.00	386,112.52	15.33%
25,380.08				30.00	386,112.52	15.33%
	3,448.08			30.00	386,112.52	15.33%
		774.84		30.00	386,112.52	15.33%
		9,748.26		30.00	386,112.52	15.33%
		61,818.90		30.00	386,112.52	15.33%
		28,546.77		30.00	386,112.52	15.33%
		31,797.54		30.00	386,112.52	15.33%
		36,096.74		30.00	386,112.52	15.33%
7,813.42				30.00	386,112.52	15.33%
		8,215.00		30.00	386,112.52	15.33%
		36,625.42		30.00	386,112.52	15.33%
		46,990.19		30.00	386,112.52	15.33%
		4,255.56		30.00	386,112.52	15.33%
		68,334.65		30.00	386,112.52	15.33%
48,788.48				30.00	386,112.52	15.33%
		56,269.60		30.00	386,112.52	15.33%
		36,305.58		30.00	386,112.52	15.33%
		4,308.14		30.00	386,112.52	15.33%
		42,872.44		30.00	386,112.52	15.33%
		26,839.62		30.00	386,112.52	15.33%
		7,235.75		30.00	386,112.52	15.33%
		22,004.96		30.00	386,112.52	15.33%

Veritec(1635536 Ont Inc) - CDN Factoring
 AR Detail - Sept 30 2020
 AC 4822

0.001 Per Diem rate

NOTE these invoices are now 12 to 15 months old !!!

DebtorName	Invoice#	Invoice Date	Balance	Current	1-30	31-60	61-90	91-Up	Estimated - Accrued fees	Per Diem Fees
Blue Line Ship Management SA			16,602.10				16,602.10			
Funded Di: Batch#										
11/8/2019	219222	10/21/2019	10053	8,732.86		7,492.18	365	335	2,925.61	8.73
11/8/2019	219223	11/1/2019	10053	9,109.92		9,109.92	354	324	2,951.61	9.11
Bundesbeschaffung GmbH			30,338.88				30,338.88			
Funded Di: Batch#										
6/28/2019	219115	6/18/2019	10040	30,338.88		30,338.88	490	460	13,955.88	30.34
Dalomar Shipping S.A.			3,304.90				3,304.90			
Funded Di: Batch#										
219094	219094	6/4/2019	10040	13,295.90		3,304.90	504	474	6,302.26	13.30
Eastern Mediterranean Maritime Ltd.			28,452.89				28,452.89			
Funded Di: Batch#										
9/13/2019	219132	6/15/2019	10048	7,558.07		7,558.07	493	463	3,499.39	7.56
9/13/2019	219137	7/8/2019	10048	9,264.23		9,264.23	470	440	4,076.26	9.26
219216	219216	10/24/2019	10053	11,630.59		11,630.59	362	332	3,861.36	11.63
FRI KARISUND AS			13,898.32				13,898.32			
Funded Di: Batch#										
8/22/2019	219101	6/10/2019	10044	13,898.32		13,898.32	498	468	6,504.41	13.90
GREEN SHIPPING AS			5,439.40				5,439.40			
Funded Di: Batch#										
8/22/2019	219126	6/25/2019	10044	5,439.40		5,439.40	483	453	2,464.05	5.44
HIGLI AS			4,852.29				4,852.29			
Funded Di: Batch#										
9/13/2019	219160	8/16/2019	10048	4,852.29		4,852.29	431	401	1,945.77	4.85
Premuda S.p.a.			10,313.26				10,313.26			
Funded Di: Batch#										
8/28/2019	219178	7/28/2019	10045	10,313.26		10,313.26	450	420	4,331.57	10.31
The Namari (Ship Management) Inc.			37,456.51				37,456.51			
Funded Di: Batch#										
8/28/2019	219162	7/30/2019	10045	10,811.62		10,811.62	448	418	4,519.26	10.81
11/8/2019	219194	10/29/2019	10045	8,146.66		8,146.66	357	327	2,663.86	8.15
219204	219204	10/1/2019	10053	11,113.34		11,113.34	385	355	3,945.24	11.11
11/8/2019	219225	10/25/2019	10053	7,384.89		7,384.89	351	321	2,444.40	7.38
Transmed Shipping Co. Ltd.			14,075.21				14,075.21			
Funded Di: Batch#										
11/8/2019	219163	10/22/2019	10053	14,075.21		14,075.21	364	334	4,701.12	14.08
UAB Promar			3,111.77				3,111.77			
Funded Di: Batch#										
8/28/2019	219175	8/2/2019	10045	3,111.77		3,111.77	445	415	1,291.38	3.11
WILSON SHIP MANAGEMENT AS			10,009.27				10,009.27			
Funded Di: Batch#										
8/22/2019	219103	7/5/2019	10044	10,009.27		10,009.27	473	443	4,434.11	10.01
TOTAL			177,854.80	0	0	0	177,854.80	0	4,434.11	10.01

Sanity Check on 4822 CDN AR Recovery

	Per CAS	Check	Reserves Reconciliation
Total AR Factored + unpaid	177,854.99	0	Escrow Reserves
Less Escrow reserve			Cash Reserves -ve
Net Advance balance			Total reserves per CAS
Add -ve cash reserves			Var
Net Funds Employed	212,746.33	-1	
Add Accrued fees (to 19-10-2020)	66,102.48		
Total due inc accrued fees	278,848.81		
Shortfall if invoices paid in full	-100,994.01		

Conclusion: Given that invoices are so old, there is insufficient funds to repay funds advanced + accrued fees. Cash when invoices are paid in full
 LC Rec for J Morgan Apr 2018-Sept 2020 AC 4822

Versitech(1635536 Ont. Inc) - CDN Factoring
 Summary of Penalty for Misdirection of funds - Per Clause 10 of factoring agreement

Chargeback # Date	Invoice #	Debtor	Reason	Amount	Penalty for Misdirected Customer Receipts
CB7	2019-05-10	218091 Avin International Ltd.	Debtor non payment	21,176.99	21,176.99
CB7	2019-05-10	217289 Ocean Choice International	Debtor non payment	19,522.72	19,522.72
CB7	2019-05-10	218016 Schiffahrtsgesellschaft mbh & Co.	Debtor non payment	3,904.50	3,904.50
CB7	2019-05-10	218004 Unistorm Maine & Spares	Debtor non payment	12,544.87	12,544.87
CB9	2019-07-05	219070 Louis Dievius Armateurs	Debtor non payment	3,449.06	3,449.06
CB11	2019-07-23	219076 Eastern Mediterranean	Debtor non payment	21,876.27	21,876.27
CB11	2019-07-23	219030 Eastern Mediterranean	Debtor non payment	20,966.57	20,966.57
CB11	2019-07-23	219031 Eastern Mediterranean	Debtor non payment	10,289.77	10,289.77
CB11	2019-07-23	219034 Eastern Mediterranean	Debtor non payment	20,966.57	20,966.57
CB11	2019-07-23	219041 Eastern Mediterranean	Debtor non payment	15,819.69	15,819.69
CB11	2019-07-23	219043 Eastern Mediterranean	Debtor non payment	15,819.68	15,819.68
CB11	2019-07-23	219044 Eastern Mediterranean	Debtor non payment	15,819.69	15,819.69
CB12	2019-08-22	219104 Cruise Management	Allocate OA pymt	10,038.66	
CB12	2019-08-22	219092 InterScan Shipmanagement	Allocate OA pymt	5,081.53	
CB12	2019-08-22	219077 Meteor Management	Allocate OA pymt	14,909.55	
CB12	2019-08-22	219055 Premuda S.p.a.	Allocate OA pymt	16,882.94	
CB12	2019-08-22	219056 Premuda S.p.a.	Allocate OA pymt	20,194.32	
CB16	2019-09-13	219058 Finbeta SPA	Debtor non payment	8,780.42	8,780.42
CB16	2019-09-13	219040 Waller Ship Management	Debtor non payment	7,939.91	7,939.91
CB18	2019-10-04	219035 Eastern Mediterranean	Allocate OA-10022019	13,647.20	13,647.20
CB23	2019-11-18	219129 Transmed Shipping Co. Ltd	Allocate OA pymt	13,994.46	
CB23	2019-11-18	219131 Dynacom Tanker Management Ltd.	Allocate OA pymt	11,628.63	
CB23	2019-11-18	219200 Eastern Mediterranean	Allocate OA pymt	13,556.70	
CB23	2019-11-18	219168 Eastern Mediterranean	Allocate OA pymt	13,082.91	
CB23	2019-11-18	219189 Eastern Mediterranean	Allocate OA pymt	4,739.35	
CB27	2019-12-04	219086 Pierrel Beredering Gesellschaft	Debtor non payment	29,895.28	29,895.28
CB29	2019-12-13	219102 Transmed Shipping	Allocate OA-1119201922	29,354.10	29,354.10
CB29	2019-12-13	219217 Eastern Mediterranean	Allocate OA-1212201921	7,273.90	7,273.90
CB29	2019-12-13	219031A Eastern Mediterranean	Allocate OA-1212201921	10,638.05	10,638.05
CB29	2019-12-13	219151 Eastern Mediterranean	Allocate OA-1212201921	12,509.15	12,509.15
CB29	2019-12-13	219099 Eastern Mediterranean	Allocate OA-1212201921	19,528.19	19,528.19
CB30	2019-12-13	219116 Bundesbeschaffung GMBH	debtor non payment	28,875.05	28,875.05
CB32	2019-12-16	219039 Eastern Mediterranean	Previously paid on Oct3	15,820.57	15,820.57
CB33	2019-12-17	219166 Rigel Shipping	converted to Euros in error	1,361.86	1,361.86
CB34	2020-01-03	219152 MMI Europe	Apply OA-1218201917	10,091.17	10,091.17
				501,950.29	501,950.29

Total Misdirected fund CDN 171,612.92

NOTE: Per Factoring agreement dated June 21, 2017, Clause 10 "Payments Received by Seller"
 LCX can charge penalty for conversion / fraud ie customer receipts received and misdirected but not remitted to LCX
 Penalty is the greater of \$1000 or 10% of value of funds received and not remitted

LC Rec for J Morgan Apr 2019-Sept 2020 AC 4822

Per CAS 24,470.82
 Var 0

APPENDIX G
ANALYSIS OF 1635536 ONTARIO INC
US\$ ACCOUNT 4821

1635536 OntarioInc.O/A Versitec Marine & Industrial
 Analysis of Accountwith Liquid Capital
 LC Account 4821

MPI SUMMARY

	<u>A/R</u>	<u>Reserve(A)</u>	<u>Reserve (B)</u>	<u>Total</u>
Opening balances	\$ 95,073.79	-\$ 22,464.20	-\$ 37,926.75	\$ 34,682.84
Adjustments per LCX				
adjustments			78,058.62	78,058.62
Fees to October 10, 2019			37,342.49	37,342.49
	<u>\$ 95,073.79</u>	<u>-\$ 22,464.20</u>	<u>\$ 77,474.36</u>	<u>\$ 150,083.95</u>

Corrections per MPI

1 Adjust for Reserve(A) (allowance for Doubtful accounts not paid)	-\$ 22,464.20	\$ 22,464.20		\$ -
2 Add back A/R not on Original LCX list re Cruise management	13,994.19			\$ 13,994.19
3 Blue line receipt not part of factored invoices and kept by LCX			- 9,825.25	-\$ 9,825.25

	-	21,920.50	-\$ 21,920.50
4 Cape Fear invoices paid to LCX by client not factored and kept by LCX			
5 Penalty for charge backs not warranted		2,953.00	-\$ 2,953.00
Final		<u>\$ 86,603.78</u>	<u>\$ 129,379.39</u>
		<u>\$ -</u>	<u>\$ 42,775.61</u>

Notes

- 1 The remaining amount of \$42,775.61 is reasonable based on the accrued fees per the APS. MPI did not have information in that regards from LCX
- 2 The executive summary prepared by LCX deducts the funds received directly from Versitecs clients to LCX from the non factored invoices. These funds were never paid to Versitec during the Forebearance period. The deduction was necessary in order for LCX to reconcile to the factored A/R which was reported to the Court. The funds received and maintained in LCX investment account was never disclosed to the Court and only increased the Earned Reserve account owing to Versitec by LCX.
- 3 Total receipts as per MPI and LCX reconcile as well as the total invoices factored.

1635536 OntarioInc.O/A Versitec Marine & Industrial
 Analysis of Accountwith Liquid Capital
 LC Account 4821

MPI CHARGEBACKS

<u>Charge back</u>	<u>Invoice</u>	<u>Per LCX Name</u>	<u>amount</u>	<u>Date Paid</u>	<u>Per analysis direct by client</u>
CB31	210205	BNA Marine	\$ 6,020.00	13/12/2109	\$ - no source document per LCX
Pending	219127	Wallem	\$ 19,532.00		On A/R can not be a charge back if considered an A/R

1635536 OntarioInc.O/A Versitec Marine & Industrial
 Analysis of Account with Liquid Capital
 LC Account 4821

RESERVE

	<u>Reserve (A)</u>	<u>Reserve (B)</u>
20% of factored invoices 20% X \$143,226	\$ 28,645.20	
Earned reserve 20% of receipts paid 20 % X \$30,095	- 6,181.00	<u>6,181.00</u>
Non Factored receipts these funds were received by LCX directly from the customer on non factored invoices and never paid to Versitec		
Cape Fear		5,865.50
		16,055.00
Blue Line		<u>9,825.25</u>
		<u>31,745.75</u>
	<u>\$ 22,464.20</u>	<u>\$ 37,926.75</u>

Proof

Cash receipts not factored rec'd by LCX	\$ 31,745.75
Less non factored receipts extra picked up by analysis	- 9,825.25
difference in Cash receipts per LCX Executive summary	<u>\$ 21,920.50</u>

1695536 Oceanic/OJA Veritec Marine & Industrial
 Analysis of Account with Liquid Capital
 LC Account 4621

MP FACTORED INVOICE SUMMARY

Date Funded		Batch #		Invoice #		Customer Name		EURO		FUNDING BY LIQUID CAPITAL		USD		PAYMENT TO LIQUID CAPITAL		Unearned Reserve		Paid Non-Factored Invoices		Earned Reserve		Unpaid B/L	
2019		Date of Invoice	Batch #	Invoice #	Customer Name	Gross Invoice	Amount Funded	Customer Total	Batch Total	Net Advance by Invoice	Net Advance by batch	Date of Payment Received	Amount	Payment to LC	Date	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve
03-May-19	06-Apr-19	34B	219060	Tan Cang Shipping	5,200.00	5,200.00				4,160.00	1,040.00	22-May-19	5,200.00	5,200.00		1,040.00	1,040.00			1,040.00			1,040.00
10-Apr-19	08-Apr-19		219078	Adventura Partners Ltd	13,945.00	13,945.00				11,156.00	2,789.00					2,789.00	2,789.00						2,789.00
30-Apr-19			219015	Adventura Partners Ltd	6,880.00	26,025.00	26,025.00			5,504.00	1,376.00	10-Oct-19	6,880.00	6,880.00		1,376.00	1,376.00			1,376.00			1,376.00
28-May-19	06-May-19	35B	219015	Cruise Management	13,994.23	13,994.23	13,994.23			11,195.38	2,798.85					2,798.85	2,798.85						2,798.85
28-May-19	15-Apr-19	36B	219073	Meteor Management	6,320.00	6,320.00	6,320.00			5,056.00	1,264.00					1,264.00	1,264.00						1,264.00
27-Aug-19	02-Aug-19		219127	Wallam Management	18,532.00	18,532.00	18,532.00			15,625.60	3,906.40					3,906.40	3,906.40						3,906.40
	08-Aug-19		219164	Rigel Shipping Canada	1,922.80					1,526.24	384.56					384.56	384.56						384.56
	08-Aug-19		219165	Rigel Shipping Canada	1,330.55					1,064.44	266.11					266.11	266.11						266.11
20-Sep-09	18-Sep-19		219183	Eastern shipping Mgmt	12,805.00	12,805.00	12,805.00			10,244.00	2,561.00	05-Dec-19	12,805.00	12,805.00		2,561.00	2,561.00						2,561.00
26-Sep-19	25-Aug-19	42B	219813	Great Lakes Dredging and Dock	48,921.79	48,921.79	48,921.79			39,137.43	9,784.36					9,784.36	9,784.36						9,784.36
16-Sep-19			219214	Wallam ship management	6,355.00					5,084.00	1,271.00					1,271.00	1,271.00						1,271.00
19-Sep-19			219205	BNA Marine Services	5,020.00	5,020.00	5,020.00			4,816.00	1,204.00					1,204.00	1,204.00						1,204.00
										<u>28,645.27</u>	<u>5,114,581.10</u>		<u>5,114,581.10</u>		<u>5,114,581.10</u>		<u>5,114,581.10</u>						<u>5,114,581.10</u>
										<u>143,226.37</u>	<u>5,149,226.37</u>		<u>5,149,226.37</u>		<u>5,149,226.37</u>		<u>5,149,226.37</u>						<u>5,149,226.37</u>
										<u>9,825.25</u>	<u>9,825.25</u>		<u>9,825.25</u>		<u>9,825.25</u>		<u>9,825.25</u>						<u>9,825.25</u>
										<u>5,865.50</u>	<u>5,865.50</u>		<u>5,865.50</u>		<u>5,865.50</u>		<u>5,865.50</u>						<u>5,865.50</u>
										<u>16,055.00</u>	<u>16,055.00</u>		<u>16,055.00</u>		<u>16,055.00</u>		<u>16,055.00</u>						<u>16,055.00</u>
										<u>3,616,507.5</u>	<u>3,616,507.5</u>		<u>3,616,507.5</u>		<u>3,616,507.5</u>		<u>3,616,507.5</u>						<u>3,616,507.5</u>
										<u>3,317,145.75</u>	<u>3,317,145.75</u>		<u>3,317,145.75</u>		<u>3,317,145.75</u>		<u>3,317,145.75</u>						<u>3,317,145.75</u>

factored A/R receipts
 payment made in error re Blue Line
 non factored receipts paid direct by client
 less receipts per LCX
 Diff

\$ 30,995.00
 9,825.25
 2,920.50
 62,650.75
 50,058.95
 12,591.80

APPENDIX G - 1
ANALYSIS OF 1635536 ONTARIO INC
LCX RECONCILIATION OF ACCOUNT 4821

**Versitec(1635536 Ont Inc) - US Factoring
Executive Summary
AC 4821**

Reconcile AR @ 30-9-2020

Total AR purchased	129,232.16	
Total Collections	50,058.95	39% of actual factored AR collected
Less O/A	<u>-21,920.60</u>	
Net collections	-28,138.35	
Less Chargeback	-6,020.00	5%
Total AR Factored	<u>95,073.81</u>	

Reconcile Funds Employed (NFE)

Client Fundings	99,358.78	
Res Rel/Transfer	10,745.56	
Third party legals	<u>2,846.16</u>	
	112,950.50	20,327.30
Less Collections	-50,017.45	Shortfall if invoices paid in full
Add fees	8,885.57	
Add Adj	<u>6,240.00</u>	
Total Net Funds Employed	<u>78,058.62</u>	
Add Accrued fees (to 19-10-2020)	37,342.49	
Total payout including accrued Fees	<u>115,401.11</u>	

Key points

- 1) Only \$50K or 39% of factored AR actually collected !
- 2) Some chargebacks ie \$6K or 5% of factored AR
- 3) Remaining AR totalling \$95K is on average 15 months old
Hence a large amount of accrued fees due to late / non payment \$ 37,342
- 4) All Escrow reserves ie 20% held on factored AR is full used by chargebacks, additional fees etc
- 5) There was \$26K of misdirected factored invoice payments , which exceeded the \$21K of non factored collections

BottomLine: Net Funds Employed + accrued fees \$115K > Total remaining factored AR \$95K by \$20K !

Versitec(1635536 Ont Inc) - US Factoring
 AR Detail - Sept 30 2020
 AC 4821

0.001 Per Diem rate

NOTE these invoices are now over 15 months old !!!
 Estimated -

DebtorName	Invoice#	Invoice Date	Funded D#	Batch#	Current	1-30	31-60	61-90	91-Up	Accrued fees	Per Diem Fees
CRUISE MANAGEMENT INTERNATIONAL, INC.	219078	4/10/2019	5/3/2019	10024	13,945.00	13,945.00	559	13,945.00	529	7,376.91	13.95
GREAT LAKES DREDGE & DOCK, LLC	219213	8/26/2019	9/27/2019	10031	48,921.79	48,921.79	421	48,921.79	391	19,128.42	48.92
METEOR MANAGEMENT BULGARIA LTD	219073	5/21/2019	6/28/2019	10028	6,320.00	6,320.00	518	6,320.00	488	3,084.16	6.32
Wallem Ship Management Ltd.	219127	8/2/2019	8/28/2019	10029	25,887.00	19,532.00	445	25,887.00	415	8,105.78	19.53
	219214	9/16/2019	9/27/2019	10031	6,355.00	6,355.00	400	6,355.00	370	2,351.35	6.36
					95,073.79	0	0	0	0	95,073.79	

Sanity Check on 4821 US\$ AR Recovery

Total AR Factored + unpaid	A	95,073.79
Less Escrow reserve		- 18,001.51
Net Advance balance		77,072.28
Add -ve cash reserves		986.28
Net Funds Employed		78,058.56
Add Accrued fees (to 19-10-2020)		37,342.49
Total due inc accrued fees	B	115,401.05

Shortfall if invoices paid in full A-B -20,327.26

Per CAS	Check	Reserves Reconciliation
95,073.84	0	Escrow Reserves 18,001.51
		Cash Reserves -ve (986.28)
		<u>17,015.23</u>
78,058.60	0	Total reserves per CAS 17,015.24
		Var 0

LCX Payout amount

Conclusion: Given that invoices are so old, there is insufficient funds to repay funds advanced + accrued fees, even when invoices are paid in full

CLIENT ACTIVITY STATEMENT (CAS)

From: April 1, 2019 To: September 30, 2020

Client: 1635536 Ontario Inc dba Versilac Marine - Factoring

Number: 4821

Type: LCEC US

Discount Rate per Forbearance agreement - April 2019

3.8875% - 20.0000% Rates per Forbearance agreement - April 2019

Date	Batch	Type	Accounts Receivable			Disbursements and Charges			Balances						
			Bought Invoice	Collected Invoit	Discounts	Funding	Receipts	Fees	Adj.	Acc. Receiv.	Funding	Availability Reserve			
2019-04-18	4821-0025	Opening	426,007.96	301,732.11	147.00	352,870.38	373,125.69	40,038.63	-19,763.34	0.03	-0.02	2,029.98	-2,029.98	0.05	-2,754.16
2019-05-03	4821-0026	Purchase	26,025.00	Fund # 248		2,000.00	Legal fee retainer	780.76	30.00	0.03	2,029.98	22,850.00	2,029.98	8.83%	-6,768,500.00%
2019-05-21	4821-0027	Purchase			23.50	646.16	Legal fee balance		30.00	26,025.03	23,726.16	2,298.87	2,298.87	8.83%	12.20%
2019-05-29	4821-0028	Purchase	5,200.00				5,176.50			20,825.03	18,549.66	2,275.37	2,275.37	10.93%	10.93%
2019-06-20	4821-0028	Receipt Cust	5,865.60	Cap Fee C/A 218209			5,865.60		30.00	20,825.03	29,325.22	-8,500.19	-8,500.19	-40.82%	-40.82%
2019-06-21	4821-0029	Chgback								14,959.43	23,459.62	-2,534.59	-2,534.59	-12.65%	-12.65%
2019-06-28	4821-0029	Purchase	6,320.00	Fund # 368		4,836.40		189.60	30.00	20,825.03	28,515.82	-1,370.59	-1,370.59	-5.05%	-5.05%
2019-07-04	4821-0030	Receipt Cust	16,055.00	Cap Fee C/A 218209						11,090.03	12,460.82	-1,370.59	-1,370.59	-12.36%	-12.36%
2019-07-08	4821-0031	Chgback				17,514.72		663.56	30.00	49,930.39	30,688.30	19,241.49	19,241.49	38.54%	38.54%
2019-08-28	4821-0030	Purchase	22,785.35	Fund # 399						49,930.39	36,688.30	13,241.49	13,241.49	26.52%	26.52%
2019-09-11	4821-0031	Purchase	12,805.00	Fund # 418		9,829.85		384.16	30.00	62,735.39	46,932.32	15,802.47	15,802.47	25.19%	25.19%
2019-09-20	4821-0032	Purchase	61,296.80	Fund # 428		47,168.54		1,838.90	30.00	124,032.19	95,970.36	28,061.83	28,061.83	22.62%	22.62%
2019-10-10	4821-0133bol	Purchase	6,880.00		6.00 (CMI 219015)		6,874.00			117,152.19	89,186.49	27,965.70	27,965.70	23.87%	23.87%
2019-12-06	4821-0135bol	Receipt Cust	12,805.00		6.00 (Anglo 219183)		12,799.00			104,347.19	76,448.95	27,898.24	27,898.24	26.74%	26.74%
2019-12-12	4821-0136bol	Receipt Cust	3,253.35		6.00 (Rigel 219164 & 165)		3,247.35			101,093.84	73,226.66	27,867.18	27,867.18	27.57%	27.57%
2019-12-13	4821-0137	Chgback								95,073.84	73,226.66	21,847.18	21,847.18	22.95%	22.95%
2020-01-13	4821-0034	Purchase					Fee adj	1,849.84		95,073.84	75,105.40	19,968.44	19,968.44	21.00%	21.00%
2020-01-14	4821-0035	Purchase					Penalty adj	2,953.20		95,073.84	78,058.60	17,015.24	17,015.24	17.90%	17.90%
Totals			555,240.12	351,791.06	188.50	485,820.88	423,143.14	48,924.20	-13,543.34						
Current Totals			129,232.16	50,058.95	41.50	112,950.50	50,017.45	6,885.57	6,000.00						

Reconcile AR @ 23-9-2020	
Total AR purchased	129,232.16
Total Collections	50,058.95
Less O/A	-21,920.60
Net collections	-28,138.35
Less Chargeback	-6,020.00
Closing AR per CAS	55,073.84
Var	0

Reconcile AR @ 23-9-2020	
Total AR purchased	129,232.16
Total Collections	50,058.95
Less O/A	-21,920.60
Net collections	-28,138.35
Less Chargeback	-6,020.00
Closing AR per CAS	55,073.84
Var	0

Disbursements and Charges	
Legal fee retainer	780.76
Legal fee balance	5,176.50
Fund 35B (CMI) processed as RR (see note)	5,865.60
Cap Fee C/A 218209	-5,865.60
Cap Fee C/A 218209	-16,055.00
Cap Fee C/A 218209	-18,065.00
Legal fee balance	6,874.00
Anglo 219183	12,799.00
Rigel 219164 & 165	3,247.35
Fee adj	1,849.84
Penalty adj	2,953.20
Legal fees (third party)	50,017.45
Res Duplicate Inv	10,745.56
Client Fundings	99,358.78
Client Fundings	99,358.78
Res Ret	10,745.56
Third party legal	2,846.16
Less Collections	-50,017.45
Add Adj	6,240.00
Closing NFE per CAS	78,058.60
Var	0

NOTES:
 May20-10
 Fund 35B CMI funded invoice at \$13K, invoice revised down to \$7K (based on prepayment rec'd of \$6,880)
 Also processed as a reserve release because invoice was previously funded on 34B under Adventure Partners \$6,880
 Result is Versilac was overfunded by \$10,745.56

Versitrac(1635536 Ont Inc) - US Factoring
 Summary of Penalty for Misdirection of funds - Per Clause 10 of factoring agreement

Chargeback # Date	Invoice # Debtor	Reason	Amount	Penalty for Misdirected Customer Receipts
0891 2019-12-13	219205 BNA Marine Services LLC	Paid direct to debtor	6,020.00	1,000
08 Pending	219127 Wallem	Paid direct to debtor	6,020.00	1,953
Total Misdirected fund US			25,552.00	2,953

NOTE: Per Factoring agreement dated June 21 2017, Clause 10 "Payments Received by Seller"
 LCX can charge penalty for conversion / fraud ie customer receipts received and misdirected but not remitted to LCX
 Penalty is the greater of \$1000 or 10% of value of funds received and not remitted

APPENDIX H
VMI USA
US\$ ACCOUNT 4820U

Versitec Marine USA Inc.
 Analysis of Account with Liquid Capital
 LC account 4820U

MPI SUMMARY

	<u>A/R</u>	<u>Reserve (A)</u>	<u>Reserve (B)</u>	<u>Total Balance</u>
Opening balance	\$ 75,614.67	-\$ 28,273.35	-\$ 139,857.43	-\$ 92,516.11
Add LCX adjustments				
Chargebacks in total			114,593.45	114,593.45
Accrued fees to October 10, 2020			29,536.56	29,536.56
	<u>\$ 75,614.67</u>	<u>-\$ 28,273.35</u>	<u>\$ 4,272.58</u>	<u>\$ 51,613.90</u>
Corrections per MPI				
1 (Reserve (A) Allowance for Doubtful Accounts accounts (Escrow Holdback)	- 28,273.35	28,273.35		\$ -
2 Additional A/R not included in LCX amounts as per Chargeback analysis	\$ 14,788.03		-\$ 14,788.03	\$ -
3 Paid to LCX by Versitrec but put as charge back by LCX as per charge back analysis			-\$ 64,186.65	-\$ 64,186.65
4 Payment received by Versitec not paid to LCX			\$ 13,205.00	\$ 13,205.00
5 Invoice never factored by LCX			-\$ 1,975.80	-\$ 1,975.80
6 Penalty by LCX for alleged misdirected funds			-\$ 14,449.13	-\$ 14,449.13

not found in MPI analysis (included in fees by LCX)

	<u>\$ 62,129.35</u>	<u>\$ -</u>	<u>\$ 63,472.90</u>	<u><u>\$ 1,343.55</u></u>
7 Reserve (B) transferred back from Canadian a/c 4822			- 92,000.00	- 92,000.00
	<u><u>\$ 62,129.35</u></u>	<u><u>\$ -</u></u>	<u><u>-\$ 155,472.90</u></u>	<u><u>-\$ 93,343.55</u></u>

Notes

1. Opening Reserve is calculated by the following:

Reserve (A)	\$ 168,130.78
Reserve (B)	- 139,857.43
	<u><u>\$ 28,273.35</u></u>

Proof

\$ 172,674.10	Gross 20% held back on funding		
- 4,543.32	contra amounts agianst Escrow holdback		
- 139,857.43	Reserve(B)		
	<u><u>\$ 28,273.35</u></u>	Reserve (A)	

2. All LCX adjustments including fees and charge backs are as of October 10, 2020 as per LCX reconciliation

3 All MPI adjustments made as per analysis of all funding and made by LCX during forbearance agreement time frame and no adjustments for interest has been made to November 27,2021 Court date before Justice Penny.

4 The Chargeback schedule did not include the \$85,000 chargeback which was deducted from fund 35C this represented the Escrow holdback in total as per LCX reconciliatio. It was calculated as follows:

Total funding of invoices (20% X \$438,370)	<u>Reserve(escrow holdback)</u>	<u>Rounded</u>
	\$ 87,674	\$ 85,000

Then it was transferred to a Canadian company as the earned Reserve which included the 3% payment of the A/R fully paid as follows:

total Reserve as above	<u>Reserve plus 3%</u>	<u>rounded</u>
3% of paid invoices (3%X \$248,162)	\$ 87,674	\$ 85,000
	7,445	7,445
Total	<u>\$ 95,119</u>	<u>\$ 92,445</u>
Reserve transferred		<u>\$92,000</u>

Conclusion

There is no A/R owed because it was covered by the Reserve (A) (Allowance for Doubtful Accounts) and the Reserve (B) is Versitecs funds held in trust and payable to LCX as per the agreement Have agreed to both LCX records and Versitec .

The Earned reserve may be understated by the payment to LCX of the 3% financing charge that was netted off the top as part of the funding to Versitec but

received in cash payments either from Versitec or the clients directly.
 In Versitec USA case this could be \$7,962 to \$7,445 depending on the cash receipts received as follows

	<u>Cash receipts</u>	<u>3% received by LCX from 100% payment of A/R</u>
Per RB	\$ 265,424	\$ 7,962.72
Per LCX	\$ 248,162	\$ 7,444.86

Versitec Marine USA Inc.
 Analysis of Account with Liquid Capital
 LC account 4820U Chargeback Reconciliation

MPI CHARGEBACK

CB #	Invoice	Amount	A/R add	Paid LCX amount	Date	Paid Versitec/not LCX Amount	Date	never factored	Contra Escrow Holdback	Total
CB13	U19033A	\$ 8,758.00		\$ 7,882.00	04-Sep			1,975.80		
CB13	U19033A	1,975.80								
CB15	219062	10,498.80							10,498.80	
CB15	219065	8,802.60							8,802.60	
CB15	219066	3,415.20							3,415.20	
CB20	U19050	4,745.00								
CB25	U19002	17,440.65		17,440.65	30-Aug	9,780.00	21-Oct			
CB25	U19028	9,780.00								
CB25	U19016	3,655.86	3,655.86			3,425.00	21-Oct			
CB25	U19038	3,425.00								
CB25	219016	38,864.00		38,864.00	23-Aug					
CB28	U19018	6,387.17	6,387.17							
Total		<u>117,748.08</u>	\$ 14,788.03	\$ 64,186.65		\$ 13,205.00		\$ 1,975.80	\$ 22,716.60	\$ 116,872.08
Diff on U19033A			\$ 14,788.03	\$ 64,186.65		\$ 13,205.00		\$ 1,975.80	\$ 22,716.60	\$ 117,748.08
non factored per LCX		- 3,154.13								- 3,154.13
		<u>\$ 114,593.95</u>	\$ 14,788.03	\$ 64,186.65		\$ 13,205.00		\$ 1,975.80	\$ 22,716.60	\$ 114,593.95

Note

No mention on LCX of \$85,000 chargeback which reduced the funding on 35C

Versitec Marine USA Inc.
 Analysis of Account with Liquid Capital
 LC account 4820U Chargeback Reconciliation

RESERVE

	Reserve (A)	Reserve(B)
Escrow hold back 20% of Invoices factored (20% X \$438,371)	\$ 87,674.20	
Add Reserve per reduction Fund 35C	85,000.00	
	<u>172674.2</u>	
Less contra a/r	- 4,543.32	
	<u>168,130.88</u>	
Earned amount based on receipts paid as per calculation	-\$ 139,857.43	\$ 139,857.43
Reserves total	<u><u>\$ 28,273.45</u></u>	<u><u>\$ 139,857.43</u></u>

Versitec USA
 Analysis of Account with Liquid Capital
 LC account 4820U

MPI ANALYSIS OF INTER FUND TRANSFER

Clawback on advances from LCX	\$ 85,000.00	Additional holdback on fund 35 c May 29, 2019
Add 3% of fees earned on receipted and paid factored invoices	7,444.86	
Total	<u>92,444.86</u>	
Can company Cdn4 account		
Less transferred per LCX reconciliation to pay other factored A/R in Can company	- 92,000.00	
difference	<u>\$ 444.86</u>	

Versitec USA
 Analysis of Account with Liquid Capital
 LC account 4820U

MPI FACTORED INVOICES AND RECEIPTS

Invoices funded		Receipts	
Per MPI	Per LCX	Per MPI	Per LCX
\$ 438,370.51	\$ 438,370.54	\$ 265,424.29	\$ 248,162.39
		difference	difference
		<u>-\$ 0.03</u>	<u>17,261.90</u>

Could not indentify difference between LCX and MPI summaries

APPENDIX H - 1
VMI USA
US\$ ACCOUNT 4820U

**Versitec Marine USA INC - Factoring
Executive Summary
AC 4820U**

Reconcile AR @ 30-9-2020

Total AR purchased		438,370.54	
Total Collections	248,162.39		
Less O/A	<u>0.00</u>		
Net collections		-248,162.39	57%
Less Chargeback		-114,593.45	26%
Total AR Factored		<u>75,614.70</u>	

Reconcile Funds Employed (NFE)

Client Fundings	248,835.30	
Res Rel/Transfer	92,000.00	
Third party legals	<u>2,804.00</u>	
	343,639.30	
Less Collections	-305,025.19	47,776.42
Add fees	57,470.45	Shortfall if invoices paid in full
Add Adj	-2,230.00	
Total Net Funds Employed	<u>93,854.56</u>	
Add Accrued fees (to 19-10-2020)	29,536.56	
Total payout including accrued Fees	<u>123,391.12</u>	

Key points

- 1) Only \$248K or 57% of factored AR actually collected !
- 2) Large amount of chargebacks ie \$114K or 26% of factored AR
- 3) Remaining AR totalling \$75K is on average 15 months old
Hence a large amount of accrued fees due to late / non payment \$ 29,537
- 4) All Escrow reserves ie 20% held on factored AR is full used by chargebacks, additional fees etc
- 5) There was over \$122K of misdirected factored invoice payments , which far exceeded the \$3K of non factored collections

BottomLine: Net Funds Employed + accrued fees \$123K > Total remaining factored AR \$75K by nearly \$48K !

Versitec Marine USA INC - Factoring
 AR Detail - Sept 30, 2020
 AC 4820U

0.001 Per Diem rate
 NOTE these invoices are now over 15 months old !!!

Debtor Name	Invoice#	Invoice Date	Funded Da Batch#	Balance	Current	1-30	31-60	61-90	91-Up	Estimated - Accrued fees	Per Diem Fees
ANGLO EASTERN SHIP MANAGEMENT LTD. (HONG K)				22,555.00	--	--	--	--	22,555.00		
				Invoice Armo Balance	Invoice Days	Invoice Days	Over Due Days Age				
U19048	7/7/2019	10022	8/28/2019	5,095.00	5,095.00	471	441			2,246.90	5.10
U19051	7/28/2019	10022	8/28/2019	8,400.00	8,400.00	450	420			3,528.00	8.40
U19053	7/25/2019	10022	8/28/2019	9,060.00	9,060.00	453	423			3,832.38	9.06
Wallem Ship Management Ltd.				53,059.67	--	--	--	--	53,059.67		
				Invoice Armo Balance	Invoice Days	Invoice Days	Over Due Days Age				
U19027	7/25/2019	10022	8/28/2019	23,079.94	23,079.94	453	423			9,762.81	23.08
U19042	6/28/2019	10020	8/8/2019	4,940.38	4,940.38	480	450			2,223.17	4.94
U19044	7/26/2019	10022	8/28/2019	15,106.35	15,106.35	452	422			6,374.88	15.11
U19045	6/2/2019	10021	8/22/2019	3,938.00	3,938.00	506	476			1,874.49	3.94
U19049	7/19/2019	10022	8/28/2019	5,995.00	5,995.00	459	429			2,571.86	6.00
Total				75,614.67	0	0	0	0	0	75,614.67	

Sanity Check on 4820U AR Recovery

Total AR Factored + unpaid	A	75,614.67	Per CAS	75,614.73	Check	0
Less Escrow reserve		-14,679.02	Reserves Reconciliation			
Net Advance balance		60,935.55	Escrow Reserves		14,679.02	
Add -ve cash reserves		32,918.85	Cash Reserves -ve		(32,918.85)	
Net Funds Employed		93,854.50	Total reserves per CAS		-18,239.83	
Add Accrued fees (to 19-10-2020)		29,536.56	Var		0	
Total due inc accrued fees	B	123,391.06				
Shortfall if invoices paid in full	A-B	-47,776.39				



Conclusion: Given that invoices are so old, there is insufficient funds to repay funds advanced + accrued fees, even when invoices are paid in full

CLIENT ACTIVITY STATEMENT

From: April 1, 2019 To: September 30, 2020

Client: Versitec Marine USA INC - Factoring

Number: 4820U

Type: LCEC US

Discount: 2.0000% Rates per Forebearance agreement - April 2019

Reserve: 20.0000% Rates per Forebearance agreement - April 2019

Fund 33B
Reserves holdback for US Legals
Wire Fees \$30x.2
3,500.00
3,550.00

Date	Batch	Type	Accounts Receivable		Disbursements and Charges		Balances		Availability Reserve	%		
			Bought Invoicer Collected Invoic Discounts	Chargebacks	Funding	Receipts	Fees	Adj			Acc. Receiv.	Funding
2019-04-30	4820-0017	Purchase	319,552.24	54.00	16,607.75	294,033.66	341,419.63	26,817.73	20,569.34	0.10	19,576.73	-233.33%
2019-05-24	4820-0026	Recpt Cust	97,884.00	Fund# 239		71,810.68		2,936.52	2,936.52		84,230.03	22.73%
2019-05-29	4820-0018	Purchase	143,240.86	Fund# 35C (Below Clawback 25%)		25,265.46	Net or clawback 35%	4,297.24	30.00		94,668.50	58.38%
2019-07-23	4820-0020	Purchase	20,274.08	Fund# 39C		15,581.04		608.22	30.00		110,908.76	55.24%
2019-08-08	4820-0021	Purchase	83,963.44	Fund# 37C		92,000.00	Transfer from 4820U to 482U	2,518.90	30.00		202,908.76	18.10%
2019-08-22	4820-0022	Purchase	21,528.86	Fund# 38B		16,545.68		643.82	30.00		270,079.50	18.67%
2019-08-26	4820-0028	Chqback		CS13	10,733.80			40.01			287,341.01	16.11%
2019-08-28	4820-0023	Purchase	71,481.30	Fund# 39C		55,010.60		1,177.28	30.00		303,483.82	17.79%
2019-09-04	4820-0130bot	Recpt Cust		3,031.00	Anglo Estam U19011 017.031			2,184.44			374,955.12	18.21%
2019-09-11	4820-0034	Purchase		75,656.44	6.00	7,875.20		357.59			288,308.98	21.76%
2019-09-13	4820-0025	Purchase		24,813.00	Anglo Estam U19032 & 0432.144			30.74			290,426.48	22.34%
2019-09-16	4820-0035	Chqback		CS15	22,716.60			238.53			267,709.88	17.90%
2019-09-23	4820-0136bot	Recpt Cust		10,433.11	CS17 non holdback			242.996.88			197,394.46	18.73%
2019-10-11	4820-0137bot	Recpt Cust		22,479.94	Thom U19097			245,040.88			187,021.76	19.44%
2019-10-28	4820-0138bot	Recpt Cust		40,668.05	6.00	38,660.05		172,472.81			126,466.54	26.24%
2019-10-30	4820-0139	Chqback		Thom & William Oa to reserves	-1,011.03			167,727.81			126,466.54	26.67%
2019-11-22	4820-0142	Recpt Cust		CS20	4,745.00			62,341.30	T17 \$83K from 482U to cover CB		84,141.47	24.59%
2019-12-09	4820-0144	Chqback		CS25	73,165.91			1,070.73			85,212.20	31.04%
2020-01-13	4820-0026	Purchase		CS28	6,387.17			94,561.90			85,212.20	25.92%
2020-01-14	4820-0027	Purchase		6.00	Great Lakes U19041			88,174.73			52,691.70	30.05%
2020-02-27	4820-0028	Purchase		12,560.00				75,614.73			78,715.52	-4.10%
2020-09-11	4820-0029	Purchase						330.00	Penalty adj		75,614.73	-23.21%
Totals			771,922.78	571,205.85	5,532.30	131,101.20	637,672.98	646,444.82	84,288.18	19,338.34	75,614.73	-24.12%
Current Totals			436,370.54	248,162.39	5,478.50	114,593.43	343,639.30	305,025.19	57,470.45	-2,230.00	75,614.73	

Reconcile AR @ 23.9-2020		Net Adjustments	
Total AR purchased	246,162.39	Reconcile Funds Employed (NFE)	0.00
Less OIA	0.00	Client Fundings	248,835.30
Net collections	246,162.39	Pay Pmt Transfer	92,000.00
		Third party legals	2,804.00
		Less Collections	343,639.30
Less Chargeback	-246,162.39	Add fees	57,470.45
		Adi Adj	-2,230.00
		Check	0.00
		Initial Fees	13,151.14
		Fees on collections	2,575.55
		Fee Adj	40,272.85
		Fees on chargeback	1,470.79
		Calc at 3%	13,151.12
		Wire fees	0.02

Summary of Penalty for Misdirection of funds - Per Clause 10 of factoring agreement

Chargeback #	Date	Invoice #	Debtor	Reason	Amount	Penalty for Misdirected Customer Receipts
CB13	2019-08-23	U19033A	Wallem Ship Management	Duplicate invoice factored	8,758.00	1,000
CB13	2019-08-23	U19033A	Wallem Ship Management	Invoice revised - copy attached	1,975.80	1,744
CB15	2019-09-11	219062	Chesters Technoservices PTE	Debtor non payment	10,498.80	1,000
CB15	2019-09-11	219065	Chesters Technoservices PTE	Debtor non payment	8,802.60	1,000
CB15	2019-09-11	219066	Chesters Technoservices PTE	Debtor non payment	3,415.20	1,000
CB20	2019-10-30	U19050	Tan Bihn Co. Ltd.	Paid direct to Versitec	47,450.00	1,000
CB25	2019-11-22	U19002	Anglo Eastern Ship Management	Paid direct to Versitec	17,440.65	1,000
CB25	2019-11-22	U19028	Anglo Eastern Ship Management	Paid direct to Versitec	9,780.00	1,000
CB25	2019-11-22	U19016	Anglo Eastern Ship Management	Paid direct to Versitec	3,655.86	1,000
CB25	2019-11-22	U19038	Anglo Eastern Ship Management	Paid direct to Versitec	3,425.00	1,000
CB25	2019-11-22	219016	Anglo Eastern Ship Management	Paid direct to Versitec	38,864.40	3,886
CB28	2019-12-06	U19018	Americas Marine Management	Paid direct to debtor	6,387.17	1,000
CB Pending		U19027	Wallem	Paid direct to debtor	23,079.94	2,308
CB Pending		U19044	Wallem	Paid direct to debtor	15,106.35	1,511
Total Misdirected fund US					122,484.37	14,449.13

117,748.48

NOTE: Per Factoring agreement dated June 21 2017, Clause 10 "Payments Received by Seller" LCX can charge penalty for conversion / fraud ie customer receipts received and misdirected but not remitted to LCX Penalty is the greater of \$1000 or 10% of value of funds received and not remitted

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 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

ACKNOWLEDGEMENT OF EXPERT'S DUTY

1. My name is John Howard Deane Morgan. I live at the City of Barrie, in the Province of Ontario.
2. I have been engaged by or on behalf of Reuben Byrd to provide evidence in relation to the above-noted court proceeding.
3. I acknowledge that it is my duty to provide evidence in relation to this proceeding as follows:
 - a. to provide opinion evidence that is fair, objective and non-partisan;
 - b. to provide opinion evidence that is related only to matters that are within my area of expertise; and
 - c. to provide such additional assistance as the court may reasonably require, to determine a matter in issue.
4. I acknowledge that the duty referred to above prevails over any obligation which I may owe to any party by whom or on whose behalf I am engaged.

Date: January 10, 2022


John Howard Deane Morgan

LIQUID CAPITAL EXCHANGE CORP.
Applicant

-and-

1635536 ONTARIO INC. et al
Respondents

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
Toronto

AFFIDAVIT OF JOHN HOWARD DEANE MORGAN

Paliare Roland Rosenberg Rothstein LLP
155 Wellington Street West
35th Floor
Toronto ON M5V 3H1

Jeffrey Larry (LSO# 44608D)
Tel: 416.646.4330
jeff.larry@paliareroland.com

Massimo (Max) Starnino (LSO# 41048G)
Tel: 416.646.7431
max.starnino@paliareroland.com

Danielle Glatt (LSO# 65517N)
Tel: 416.646.7440
danielle.glatt@paliareroland.com

Lawyers for the Respondent, Reuben Byrd

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-

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

AFFIDAVIT

I, Jonathan Brindley, of the City of Mississauga, in the Regional Municipality of Peel,

MAKE OATH AND SAY:

1. I am the principal of Liquid Capital Exchange Corp., the Applicant in this proceeding, and, as such, have knowledge of the matters contained in this Affidavit.
2. Capitalized terms herein have the same meaning as contained in my prior Affidavit of November 18, 2021, filed in support of a motion for judgment against Mr. Byrd, together with the other Respondents in this Application.

-2-

Material Context re Byrd Objections to Judgment on his Personal Guarantee of the Indebtedness of Versitec to LCX

3. As discussed in my prior Affidavit, on April 25, 2019 LCX, Versitec and the guarantors of the Versitec indebtedness to LCX entered into a Forbearance Agreement (the “**Forbearance Agreement**”) pursuant to which LCX agreed to forbear from enforcement of its security and upon the personal guarantees of the Versitec indebtedness to LCX in order to allow Versitec a period of time to obtain replacement financing in an amount sufficient to fully repay all amounts owed to LCX. The principal reason for requiring that Versitec obtain replacement financing and execute the Forbearance Agreement was that LCX had become aware of several instances where Versitec had collected accounts receivable purchased by LCX from customers without having remitted the funds received by Versitec to LCX, as well as communications between Versitec and its customers seeking to redirect payments from customers who had previously been directed to remit payments directly to LCX, back to Versitec.

4. At the time of these incidents, and throughout the material timeframe, Versitec was principally under the direction and control of Mr. Byrd. Mr. Taylor, the founder of Versitec, was effectively an absentee director throughout the material timeframe leading up to the Forbearance Agreement and this Application, at that time residing overseas in Southeast Asia, to my understanding based upon the information provided to me by Versitec.

5. During the negotiation of the Forbearance Agreement, Versitec requested that LCX agree to extend Versitec accounts receivable financing up to \$600,000 to fund the cashflow necessary for the company’s operations over the Forbearance Period, which ended on December 31, 2019 at

-3-

which time it was required pursuant to the terms of the Forbearance Agreement that LCX be repaid in full any and all amounts outstanding and owed to it.

6. LCX agreed to extend factoring financing in the requested amount on the condition that additional security be provided in the form of collateral mortgages be registered against title to the residential properties of Mr. Byrd and Mr. Taylor, in the amount of \$300,000 each (in Mr., Byrd's case, \$300,000 USD). Mr. Byrd and Mr. Taylor agreed to grant the said mortgages as additional security for Versitec's indebtedness to LCX and in support of their guarantees of same and LCX agreed, on that basis, to make the requested financing available.

7. The indebtedness which is the subject matter of this Application and motion seeking judgment relates almost entirely to advances made by LCX to Versitec over the course of the forbearance period, during which time Versitec accessed and obtained advances from LCX in an amount approaching the maximum availability, but appears to have made no efforts towards obtaining replacement financing prior to the expiry of the forbearance period in December of 2019.

8. At the hearing of LCX's motion seeking the Appointment of the Receiver on March 9, 2020, counsel for Versitec did not dispute Versitec's indebtedness to LCX, but took the position that it was believed by Versitec that the correct calculation of the indebtedness was between \$285,000 and \$400,000 USD, which position is recorded in the Endorsement of Justice Gilmore issued on that date¹. Despite being afforded the opportunity to do so, Versitec declined to file any

¹ Justice Gilmore's Order and Endorsement of March 9, 2020 are attached to my prior affidavit as Exhibit P

-4-

Responding materials in support of its position in this regard or seek to vacate the Receiver's appointment.

9. Similarly, neither Versitec nor any guarantors but Mr. Byrd contested or opposed LCX's calculation of the indebtedness of Versitec on or in advance of (or since) LCX's motion seeking judgment against the Respondents on account of the Versitec indebtedness and/or their guarantees of same. Judgments have been issued against all parties to this proceeding, but for Mr. Byrd, in an amount corresponding to LCX's calculation of the indebtedness as of the date upon which judgment was sought against them. LCX's calculation of the indebtedness and the supporting documentation were reviewed and confirmed by the Substitute Receiver, BDO Canada Limited, as indicated the Substitute Receiver's Third Report to Court dated June 16, 2021 (the "**Third Report**"). Review of the amounts owed to LCX was performed by the Substitute Receiver in connection with its recommendation the Substitute Receiver be authorized to release funds to LCX in an amount up to but not exceeding the debt owed by Versitec to LCX, defined in the Report as the "Indebtedness" and stated in the Third Report as being equal to \$764,695.04 as at May 27, 2021².

Attached hereto and marked as Exhibit "A" are true copies of the judgments issued against the Respondents by Order of the Honorable Justice Penny dated November 24, 2021

² The Third Report is attached to my prior affidavit as Exhibit S

-5-

10. As referenced previously, the Third Report was approved by the Order of the Honourable Justice Gilmore dated June 22, 2021 and distribution to LCX of any funds available up to the amount of the indebtedness was approved by the Court³.

11. Mr. Byrd, acting principal of Versitec, did not oppose or object to judgment being issued against the corporation, oppose or object to the correctness of the calculation of the LCX indebtedness or conclusions set out in the Third Report, nor did he oppose or object to the release of funds in the Receivership to LCX on account of the said indebtedness. Mr. Byrd, the sole objecting party to this proceeding, has raised his objection only in his personal capacity and only as it relates to enforcement upon his personal guarantees of the indebtedness owed by Versitec to LCX. For clarity, Mr. Byrd has not disputed the validity or enforceability of his guarantee on its stated terms, but only on the basis of the assertion now made by him that no funds are owed by Versitec to LCX.

12. Throughout the course of the two-year long receivership of Versitec, which saw the sale of all known assets and undertakings of Versitec and distribution of any available proceeds from same to LCX, Mr. Byrd did not, either on his own behalf or on behalf of the company, take the position that Versitec was not indebted to LCX. This position was first articulated by Mr. Byrd at the hearing date on November 24, 2021, the date upon which LCX sought judgment against him personally on account of his guarantee.

13. LCX very much doubts that Mr. Byrd has any genuine belief that his is not liable to LCX, or that the indebtedness owed by Versitec has been grossly miscalculated. Rather, LCX is of the

³ Justice Gilmore's Order and Endorsement of June 22, 2021 in this regard are attached to my prior affidavit as Exhibit U

-6-

view that Mr. Byrd's opposition is intended to frustrate and delay LCX in its enforcement against him, only. By the time this motion for judgment is heard, LCX will have already sought recourse to the collateral security granted in favour of LCX over Mr. Taylor's residence and will likely have recovered against all known assets of the companies and other guarantors.

Byrd Allegations re Collection of Non-Factored Receivables / LCX' Refusal to Provide Information

14. At paragraph 2 of Mr. Byrd's Affidavit he states "I have, on numerous occasions, asked LCX to provide an accounting of the amounts withheld by it from the purchase price of the respondents receivables factored by LCX, as well as payments received by LCX from the Respondents' customers in respect of receivables factored by LCX. LCX has never provided me with that accounting...".

15. Mr. Byrd's comments as set out above are untrue. Throughout the forbearance period, LCX and Versitec held regular meetings to review the balances owing to LCX, collections and current factored AR. These meeting were held generally every 2-3 weeks. Myself and Pia Bannister (account manager) were the regular attendees with Florian Meyers (consultant) attending occasionally on the part of LCX. Mr. Byrd attended all or nearly all of these meetings, with Brian Gunning (Versitec's accountant), Lance Lockett and Ed Pavey also sometimes attending together with him on behalf of Versitec. Requests for information from LCX in relation to the operation of Versitec's factoring facility, amounts collected, and reserve funds, were regularly made by Versitec and when such requests were made the requested information was, to the best of my knowledge and recollection, promptly provided. I provide here a sample of such

-7-

communications, which is not intended to be complete record of all such communications exchanged.

Attached hereto and marked as Exhibit "B" are true copies of communications between LCX and Versitec respecting the above referenced meeting and requests for information

16. Similarly, while it is true that LCX from time to time received payment from customers of Versitec on account of accounts receivable which had not been factored by LCX during the forbearance period, in each case Mr. Byrd was notified of this fact and in each case Mr. Byrd authorized LCX to apply the corresponding funds either to increase cash reserves held by LCX or as a reduction of the indebtedness owed by Versitec to LCX on account of unrelated invoices. However, at no point did Mr. Byrd ever indicate to LCX that LCX's collection of such "non-factored receivables" had harmed or was compromising Versitec's ordinary business operations. Since the appointment of MPI as Receiver March 2020, LCX has not received any payments on account of either factored or non-factored receivables directly from Versitec customers.

John Morgan Report/Conclusions

17. LCX stands by its calculation of the indebtedness owed to it by Versitec and states that all funds shown as having been advanced to Versitec on LCX accounting records were in fact advanced, no funds were collected or received which are not accounted for in such records and no charges or fees not authorized by the agreements between the parties were charged to Versitec.

-8-

18. LCX struggles to understand Mr. Morgan's Report and how he could possibly have believe the conclusions stated therein are accurate. Particularly so when regard is had to Mr. Morgan's history in this proceeding, his previous agreement with LCX's calculations and his reporting to the court respecting same, as well as his consent to an order being issued authorizing the release of funds to LCX in an amount up to the LCX-calculated indebtedness. It is difficult to reconcile Mr. Morgan's denial of any indebtedness owed by Versitec to LCX with MPI's own reporting to this Court and with the position taken by MPI in relation to, and implications of, the Orders sought and obtained to date in this proceeding.

19. Mr. Morgan's history in this matter is problematic and requires consideration in the context of the current stage of this proceeding. LCX has previously communicated to MPI its concerns respecting what it believes to have been significant improprieties on the part of Mr. Morgan/MPI in relation the administration of the receivership of Versitec and resulting prejudice to LCX. LCX's concerns in this regard ultimately led to a motion being brought by MPI, at LCX's request, seeking to substitute MPI as Receiver of Versitec and appoint BDO Canada Limited in replacement (the "**Substitution Motion**"). In addition to the initial concerns raised by LCX and which led to the Substitution Motion, further concerns have come to light following the appointment of the Substitute Receiver.

20. LCX has specifically advised Mr. Morgan/MPI that it believes them to be liable for damages to LCX in the event of any shortfall in recovery of the indebtedness owing to LCX. LCX's allegations of liability arise from series of events whereby through the actions, omissions, gross negligence, and/or willful misconduct on the part of Mr. Morgan/MPI during the course of

-9-

their administration of the receivership which are believed by LCX have reduced recovery by LCX from the assets of Versitec in an amount which exceeds \$500,000, at minimum.

21. LCX has advised Mr. Morgan that it intends to pursue its claims against Mr. Morgan/MPI should any shortfall remain after collection from the guarantors and realization upon the related security have been pursued. Mr. Morgan, as such, has a personal interest in the outcome of this proceeding and his evidence against the existence of any obligations owed to LCX by Versitec is self-serving evidence of the highest order. Given realizations to this point, it is a near certainty that a shortfall on the indebtedness will result and that LCX will be required to pursue Mr. Morgan/MPI to recover same. It is within this context that MPI has now, in contradiction of its own prior statements and conduct while acting as Court officer, generated a new report which seeks to refute the existence of the very debt for which LCX intends to hold MPI/Mr. Morgan accountable.

Early issues with MPI/Morgan

22. In or around August 2020, I was contacted by David Taylor, who advised me that in discussions he had with Mr. Morgan concerning the Versitec receivership, that Mr. Morgan had expressed a concern that it appeared to him that Versitec may not be indebted to LCX at all, or that LCX may in fact owe money to Versitec.

23. I communicated the above to LCX's counsel, Torkin Manes, and asked that they follow up with Mr. Morgan's then-counsel, Laishley Reid LLP, in order to determine what had actually taken place. Mr. Morgan had to that date never made any inquiry of LCX respecting LCX's accounting and/or calculation of the amounts claimed by LCX as owing to it, and had never sought

-10-

clarification on any matters relating to same which were of concern. Furthermore, and as discussed previously, Versitec itself had already acknowledged to the Court at the initial hearing date on March 9, 2020, that it was indeed indebted to LCX in the amount of *at least* \$200,000 USD. Versitec had never, not at that point or at any point afterwards, taken the position that it was not indebted to LCX.

24. Mr. Morgan's then-counsel, Calvin Ho of Laishley Reid LLP, undertook to follow up with his client. Much to our surprise, it was subsequently confirmed that Mr. Morgan had indeed formed the opinions reported by Mr. Taylor and had as well been communicating his conclusions in this regard to Versitec personnel, including the guarantors of the indebtedness owed to LCX.

25. The circumstances were baffling to LCX. Not only was it unclear as to how Mr. Morgan could ever have drawn these conclusions, but it was also unclear as to why he would have even undertaken such an analysis at this stage of the proceeding. As of that time, the debtor itself had acknowledged a secured debt owed to LCX, no sale process had been initiated and MPI had not taken any known steps towards establishing a plan to monetize the assets of Versitec or be in a position to make any distribution to the creditors of Versitec on account of any pre-receivership liabilities.

Reconciliation of amount owed to LCX with MPI

26. Neither myself, nor LCX's counsel could understand this turn of events, either in terms of what had precipitated them, in terms of how Mr. Morgan could possibly have drawn his conclusions or in terms of what could possibly have motivated Mr. Morgan to broadcast his

-11-

conclusions to parties with a direct interest in the outcome of these proceedings without addressing any concerns or confusion first with LCX, and attempting to reconcile the discrepancy.

27. It was immediately proposed by LCX's counsel that Mr. Morgan and myself connect with each other to review LCX's accounting and try to reconcile any misunderstandings or points of confusion that may have caused these. It was my immediate assumption, given the scope of disagreement in numbers, that Mr. Morgan's calculations were likely premised on a fundamental misunderstanding of the operation of the factoring facility.

28. Mr. Morgan provided his analysis of the amounts owed to counsel for LCX on September 15, 2020. In response, I prepared and provided to Mr. Morgan detail as to how LCX had arrived at its numbers on October 19, 2020. Over the period from September 15, 2020 to December 4, 2020, Mr. Morgan and I had a number of meetings/calls for the purpose of reviewing the relevant information/accounting, resolving any discrepancies or confusions and reconciling LCX's calculation of the Versitec indebtedness.

29. On December 4, 2020, I had a final telephone call with Mr. Morgan during which I addressed with him the few questions which remained to be resolved regarding these issues. At the end of that call, Mr. Morgan confirmed with me orally that he was in agreement with LCX's calculation of the indebtedness owed to it by Versitec (for the purposes of that conversation, Mr. Morgan and I were working from accounting documents and records with a currency date of October 19, 2020, which had been sent by me to Mr. Morgan previously) .

-12-

30. Following my phone call with Mr. Morgan, 11:54 AM, I left a voice mail message with legal counsel for LCX to advise of the outcome of my discussions with Mr. Morgan. The transcribed voice mail message left by me at that time is as follows:

Hi Stewart, Jonathan, here. Hope you are doing well... Friday. Just to let you know that I did speak with John this morning and I think we are finally got to end of job on this reconciliation. He has seen the light and agrees with our numbers. Shock of shocks. Anyway, apparently he was supposed to have contacted Calvin and I said "are you going to... I want to put this in writing". So, apparently Calvin is supposed to be reaching out to you. I'll send you a quick e-mail as well. I just want to make sure that we document this properly because I have a sneaking suspicion that this is going to come back to haunt us, all this nonsense that's happened.

Okay, just wanted to chat with you as well about where we are at Versitec and all this kind of stuff. So, when you get a moment maybe today or set up something for Monday.

Thanks.

31. My voice mail was followed up with an email which I sent to Mr. Thom at 2:01 PM, December 4, 2020, whereby I again confirmed that I had spoken with Mr. Morgan that morning, that the issues with respect to the calculation of the LCX indebtedness had been resolved and that Mr. Morgan had confirmed with me that he was now in agreement with LCX's calculation of the indebtedness as being \$650,380.15 as at October 19, 2020.

Early concerns respecting payments made to creditors out of priority

32. At around the same time, in addition to frustration with MPI relating to its conduct and miscalculations as set out above, LCX came to additionally have concerns with respect to dealings

-13-

with the assets and property of Versitec which MPI had participated in or permitted and which LCX believed to be inappropriate.

33. In September of 2020, at or around the same time that the efforts were underway to correct Mr. Morgan's misunderstanding as to the amounts owed to LCX by Versitec, LCX become aware of further circumstances of concern:

- (a) Mr. Morgan appears to have approved settlement of litigation having Court File File No CV-19-00058937-0000 (the "**Swindells Claim**") being a Statement of Claim issued by David Swindells against Versitec seeking damages for, inter alia, wrongful dismissal. Notwithstanding that Mr. Swindells' claim was a claim for unsecured damages relating to the termination of his employment during the year prior to the Receivership of Versitec, which action was stayed as a result of the Appointment Order issued on March 9, 2020, Mr. Morgan nonetheless approved the settlement of the Swindells Claim in the amount of \$6,000 plus HST, and the release of funds to Mr. Swindells on account of same. Mr. Bryd, a co-defendant to the action, was not required to contribute any funds in connection with the settlement;

Attached hereto and marked as Exhibit "C" is a true copy of the Swindell's Settlement Documentation;

- (b) Mr. Morgan appears to have approved settlement of litigation having Court File File No CV-19-00058936-0000 (the "**Carpenter Claim**") being a Statement of Claim issued by David Carpenter against Versitec seeking damages for, inter alia,

-14-

wrongful dismissal. Notwithstanding that Mr. Carpenter's claim was a claim for unsecured damages relating to the termination of his employment during the year prior to the Receivership of Versitec, which action was stayed as a result of the Appointment Order issued on March 9, 2020, Mr. Morgan nonetheless approved the settlement of the Carpenter Claim by Versitec of funds in the amount of \$37,000, and authorized the release of funds to Mr. Carpenter on account of same. Not only was Mr. Carpenter an unsecured creditor of Versitec with no post-Appointment Order liabilities owed to him and no continuing employment relationship with Versitec, but Mr. Carpenter is also a Respondent in the within Application and guarantor of the indebtedness of Versitec. LCX has, subsequent to the release of funds to Mr. Carpenter, obtained judgment against Mr. Carpenter. Mr. Bryd, a co-defendant to the action, was not required to contribute any funds in connection with the settlement;

Attached hereto and marked as Exhibit "D" is a true copy of the Carpenter Settlement

- (c) Mr. Morgan entered into a Settlement Agreement and Release with Conneaut Creek Ship Repair Inc. ("CCSR") in resolution of a lawsuit filed against Versitec in the Southern District of New York and agreed to the settlement of claims relating to, to the understanding of LCX based upon information provided by MPI's legal counsel, unpaid invoices for services provided to Versitec. Pursuant to the settlement with CCSR, funds equal to the settlement amount of \$70,000 USD have been paid to CCSR, an unsecured creditor of Versitec. Versitec had no known

-15-

assets of value in the jurisdiction in which the lawsuit was issued, and there does not appear to have been any risk of harm to the interests of creditors of Versitec generally which the settlement had been intended to avoid. Counsel for LCX inquired as to whether CCSR was a critical supplier or whether there was any business justification for the settlement of the CCSR claim and payment of the settlement amount to CCSR but was advised by counsel for MPI that since the date of settlement, Versitec had done no further business of any kind with CCSR.

Attached hereto and marked as Exhibit "E" is a true copy of the Conneaut Settlement Documentation

34. As a further overarching concern with MPI, the Receivership seemed to be going nowhere. MPI had not filed any Reports with the Court to that date, had not sought any approval of its activities in connection with the administration of the Receivership and had taken no steps towards the initiation of any sale process respecting the assets of the company. LCX's counsel had repeatedly brought up with MPI or its counsel the need to commence a sale process intended to monetize the assets of Versitec and expressed concern about the proceeding dragging on for a such a lengthy period of time without any such steps having been taken. When I inquired of Mr. Morgan directly on this issue in or around the summer of 2020, Mr. Morgan advised me that court dates could only be obtained for emergency matters, due to the COVID-19 pandemic, which my counsel advises was not the case, as Court proceedings and motions by way of video conference were being regularly used by this time and that no special urgency was required. Mr. Morgan seemed reluctant to initiate a sale process for the company for reasons not understood by me and

-16-

there were concerns at LCX that there was no strategy or plan for the conclusion of the Receivership or realization upon the assets of Versitec at all.

Substitution of MPI and LCX/MPI Agreement

35. As a result of growing concerns about the administration of the Versitec Receiver and lack of confidence in MPI, LCX communicated to MPI through counsel that it wished to substitute BDO Canada Limited in as Receiver for the balance of the administration of the receivership of Versitec. LCX also communicated to MPI its belief that MPI was liable to Versitec for actions undertaken or permitted by MPI which resulted in dissipation of the secured collateral and prejudice to LCX.

36. A hearing date was booked for February 12, 2021 for the hearing of a motion to be brought by MPI seeking an order substituting BDO as Receiver of Versitec. In advance of the Substitution Motion, additional discussions took place between LCX, MPI and their respective counsel concerning how these parties intended to account for the issue of fees incurred by MPI in connection with the receivership and issues relating to the approval of any such fees or of MPI's conduct. Each of these issues were problematic for LCX, who advised MPI of its intention to seek damages from MPI/Mr. Morgan in the event that it were to suffer a shortfall on its recovery.

37. In particular, LCX requested that MPI agree that it would not seek approval or collection of any further fees in connection with the Versitec Receivership beyond those which it had already collected and paid itself (approximately \$27,000). These discussions contemplated that any appropriate WIP of MPI could be applied as a set off against any shortfall on recovery suffered by LCX attributable to culpable actions or omissions on the part of MPI/Mr. Morgan. LCX further

-17-

requested that MPI seek only limited approval of its conduct and that LCX's right to seek recourse against Mr. Morgan / MPI be preserved.

38. MPI agreed to the foregoing arrangements with respect to fees and approval of its conduct and LCX agreed that it would not pursue proceedings against Mr. Morgan until realization upon the assets of Versitec, collateral security and guarantees had been attempted.

39. As a result of the foregoing arrangements, a potentially embarrassing exploration as to the full reasons for MPI's substitution in the materials filed on the Substitution Motion was unnecessary. It was hoped by LCX, in fact, that the need for such dispute as between LCX and MPI could be avoided entirely. Despite lingering frustration with MPI's conduct, at the time of the Substitution Motion LCX and MPI were working cooperatively with the common intention of deferring these issues to allow the focus to remain on monetizing the assets of Versitec and seeking recovery on the guarantees and security granted therefor.

40. As a result of, *inter alia*, the foregoing circumstances and discussions with respect to the substitution of BDO as receiver in replacement of MPI, the following represent the overarching considerations as to the approach to the substitution of the Receiver, the related motion and handling of the potential liabilities of MPI to LCX:

- (a) Mr. Morgan agreed that it was appropriate that he acknowledge in his First (and only) Report to the Court on the Substitution Motion that he had reviewed the accounting records of LCX with respect to the factoring facility and satisfied himself that LCX's calculation of the indebtedness of Versitec to LCX was accurate. LCX suggested to MPI that it would appropriate for this to be included in

-18-

MPI's Report as (i) the review had indeed been performed by Mr. Morgan and this was the conclusion that he had indicated to LCX he had reached at the end of it (ii) he had previously communicated different information to persons with a direct interest in these proceedings and (iii) it was assumed that in the absence of any clarification guarantors would likely raise Mr. Morgan's earlier comments in defence of any claims on their guarantees. It is for these reasons that LCX understands Mr. Morgan to have included in his First Report to Court dated February 5, 2021, the following comments:

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 calculation⁴.

- (b) MPI agreed that it would not seek approval of its fees in excess of the approximate amount of \$27,000 which funds MPI had already transferred to itself, and that MPI would waive and not seek approval of the balance of its accrued WIP, which amounts would be available to be applied as a set off of against any liability of MPI to LCX should LCX suffer a shortfall;

⁴ The First Report of the Receiver MPI dated February 5, 2021 is attached to my prior Affidavit as Exhibit Q

-19-

- (c) LCX and MPI would agree to toll limitations on any claim by LCX against MPI in order to allow LCX to make reasonable efforts to recover the indebtedness through realization upon of assets of Versitec and enforcement of the guarantees and collateral security.

41. The mutual understanding between the parties was agreed upon between counsel for LCX and MPI, together with its counsel. On the understanding that a more formalized agreement would be drawn up, this mutual understanding was as set out in an email exchange between Mr. Morgan, counsel for MPI and counsel for LCX sent on February 11, 2021, the day before the Substitution Motion, which reads as follows:

The Receiver, Morgan and Partners Inc. (“MPI”) and the senior secured creditor, Liquid Capital Exchange Corp. (“LCX”) have agreed as follows and consent to the below:

- Notwithstanding the approval of any conduct or activities of the Receiver, it is understood, consented to and agreed that such approval is not intended to, nor understood to, and will not preclude LCX from taking any action or requesting any relief in connection with any objection LCX may have as to the appropriateness of:
 - Any of the Receiver’s activities not specifically set out in the First Report;
 - Any payments made by the Debtors, authorized by the Receiver or made by the Receiver in connection with, or during the period of, MPI’s appointment as Receiver of the Debtors, regardless of whether these were incurred in relation to approved activities or activities which have not been approved by the Court;
 - Any fees or expenses claimed by MPI as being recoverable by MPI pursuant to the Receiver’s Charge regardless of whether these were incurred in connection with approved activities or in connection with activities which have not been approved by the Court;
- If any (a) fees or expenses incurred by MPI or (b) payments as above, are determined by agreement between LCX and MPI, or by a determination of the Court, to be without legal justification or otherwise inappropriate (“Impugned Amounts”):
 - the fees and expenses of MPI otherwise recoverable pursuant to the Receiver’s Charge shall be reduced in an amount corresponding to the Impugned Amounts; and
 - in the event the forgoing does not rectify any loss that LCX suffered as a result of the activities leading to the Impugned Amount, LCX may seek any other legal recourse against MPI as appropriate to recover any corresponding loss to LCX in the maximum amount of

-20-

the determined or agreed upon Impugned Amounts, less any reduction to approved fees of MPI applied to offset same.

- None of the foregoing shall be interpreted as an admission of liability of the part of MPI or an admission that any fees or payments as above were made inappropriately or without legal justification. MPI reserves its rights to defend such allegations on the merits, but shall not assert any defence of res judicata, abuse of process or collateral attack in such case.

Attached hereto and marked as Exhibit “F” is a true copy of and email exchange between Mr. Morgan, counsel for MPI and counsel for LCX dated February 11, 2021

42. Counsel for LCX and counsel for MPI subsequently prepared an additional agreement respecting terms agreed to between them in relation to the foregoing matters. The agreement between MPI and LCX was executed by both MPI and LCX on June 15, 2021 the “**LCX/MPI Agreement**”).

43. The LCX/MPI Agreement executed by Mr. Morgan on behalf of MPI includes the following:

- (b) 163556 Ontario Inc. o/a Versitec Marine & Industrial and Versitec Marine USA Inc. (together, “Versitec”), Respondents in the Application, are indebted to LCX in the amount of \$764,695.04 as of May 27, 2021, together with such interest fees and other charges or amounts payable as may accrue from May 27, 2021 onward and are payable by Versitec pursuant to the terms of the agreements between LCX and Versitec (the “Indebtedness”);

...

- (g) LCX is the senior ranking general secured creditor of Versitec subject only to:
- (i) Statutorily conferred priorities/rights;
 - (ii) Such amounts as are owed to MPI and secured by a charge in favour of the Receiver as set out by the terms of the Appointment Order and/or the Substitution Order as security for the fees and disbursements of MPI incurred while acting in its capacity as Receiver of Versitec or in relation to the Application (the “Receiver’s Charge”);

...

-21-

- (j) LCX has advised MPI that it is of the view that MPI is liable to LCX for damages in relation to, without limitation, acts or omissions of MPI as Receiver of Versitec, including, without limitation, payments improperly made or authorized by MPI, which negatively impacted or reduced the quantum of funds available for distribution to LCX following realization upon the assets of Versitec (all such claimed liabilities being, the “Claims”);
- (k) MPI agrees and undertakes that, at the request of LCX, MPI will provide reasonable cooperation of an administrative nature to LCX as reasonably required for the prosecution of the Guarantor Proceedings or and claims for damages which LCX may hereafter commence or continue against Versitec or as an assignee of any claims of Versitec;

...

2.(j) MPI consents and agrees to the distribution any and all remaining funds available for distribution to LCX as determined by the Substitute Receiver and as set out in the Third Report of the Substitute Receiver dated June 15, 2021 filed in the Application.

Attached hereto and marked as Exhibit “G” are true copies of communications respecting the negotiation and execution of the LCX/MPI Agreement

Attached hereto as Exhibit “H” is a true copy of the fully executed LCX/MPI Agreement

44. On January 24, 2022, following delivery of Mr. Morgan’s expert report in this matter wherein Mr. disputes any indebtedness owed by Versitec to LCX, counsel for LCX communicated with counsel for MPI seeking written confirmation as to Mr. Morgan’s belief as to whether the LCX/MPI Agreement was effective and binding upon the parties thereto. Counsel for MPI advised counsel for LCX that Mr. Morgan is of the view that the LCX/MPI Agreement is not effective or binding.

Post Substitution Concerns re MPI

45. Immediately following the appointment of BDO as Substitute Receiver, BDO made the determination that it could not operate the business of Versitec and that a sale process was required

-22-

to be immediately implemented for the reason that the company was without insurance and replacement insurance could not be obtained. Put otherwise, Versitec's insurance had been permitted to lapse. From March 2020 to the Substitution Motion on February 12, 2021, Versitec has been operated by MPI without insurance of any kind. Mr. Morgan had authorized the transfer of funds applied in payment of insurance premiums owed by an unrelated company which LCX understands to be owned and controlled by Mr. Byrd. Such payments served no business purpose of Versitec at all.

46. BDO also immediately reported to LCX that Mr. Morgan had never had control over Veritec's US-domiciled Bank of America account, contrary to his representations otherwise. MPI had obtained access these accounts, but Mr. Byrd retained control and appears to have been largely unchecked in his ability to transfer sums out of those accounts for questionable purposes. Mr. Morgan relinquished his access fully to Mr. Byrd on the eve of BDO's appointment as Substitute Receiver. My understanding is that BDO contacted Mr. Morgan to facilitate transfer of his authority in respect of these accounts, following its appointment, and that Mr. Morgan advised at that time that he was no longer had authority and that this request would need to be made of Mr. Byrd.

47. Mr. Byrd refused to cooperate with the Substitute Receiver in this regard, and proceedings were required to be brought in the US to obtain a Court Order recognizing the Canadian Receivership Order before any information relating to these accounts was able to be obtained. Mr. Byrd filed an opposition to the Substitute Receiver's request for a recognition order but did not file any materials in support of the opposition, resulting in its dismissal.

-23-

48. The Substitute Receiver addressed its findings following a review of the Versitec USA Bank accounts at section 2.5 in the Fourth Report to Court of the Substitute Receiver, dated November 18, 2021, as follows:

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.”
- 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

-24-

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

Attached hereto and marked as Exhibit “I” is a true copy of the Fourth Report of the Substitute Receiver of Versitec dated November 18, 2021, without Exhibits

49. In total, the Substitute Receiver has identified \$463,863.59 in payments to subordinate creditors made with Versitec funds held in its Bank of America accounts, which payments Mr. Morgan/MPI either permitted, facilitated or negligently failed to prevent.

Attached hereto and marked as Exhibit “J” is a true copy of Appendix I to the Substitute Receiver’s Fourth Report dated November 18, 2021

50. LCX believes it to be the case that MPI/Mr. Morgan may be held liable for prejudice to LCX resulting from the above transfers, in addition to those previously referenced herein, along with other concerns respecting Mr. Morgan’s conduct which need not be addressed in detail at this time.

51. The forgoing information represents some of the more easily documented examples of the believed liabilities of Mr. Morgan to LCX, but is not intended to be exhaustive. For clarity, these details are not included herein with any intent on the part of LCX to prove any liabilities on the part of Mr. Morgan/MPI to LCX at this time, as such issues are not relevant directly to the liability of Mr. Byrd. Rather, the purpose for the inclusion of this information and supporting documentation is to establish the context within which Mr. Morgan/MPI’s report must be considered, including the fact that *MPI/Mr. Morgan were very much aware at the time of the preparation of the expert report filed on behalf of Mr. Byrd’s opposition that LCX intends to claim and will be claiming*

-25-

substantial damages against MPI/Mr. Morgan in the event of a shortfall to LCX on recovery, which shortfall now seems all but inevitable. While for the purposes of this motion it is not material whether any liabilities can be or are likely to be proven against Mr. Morgan/MPI, but it is very material that LCX has taken the position that significant liabilities exist, has communicated this position to MPI/Mr. Morgan and that LCX's position in this regard was known to Mr. Morgan prior to the preparation of his expert report in support of Mr. Byrd, disputing Versitec's liability to LCX.

52. Mr. Morgan/MPI have a direct financial interest in the outcome of this proceeding and in any judicial determination as to the liabilities (or lack thereof) of Versitec to LCX. I am of the view that Mr. Morgan's Report is motivated by self interest, is biased and is tainted to such an extent that it should be afforded little weight from this Court. I struggle to understand how Mr. Morgan could have believed himself an appropriate person to be providing this evidence to this Court at all. Particularly so given his previous confirmation of the LCX indebtedness while acting as a court officer and his consent to the distribution of funds to LCX on account of such indebtedness.

53. I make this affidavit for the purpose of LCX's motion for judgment against Reuben Byrd and for no other purpose.

SWORN by Jonathan Brindley of the City of Burlington, in the Regional Municipality of Halton, before me at the City of Toronto, in the Province of Ontario, on April 25, 2022 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.



Commissioner for Taking Affidavits
(or as may be)

STEWART THOM

JONATHAN BRINDLEY

RCP-E 4D (February 1, 2021)

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

AFFIDAVIT

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

Stewart Thom (55695C)
sthom@torkinmanes.com
Tel: 416-777-5197

Lawyers for the Applicant, Liquid Capital Exchange Corp.

RCP-F 4C (September 1, 2020)

This is Exhibit "A" referred to in the Affidavit of Jonathan Brindley sworn by Jonathan Brindley of the City of Mississauga, in the Regional Municipality of Peel, before me at the City of Toronto, in the Province of Ontario, on November 18, 2021 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

S. Thom

Commissioner for Taking Affidavits (or as may be)

STEWART THOM

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE)	WEDNESDAY, THE 24 TH
)	
JUSTICE PENNY)	DAY OF NOVEMBER, 2021

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 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*

JUDGMENT

THIS MOTION, made by the Applicant, Liquid Capital Exchange Corp. (“LCX”), for judgment against the Respondent parties, was heard this day by video conference.

ON READING the Motion Record of the Moving Party, the Affidavit of Jonathan Brindley sworn November 18, 2021, The Fourth Report of the Receiver BDO Canada Limited, in its capacity as receiver of the assets and property of 1635536 Ontario Inc. O/A Versitec Marine & Industrial and Versitec Marine Holdings Inc. and Versitec Marine USA Inc. (the “Receiver”), dated November 18, 2021, and on hearing the submissions of counsel for LCX and the Receiver,

1. THIS COURT ORDERS AND ADJUDGES that that the Respondents 1635536 Ontario Inc. O/A Versitec Marine & Industrial, Versitec Marine Holdings Inc., Versitec Marine USA Inc., David Taylor, and David Carpenter are jointly and severally liable to pay, and are hereby ordered to pay to LCX, the sum of \$776,616.03 (the “**Judgment Amount**”).

2. THIS COURT ORDERS AND ADJUDGES that that the Respondents 1635536 Ontario Inc. O/A Versitec Marine & Industrial, Versitec Marine Holdings Inc., Versitec Marine USA Inc., David Taylor, and David Carpenter are jointly and severally liable to pay, and are hereby ordered to pay to LCX, prejudgment interest on the judgment amount from November 11, 2021, to November 23, 2021, in the amount of \$9,319.39.

THIS JUDGMENT BEARS INTEREST on the Judgment Amount at the rate of 36.5% per cent per annum commencing on November 24, 2021.



(Signature of Court Officer)

LIQUID CAPITAL EXCHANGE CORP.

-and-

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

Applicant

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

JUDGMENT

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

Stewart Thom (55695C)
sthom@torkinmanes.com
Tel: 416-777-5197

Lawyers for the Applicant, Liquid Capital Exchange Corp.

This is Exhibit “B” referred to in the Affidavit of Jonathan Brindley sworn by Jonathan Brindley of the City of Mississauga, in the Regional Municipality of Peel, before me at the City of Toronto, in the Province of Ontario, on November 18, 2021 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

S. Thom

Commissioner for Taking Affidavits (or as may be)

STEWART THOM



Jonathan Brindley <jonathan.brindley@myliquidcapital.com>

Versitec account review call June 27 - follow up items

1 message

Jonathan Brindley <jbrindley@liquidcapitalcorp.com>

Thu, Jun 27, 2019 at 11:53 AM

To: Reuben Byrd <rbyrd@versitecmarine.com>, Florian Meyer <fmeyer@newhousepartners.com>, epavey@versitecmarine.com

Cc: Pia Banister <pbanister@liquidcapitalcorp.com>

Hi All

Thanks for the Versitec account review call this morning (June 27), here is the list of follow up items:

- 1) Complete Eastern Med invoicing + shipment reconciliation - Florian (due date June 27)
- 2) Ship out standing Eastern Med products (re Mar invoicing) ASAP - Ed + Reuben (due date July 5)
- 3) Resend + complete outstanding factoring notifications - Pia / Reuben (due date June 27)
- 4) Schedule weekly Versitec collections call Reuben + LCX , every Tuesday at 9pm EST , first call July 2- Pia (due date June 27)
- 5) Resolve + correct Versitec billing errors - Reuben + Florian (ongoing)
- 6) Collections call / drop by for Cruise Management by Reuben - Reuben (due date July 5)
- 7) Versitec fund - complete latest funding - Pia (due date June 28)
- 8) Provide Versitec AR Consolidated summary (excel) to Reuben + Versitec - Pia (due date June 27)

Regards

Jonathan Brindley CPA CA
Liquid Capital Advance Corp.

Tel: 416-727-4521

Toll Free: 1-800-778-0133

Fax: 289-201-0178

Email: jbrindley@liquidcapitalcorp.com

www.liquidcapitaladvancecorp.com



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Jonathan Brindley <jonathan.brindley@myliquidcapital.com>

Versitec Versitec AR + collections snap shot as at Oct 8 2019

1 message

Jonathan Brindley <jbrindley@liquidcapitalcorp.com>

Thu, Oct 10, 2019 at 8:00 AM

To: Reuben Byrd <rbyrd@versitecmarine.com>, Lance Lockett <llockett@versitecmarine.com>, Ed Pavay <epavay@versitecmarine.com>

Cc: Pia Banister <pbanister@liquidcapitalcorp.com>, Liliana Rizopoulos <lrizopoulos@liquidcapitalcorp.com>, Florian Meyer <fmeyer@newhousepartners.com>

Hi Reuben

Attached is the updated Versitec AR + collections snap shot as at Oct 8 2019.
We can review further during our account review call

Regards

Jonathan Brindley CPA CA
Liquid Capital Advance Corp.

Tel: 416-727-4521

Toll Free: 1-800-778-0133

Fax: 289-201-0178

Email: jbrindley@liquidcapitalcorp.com

www.liquidcapitaladvancecorp.com



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 **Versitec Account Summary 8-10-2019.xlsx**
55K



Jonathan Brindley <jonathan.brindley@myliquidcapital.com>

Re: Next Week's Meeting - Request for Day Change

1 message

Reuben Byrd <rbyrd@versitecmarine.com>

Fri, Oct 25, 2019 at 2:16 PM

To: Jonathan Brindley <jbrindley@liquidcapitalcorp.com>

Cc: Ed Pavey <epavey@versitecmarine.com>, Pia Banister <pia.banister@myliquidcapital.com>, Lance Lockett <llockett@versitecmarine.com>, Brian Gunning <briangunning1@gmail.com>

Brian and Pia are working on it we are going thru all the reports to make sure it is correct

Reuben Byrd
CEO Global Operations
Versitec Marine USA

Phone: (716) 695-0142
North America Toll Free: (888) 357-3257 Ext. 244
Mobile: (561) 526-6432
E-mail: rbyrd@versitecmarine.com

STERN TUBE SEAL EXPERTS

----- Original message -----

From: Jonathan Brindley <jbrindley@liquidcapitalcorp.com>

Date: 10/25/19 2:11 PM (GMT-05:00)

To: Reuben Byrd <rbyrd@versitecmarine.com>

Cc: Ed Pavey <epavey@versitecmarine.com>, Pia Banister <pia.banister@myliquidcapital.com>, Lance Lockett <llockett@versitecmarine.com>, Brian Gunning <briangunning1@gmail.com>

Subject: Re: Next Week's Meeting - Request for Day Change

Hi Reuben
OK moved to 2pm..

What is the status on transfer Ango Eastern funds? Will that be sent today. Would like to have this reflected in the accounts before our call on Wed.

Thanks

Jonathan Brindley CPA CA
Liquid Capital Advance Corp.

Tel: 416-727-4521
Toll Free: 1-800-778-0133
Fax: 289-201-0178

Email: jbrindley@liquidcapitalcorp.com
www.liquidcapitaladvancecorp.com



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On Fri, Oct 25, 2019 at 1:50 PM Reuben Byrd <rbyrd@versitecmarine.com> wrote:
Johnathan 11 wont work it needs to be much earlier or after 2pm

Reuben Byrd
CEO Global Operations
Versitec Marine USA

Phone: (716) 695-0142
North America Toll Free: (888) 357-3257 Ext. 244
Mobile: (561) 526-6432
E-mail: rbyrd@versitecmarine.com

STERN TUBE SEAL EXPERTS

----- Original message -----

From: Jonathan Brindley <jbrindley@liquidcapitalcorp.com>
Date: 10/25/19 1:48 PM (GMT-05:00)
To: Ed Pavey <epavey@versitecmarine.com>
Cc: Reuben Byrd <rbyrd@versitecmarine.com>, Pia Banister <pia.banister@myliquidcapital.com>, Lance Lockett <llockett@versitecmarine.com>, Brian Gunning <briangunning1@gmail.com>
Subject: Re: Next Week's Meeting - Request for Day Change

Hi Ed
Next Wed Oct 30 at 11am EST works... I will move meeting invite.

Regards
Jonathan Brindley CPA CA
Liquid Capital Advance Corp.
Tel: 416-727-4521
Toll Free: 1-800-778-0133
Fax: 289-201-0178

Email: jbrindley@liquidcapitalcorp.com
www.liquidcapitaladvancecorp.com



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On Fri, Oct 25, 2019 at 12:37 PM Ed Pavey <epavey@versitecmarine.com> wrote:

Hi Jonathan,

Just received word from Reuben that his travel plans have changed recently, and he requests we move next week's meeting forward to Wednesday morning vice Thursday as currently scheduled. Please advise availability.

Best Regards,

Ed Pavey

VP Sales & Service

Versitec Marine USA

900 N. Federal Highway Suite 100

Boca Raton, FL 33432

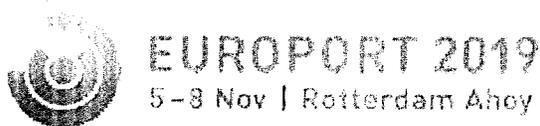
Office +1 (561) 756-8044

Cell: +1 (813) 573-5280

Email epavey@versitecmarine.com



STERN TUBE SEAL EXPERTS



VISIT US AT BOOTH 1606 Dec. 4-6 VISIT BOOTH 3537

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THINK BEFORE PRINT



Jonathan Brindley <jonathan.brindley@myliquidcapital.com>

Re: Updated AR for Tomorrow's Call

1 message

Pia Banister <pia.banister@myliquidcapital.com>

Wed, Oct 30, 2019 at 10:18 AM

To: Ed Pavey <epavey@versitecmarine.com>

Cc: Reuben Byrd <rbyrd@versitecmarine.com>, Jonathan Brindley <jbrindley@liquidcapitalcorp.com>, Lance Lockett <llockett@versitecmarine.com>

Hi everyone,

Attached is the updated AR statement to review during this afternoon's call.

Please note there are still 2 unapplied payments on account 4821 (see client collections). I need to know how to apply these asap.

Thanks
Pia

Pia Banister CPA, CMA
Liquid Capital Advance Corp.
 Mobile: (416) 892-2414
 Email: pbanister@liquidcapitalcorp.com
 Website: www.liquidcapitaladvancecorp.com

On Oct 29, 2019, at 2:25 PM, Ed Pavey <epavey@versitecmarine.com> wrote:

Good afternoon Pia,
 Do you have an updated AR listing for tomorrow's call? We have one that Lance keeps up with and want to bounce it against yours..
 Best Regards,

Ed Pavey
 VP Sales & Service
 Versitec Marine USA
 900 N. Federal Highway Suite 100
 Boca Raton, FL 33432
 Office: +1 (561) 756-8044
 Cell: +1 (813) 573-5280
 Email: epavey@versitecmarine.com
 <image001.jpg>

STERN TUBE SEAL EXPERTS

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Jonathan Brindley <jonathan.brindley@myliquidcapital.com>

Re: Versitec Financial statements - Oct 2019

1 message

Brian Gunning <briangunning1@gmail.com>

Tue, Nov 5, 2019 at 3:27 PM

To: Pia Banister <pia.banister@myliquidcapital.com>

Cc: Reuben Byrd <rbyrd@versitecmarine.com>, Jonathan Brindley <jbrindley@liquidcapitalcorp.com>

thanks Pia. This information is a help.

Brian

On Tue, Nov 5, 2019 at 3:24 PM Pia Banister <pia.banister@myliquidcapital.com> wrote:

Hi Brian,

Attached is the current AR statement from our system.

We have chargeback the following - which means they are no longer in our system but should be reflected in your AR and are still collectible:

219053 - Finbeta SPA
 219040 - Wallem
 219062 - Chesters
 219065 - Chasters
 219066 - Chesters
 219104 - Cruise Mgmt
 219092 - Interscan Management
 219077 - Meteor Management
 219055 - Premuda
 219056 - Premuda

On our AR report - we know that we are showing as outstanding, some invoices that have been paid, they are:

U19002 - Anglo Eastern
 U19016 - Anglo Eastern
 U19028 - Anglo Eastern
 U19038 - Anglo Eastern
 219016 - Anglo Eastern

We will be using some of the current cash reserves to clear these from our balance.

Please let me know if you have any questions.

Thanks
 Pia

Pia Banister CPA, CMA
Liquid Capital Advance Corp.
 Mobile: (416) 892-2414
 Email: pbanister@liquidcapitalcorp.com
 Website: www.liquidcapitaladvancecorp.com

On Nov 5, 2019, at 2:26 PM, Jonathan Brindley <jbrindley@liquidcapitalcorp.com> wrote:

Hi Brian

Thanks for the Versitec YTD financials. Could you please send us the AR summary and detail reports in excel .which will make it easier to reconcile with our records.

Pia...please send Brian the latest AR reports in excel format from Cardence for all Versitec accounts.
 Regards
 Jonathan Brindley

----- Forwarded message -----

From: **Brian Gunning** <briangunning1@gmail.com>
 Date: Tue, Nov 5, 2019, 1:59 PM
 Subject: Re: Versitec Financial statements - Oct 2019
 To: Jonathan Brindley <jbrindley@liquidcapitalcorp.com>, Reuben Byrd <rbyrd@versitecmarine.com>

Jonathan,

Here are the financials as requested. These are to September 30 for the Balance Sheet and Income Statement. Still waiting for a few cut off items for October. A/R and A/P are for today.

Could you send me your A./R list so I can compare? Not sure if I have all collections made at your end.

regards

Brian

On Mon, Nov 4, 2019 at 9:28 AM Jonathan Brindley <jbrindley@liquidcapitalcorp.com> wrote:

Hi Brian

What is the status on the latest Versitec Financial statements?

Can you please provide the latest YTD financials for:

- a) 1635536 Ontario Inc. O/A Versitec Marine & Industrial
- b) Versitec Marine USA

We also need the latest detailed AR + AP lists for both entities.

Please send this information by EOD tomorrow (Nov 5) so we can review and reconcile the AR at both Liquid Capital and Versitec.

Regards

Jonathan Brindley CPA CA
Liquid Capital Advance Corp.

Tel: 416-727-4521

Toll Free: 1-800-778-0133

Fax: 289-201-0178

Email: jbrindley@liquidcapitalcorp.com

www.liquidcapitaladvancecorp.com



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<VMI USA AP 11.5.2019.pdf><VMI USA A 11.5.2019.pdf><VMI Canada BS 9.30.2019.pdf><VMI Canada AR 11.5.2019.pdf><VMI USA BS 9.30.2019.pdf><VMI Canada AP 11.5.2019.pdf><VMI Canada PL 9.30.2019.pdf><VMI USA PL 9.30.2019.pdf>



Jonathan Brindley <jonathan.brindley@myliquidcapital.com>

Versitec AC 4822 - Client collection CDN \$29,538

1 message

Jonathan Brindley <jbrindley@liquidcapitalcorp.com>

Thu, Nov 7, 2019 at 3:50 PM

To: Reuben Byrd <rbyrd@versitecmarine.com>, Pia Banister <pbanister@liquidcapitalcorp.com>

Cc: Brian Gunning <briangunning1@gmail.com>

Hi Reuben

As discussed and agreed we will post the client collections amount of CDN \$29,538.97 received on Oct 11 to cash reserves in AC 4822.

We understand you are still trying to locate the remittance advice on this customer receipt to see if we can match the collection to a specific factored invoice.

On our next scheduled account review call on Monday Nov 11 we will determine if the remittance has been found and if not then we will apply this cash to invoices still on the books which are now uncollectable eg BBG.

Versitec CDN - Ac 4822

Invoices which are uncollectable:

	Inv #	Inv \$
BBG	219086	29,895.28
BBG	219115	30,338.88
BBG	219116	28,875.05
Total Chargeback required		<u>89,109.21</u>

Regards

Jonathan Brindley CPA CA
Liquid Capital Advance Corp.

Tel: 416-727-4521

Toll Free: 1-800-778-0133

Fax: 289-201-0178

Email: jbrindley@liquidcapitalcorp.com

www.liquidcapitaladvancorp.com



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Jonathan Brindley <jonathan.brindley@myliquidcapital.com>

Re: Versitec call today - need to push back to 2pm EST

1 message

Reuben Byrd <rbyrd@versitecmarine.com>

Mon, Nov 11, 2019 at 10:03 AM

To: Jonathan Brindley <jbrindley@liquidcapitalcorp.com>

Cc: Pia Banister <pbanister@liquidcapitalcorp.com>, Lance Lockett <llockett@versitecmarine.com>, Ed Pavey <epavey@versitecmarine.com>

That's fine.

But we need to Add Brian and why is Florian on this call? I told you I want nothing to do with him if you want me on the call he better not be on it.

He is a waste of time and money and I refuse to pay for him

Reuben Byrd
CEO Global Operations
Kennebunkport, ME, USA

Phone: (716) 695-0142
North America Toll Free: (888) 357-3257 Ext. 244
Mobile: (561) 526-6432
E-mail: rbyrd@versitecmarine.com

STERN TUBE SEAL EXPERTS

----- Original message -----

From: Jonathan Brindley <jbrindley@liquidcapitalcorp.com>

Date: 11/11/19 5:35 AM (GMT-08:00)

To: Reuben Byrd <rbyrd@versitecmarine.com>

Cc: Pia Banister <pbanister@liquidcapitalcorp.com>, Lance Lockett <llockett@versitecmarine.com>, Ed Pavey <epavey@versitecmarine.com>

Subject: Versitec call today - need to push back to 2pm EST

Hi Reuben

For the Versitec call today (rescheduled from last week) I need to push back from 11 am to 2pm EST.

Revised meeting invite to follow.

Regards

Jonathan Brindley CPA CA
Liquid Capital Advance Corp.

Tel: 416-727-4521

Toll Free: 1-800-778-0133

Fax: 269-201-0178

Email: jbrindley@liquidcapitalcorp.com
www.liquidcapitaladvancecorp.com



Jonathan Brindley <jonathan.brindley@myliquidcapital.com>

Updated AR Statement

1 message

Pia Banister <pia.banister@myliquidcapital.com>

Wed, Dec 18, 2019 at 10:32 AM

To: Jonathan Brindley <jbrindley@liquidcapitalcorp.com>, Reuben Byrd <rbyrd@versitecmarine.com>

Cc: Lance Lockett <llockett@versitecmarine.com>, Ed Pavey <epavey@versitecmarine.com>, "Brian Gunning (briangunning1@gmail.com)" <briangunning1@gmail.com>

Hi everyone,

Attached is the updated AR statement for review during today's call.

Thanks

Pia

Pia Banister CPA, CMA

Liquid Capital Advance Corp.

Mobile: (416) 892-2414

Email: pbanister@liquidcapitalcorp.com

Website: www.liquidcapitaladvancecorp.com



Versitec AR Dec17-19.xlsx

21K



Jonathan Brindley <jonathan.brindley@myliquidcapital.com>

RE: Versitec updated AR Jan 7 2020 for 10 am call today

1 message

Reuben Byrd <rbyrd@versitecmarine.com>
To: Jonathan Brindley <jbrindley@liquidcapitalcorp.com>

Tue, Jan 7, 2020 at 9:48 AM

However we need to limit it to 30 min as I have a 12:15 meeting

Reuben Byrd

CEO Global Operations

Versitec Marine

Phone: (716) 695-0142 Ext. 244

North America Toll-Free: (888) 357-3257 Ext. 244

Mobile: (561) 526-6432

E-Mail: rbyrd@versitecmarine.com



**VANGUARD
SEALS**
LEADING THE WAY

STERN TUBE SEAL EXPERTS

From: Jonathan Brindley [mailto:jbrindley@liquidcapitalcorp.com]
Sent: Tuesday, January 7, 2020 9:20 AM
To: Reuben Byrd
Cc: Ed Pavey; Lance Lockett; Brian Gunning; Pia Banister
Subject: Re: Versitec updated AR Jan 7 2020 for 10 am call today

Hi Reuben

Ok...when are you available to talk?

Regards

Jonathan

On Tue, Jan 7, 2020, 9:02 AM Reuben Byrd, <rbyrd@versitecmarine.com> wrote:

I can't do 10AM i have a doctor's appointment

Reuben Byrd
CEO Global Operations
Versitec Marine USA

Phone: (716) 695-0142
North America Toll Free: (888) 357-3257 Ext. 244
Mobile: (561) 526-6432
E-mail: rbyrd@versitecmarine.com

STERN TUBE SEAL EXPERTS

----- Original message -----

From: Jonathan Brindley <jbrindley@liquidcapitalcorp.com>
Date: 1/7/20 8:50 AM (GMT-05:00)
To: Reuben Byrd <rbyrd@versitecmarine.com>, Ed Pavey <epavey@versitecmarine.com>, Lance Lockett <llockett@versitecmarine.com>, Brian Gunning <briangunning1@gmail.com>
Cc: Pia Banister <pbanister@liquidcapitalcorp.com>
Subject: Versitec updated AR Jan 7 2020 for 10 am call today

Hi Reuben, Ed, Lance & Brian
Happy New Year ! Trust you all had a good Christmas

Attached is the updated Versitec AR for 10 am call today.

Note: Very little activity or changes since we last spoke in Dec . We've only rec'd 1 pymt (the Four Smile - MMI Europe) and we haven't accumulated enough cash to charge anything further back.

We need a more concrete action plan to get Liquid Capital fully repaid for these old AR balances.

Regards

Jonathan Brindley CPA CA
Liquid Capital Advance Corp.

Tel: 416-727-4521

Toll Free: 1-800-778-0133

Fax: 289-201-0178

Email: jbrindley@liquidcapitalcorp.com

www.liquidcapitaladvancecorp.com

[Redacted signature area]

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Jonathan Brindley <jonathan.brindley@myliquidcapital.com>

Versitec Reporting - Latest YTD

1 message

Jonathan Brindley <jbrindley@liquidcapitalcorp.com>

Fri, Jan 17, 2020 at 11:36 AM

To: Reuben Byrd <rbyrd@versitecmarine.com>, Brian Gunning <briangunning1@gmail.com>

Cc: Pia Banister <pbanister@liquidcapitalcorp.com>

Hi Reuben + Brian

Further to Versitec account review call this morning please provide the following updated financial reporting for both Versitec Canada + Versitec USA:

- 1) Latest YTD Financials Dec 2019 - P&L + Balance sheet
- 2) Latest AR summary + detail - in excel
- 3) Latest AP summary + detail - in excel

Reuben ... I have sent separate meeting invite for follow up call on Jan 21 after your Genco meetings in New York.

Pia... please send updated Versitec AR details with LCX reflecting the pending collection notes for Transmed etc.

Regards

Jonathan Brindley CPA CA
Liquid Capital Advance Corp.

Tel: 416-727-4521

Toll Free: 1-800-778-0133

Fax: 289-201-0178

Email: jbrindley@liquidcapitalcorp.com

www.liquidcapitaladvancecorp.com



If you do not wish to receive future commercial electronic messages from Liquid Capital, please reply to this email and type "REMOVE" in the subject line.



Jonathan Brindley <jonathan.brindley@myliquidcapital.com>

Re: Versitec updated AR

1 message

Pia Banister <pia.banister@myliquidcapital.com>

Tue, Jan 21, 2020 at 11:21 AM

To: Reuben Byrd <rbyrd@versitecmarine.com>

Cc: Brian Gunning <briangunning1@gmail.com>, Jonathan Brindley <jbrindley@liquidcapitalcorp.com>

Hi Reuben and Brian,

Attached is the updated AR statement for the 3 accounts with the notes from the last review call.

Thanks

Pia

Pia Banister CPA, CMA

Liquid Capital Advance Corp.

Mobile: (416) 892-2414

Email: pbanister@liquidcapitalcorp.com

Website: www.liquidcapitaladvancecorp.com

On Jan 21, 2020, at 10:24 AM, Jonathan Brindley <jbrindley@liquidcapitalcorp.com> wrote:

Hi Pia

Please send Reuben + Brian Gunning the updated Versitec AR. I don't believe we have received any payments since Dec

Regards

Jonathan Brindley CPA CA

Liquid Capital Advance Corp.

Tel: 416-727-4521

Toll Free: 1-800-778-0133

Fax: 289-201-0178

Email: jbrindley@liquidcapitalcorp.com

www.liquidcapitaladvancecorp.com



If you do not wish to receive future commercial electronic messages from Liquid Capital, please reply to this email and type "REMOVE" in the subject line.

 **Versitec AR Jan21-20.xlsx**
20K



Jonathan Brindley <jonathan.brindley@myliquidcapital.com>

Versitec Collection Summary

1 message

Pia Banister <pia.banister@myliquidcapital.com>

Wed, Jan 29, 2020 at 12:17 PM

To: Reuben Byrd <rbyrd@versitecmarine.com>, "Brian Gunning (briangunning1@gmail.com)" <briangunning1@gmail.com>

Cc: Jonathan Brindley <jbrindley@liquidcapitalcorp.com>

Hi Reuben and Brian,

Attached is a collection summary for the 3 accounts.

I have highlighted in red any comments that explain where funds were allocated if they came in without any remittance or before remittance was received. Please note the Avin payment was rec'd however at the time we were directed to apply to Eastern Med invoice 219035, which is why the Avin invoice remains on the AR list.

Please let me know if you need any clarification.

Thanks

Pia

Pia Banister CPA, CMA

Liquid Capital Advance Corp.

Mobile: (416) 892-2414

Email: pbanister@liquidcapitalcorp.com

Website: www.liquidcapitaladvancecorp.com

 **Versitec Payment Summary Jan29-20.xlsx**
28K

POWERED BY  LINC FINANCIAL

Jonathan Brindley <jonathan.brindley@myliquidcapital.com>

Updated AR statement

1 message

Pia Banister <pia.banister@myliquidcapital.com>

Thu, Feb 13, 2020 at 10:59 AM

To: Reuben Byrd <rbyrd@versitecmarine.com>, Lance Lockett <llockett@versitecmarine.com>, Jonathan Brindley <jbrindley@liquidcapitalcorp.com>

Cc: "Brian Gunning (briangunning1@gmail.com)" <briangunning1@gmail.com>

Hi everyone,

Attached is the AR statement as of today.

Thanks
pia**Pia Banister CPA, CMA**
Liquid Capital Advance Corp.
Mobile: (415) 892-2414
Email: pbanister@liquidcapitalcorp.com
Website: www.liquidcapitaladvancecorp.com**Versitec AR Feb13-20.xlsx**
20K



Jonathan Brindley <jonathan.brindley@myliquidcapital.com>

Avin pymt rec'd

1 message

Pia Banister <pia.banister@myliquidcapital.com>

Thu, Feb 13, 2020 at 11:29 AM

To: Jonathan Brindley <jbrindley@liquidcapitalcorp.com>, "Brian Gunning (briangunning1@gmail.com)" <briangunning1@gmail.com>

Cc: Reuben Byrd <rbyrd@versitecmarine.com>

Hi Brian

Attached is the screen shot showing the Avin pymt on Oct1 - batch #159

I was mistaken - the pymt came in with the Sia RIX payment but the Avin funds were allocated to pay Eastern Med 219035 with the balance going to reserves. I've attached the document showing the application.

Thanks
Pia

Pia Banister CPA, CMA
Liquid Capital Advance Corp.
Mobile: (416) 892-2414
Email: pbanister@liquidcapitalcorp.com
Website: www.liquidcapitaladvancecorp.com

2 attachments

 Screen Shot 2020-02-13 at 11.25.37 AM.png
57K

 Chargeback #18 1635536 Ontario Inc. (#4822) CDN Oct4-19.xlsx
26K



Jonathan Brindley <jonathan.brindley@myliquidcapital.com>

Versitec + Liquid Capital - follow up items Feb 13 2020

1 message

Jonathan Brindley <jbrindley@liquidcapitalcorp.com>

Thu, Feb 13, 2020 at 12:30 PM

To: Reuben Byrd <rbyrd@versitecmarine.com>, Brian Gunning <briangunning1@gmail.com>

Cc: Pia Banister <pbanister@liquidcapitalcorp.com>, Liliana Rizopulos <lrizopulos@liquidcapitalcorp.com>

Hi Reuben + Brian

Further to our account review call this morning please provide the following items:

- 1) Latest detailed AR for Versitec CDN + Versitec USA (in excel format ie QB download)
- 2) Copy of revised GREAT LAKES DREDGE & DOCK, LLC inv for US\$35,000
- 3) Copy of Blue Ship remittance for Euros 9,257
- 4) Latest Financial statements YTD Jan 2020 for Versitec: CDN + Versitec USA
 - P&L
 - Balance Sheet
 - AR summary
 - AP summary

We will be responding to Brian's email dated Jan 29...requesting more information on select charges on the client activity statements

Attached is the revised AR list Feb 13...highlighting the ships which Versitec plans to arrest.

Next Versitec + Liquid Capital review call - Feb 20 at 11am EST

Regards

Jonathan Brindley CPA CA
Liquid Capital Advance Corp.

Tel: 416-727-4521

Toll Free: 1-800-778-0133

Fax: 289-201-0178

Email: jbrindley@liquidcapitalcorp.com

www.liquidcapitaladvancecorp.com



If you do not wish to receive future commercial electronic messages from Liquid Capital, please reply to this email and type "REMOVE" in the subject line.

 Versitec AR Feb13-20 with JB edits + ship arrests.xlsx
22K



Jonathan Brindley <jonathan.brindley@myliquidcapital.com>

RE: Versitec + Eastern Med AR = Euros 29,754 as at Feb 25,2020

1 message

Reuben Byrd <rbyrd@versitecmarine.com>

Wed, Feb 26, 2020 at 10:25 AM

To: Jonathan Brindley <jbrindley@liquidcapitalcorp.com>

Cc: Brian Gunning <briangunning1@gmail.com>, Pia Banister <pbanister@liquidcapitalcorp.com>

Jonathan those payments were made to Liquid capital not us and you used the money to pay some other invoice we have discuss and confirmed this for several months

Reuben Byrd
CEO Global Operations
Versitec Marine, U.S.A.

Phone: (716) 695-0142
North America Toll Free: (888) 357-3257 Ext. 244
Mobile: (561) 526-6432
E-mail: rbyrd@versitecmarine.com

STERN TUBE SEAL EXPERTS

----- Original message -----

From: Jonathan Brindley <jbrindley@liquidcapitalcorp.com>

Date: 2/26/20 10:22 AM (GMT-05:00)

To: Reuben Byrd <rbyrd@versitecmarine.com>

Cc: Brian Gunning <briangunning1@gmail.com>, Pia Banister <pbanister@liquidcapitalcorp.com>

Subject: Versitec + Eastern Med AR = Euros 29,754 as at Feb 25,2020

Hi Reuben

We currently have 4 unpaid Eastern Med invoices in our system totaling Euros 29,754. This includes three invoices (219033, 219132,219137) which were already paid to Versitec but not remitted to Liquid Capital. We need to get all these 4 invoices cleared from this next Eastern Med payment

Please confirm what your records are showing as owing and how much Eastern Med is planning to pay. We understand that there are additional invoices / shipments to Eastern Med.

Once we have this information then we can confirm with Eastern Med how much needs to be paid directly to Liquid Capital.

Eastern Mediterranean Maritime Ltd.		42,142.87 --			11,630.59		
Invoice#	Invoice Date	Funded Date	Batch#	Invoice Amount	Balance	Euro Amount	Ship Name
219033	2019-08-14	2019-09-13	10048	13,689.98	13,689.98	9,668.75	MV Sea Guardian
219132	2019-06-15	2019-09-13	10048	7,558.07	7,558.07	5,338.00	MV Sirina
219137	2019-07-08	2019-09-13	10048	9,264.23	9,264.23	6,543.00	MV Pretty Lady
219216	2019-10-24	2019-11-08	10053	11,630.59	11,630.59	8,205.00	MT Hydra
						29,754.75	

Jonathan Brindley CPA CA
Liquid Capital Advance Corp.
Tel: 416-727-4521
Toll Free: 1-800-778-0133
Fax: 269-201-0178

Email: jbrindley@liquidcapitalcorp.com
www.liquidcapitaladvances.com





Jonathan Brindley <jonathan.brindley@myliquidcapital.com>

Re: Avin pymt rec'd

1 message

Brian Gunning <briangunning1@gmail.com>

Fri, Feb 14, 2020 at 10:26 AM

To: Pia Banister <pia.banister@myliquidcapital.com>

Cc: Jonathan Brindley <jbrindley@liquidcapitalcorp.com>, Reuben Byrd <rbyrd@versitecmarine.com>

Pia,

Thanks for the information. I still have 2 questions.

1. Batch 159 shows collection of \$22,004.96 on the Client Activity Statement on October 1, 2019, but the screenshot shows Client Collections of 13,943.20. Is there another payment included in the \$22,004.96?

2. There is no invoice or customer reference on the screenshot. Am I to assume the 13,943.20 is the Avin payment of 9638.60?

Brian

On Thu, Feb 13, 2020 at 11:29 AM Pia Banister <pia.banister@myliquidcapital.com> wrote:

Hi Brian

Attached is the screen shot showing the Avin pymt on Oct1 - batch #159

I was mistaken - the pymt came in with the Sia RIX payment but the Avin funds were allocated to pay Eastern Med 219035 with the balance going to reserves. I've attached the document showing the application.

Thanks

Pia

Pia Banister CPA, CMA

Liquid Capital Advance Corp.

Mobile: (416) 892-2414

Email: pbanister@liquidcapitalcorp.com

Website: www.liquidcapitaladvancecorp.com

This is Exhibit “C” referred to in the Affidavit of Jonathan Brindley sworn by Jonathan Brindley of the City of Mississauga, in the Regional Municipality of Peel, before me at the City of Toronto, in the Province of Ontario, on November 18, 2021 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

S. Thom

Commissioner for Taking Affidavits (or as may be)

STEWART THOM

Minutes of Settlement

Between:

David Swindells

(the "Plaintiff")

- and -

1635536 Ontario Inc.

(the "Corporate Defendant")

- and -

David Taylor

(the "Individual Defendant")

WHEREAS the Plaintiff had been employed with the Corporate Defendant but as terminated from his employment resulting in action CV-19-00058937-0000 being filed in the Superior Court of Justice (the "Action").

AND WHEREAS the parties are desirous of resolving all matters raised in the Action.

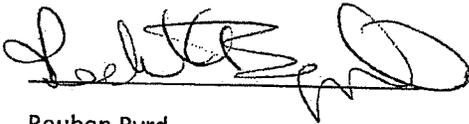
The parties agree to fully and finally resolve all matters between them as follows:

1. The Corporate Defendant shall provide payment to the Plaintiff of \$6,000 plus HST directly to the Plaintiff's counsel Chown Cairns LLP in instalments on account of \$1,356. The instalment plan is as follows:
 - a. on October 30, 2020;
 - b. on November 30, 2020;
 - c. on December 31, 2020;
 - d. on January 29, 2021; and
 - e. on February 26, 2020.
2. The Corporate Defendant will provide a mutually agreeable letter of reference.
3. The Individual Defendant shall provide full payment of the mediation fees directly to the mediator Lisa Feld.
4. The Parties on consent shall each file a Notice of Discontinuance With Prejudice following the final disbursement of the proceeds of settlement.

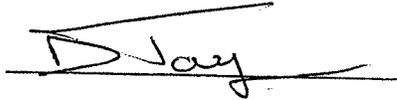
5. The parties shall execute a Mutual Release to follow. The payments under enumerated paragraphs 1 above is conditional upon the Plaintiff executing and returning an original copy of the Mutual Release to the Defendants' Counsel.

Dated this 22nd day of September, 2020.

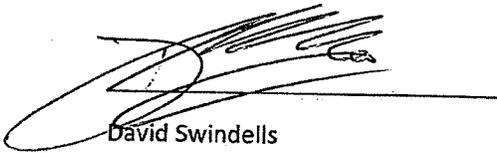
The Corporate Defendant per:



Reuben Byrd



David Taylor



David Swindells

This is Exhibit “D” referred to in the Affidavit of Jonathan Brindley sworn by Jonathan Brindley of the City of Mississauga, in the Regional Municipality of Peel, before me at the City of Toronto, in the Province of Ontario, on November 18, 2021 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

S. Thom

Commissioner for Taking Affidavits (or as may be)

STEWART THOM

Minutes of Settlement

Between:

David Carpenter

(the "Plaintiff")

- and -

1635536 Ontario Inc.

(the "Corporate Defendant")

- and -

David Taylor

(the "Individual Defendant")

WHEREAS the Plaintiff had been employed with the Corporate Defendant was terminated from his employment resulting in action CV-19-00058936-0000 being filed in the Superior Court of Justice (the "Action").

AND WHEREAS the parties are desirous of resolving all matters raised in the Action.

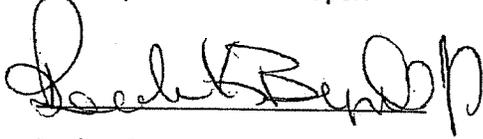
The parties agree to fully and finally resolve all matters between them as follows:

1. The Corporate Defendant shall provide payment to the Plaintiff of \$37,000 in instalments on account of his credit card debt under his CIBC Aventura World Elite Mastercard, Account No. 5411 4202 1122 5653. The instalment plan is as follows:
 - a. \$2,500 on September 30, 2020;
 - b. \$6,000 on October 30, 2020;
 - c. \$7,500 on November 30, 2020;
 - d. \$7,500 on December 31, 2020;
 - e. \$7,500 on January 29, 2021; and
 - f. \$6,000 on February 26, 2021.
2. The Corporate Defendant will pay to the Plaintiff \$5,000 in general damages in equal installments of \$1,000 commencing on October 30, 2020 and ending on February 26, 2021 (i.e., the times set out in enumerated subparagraphs 1(b) to (f) above.
3. The Corporate Defendant shall provide payment directly to the Plaintiff's counsel Chown Cairns LLP \$7,500 plus HST on account of legal fees in equal installments of \$1,695.00. commencing on October 30, 2020 and ending on February 26, 2021 (i.e., the times set out in enumerated subparagraphs 1(b) to (f) above.

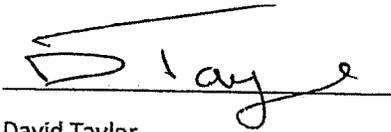
4. The Corporate Defendant will provide a mutually agreeable letter of reference.
5. The Individual Defendant shall provide full payment of the mediation fees directly to the mediator Lisa Feld.
6. The parties shall execute a Mutual Release to follow. The payments under enumerated paragraphs 1 to 3 above are conditional upon the Plaintiff executing and returning an original copy of the Mutual Release to the Defendants' Counsel.
7. It is understood nothing in said Release shall impair any of Carpenter's rights as a shareholder.
8. The Individual Defendant shall make his best efforts to withdraw the FOI request and shall not take fresh steps to pursue the NRP Incident report 59229.
9. The Parties on consent shall each file a Notice of Discontinuance With Prejudice following the final disbursement of the proceeds of settlement.

Dated this 22nd day of September, 2020.

The Corporate Defendant per:



Reuben Byrd



David Taylor



David Carpenter

This is Exhibit “E” referred to in the Affidavit of Jonathan Brindley sworn by Jonathan Brindley of the City of Mississauga, in the Regional Municipality of Peel, before me at the City of Toronto, in the Province of Ontario, on November 18, 2021 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

S. Thom

Commissioner for Taking Affidavits (or as may be)

STEWART THOM

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

CONNEAUT CREEK SHIP REPAIR, INC.,

Plaintiff,

vs.

VERSITEC MARINE SERVICES, INC.,
d/b/a VERSITEC MARINE & INDUSTRIAL,

Defendant.

CASE NO. 1:20-CV-03435-RA

SETTLEMENT AGREEMENT AND RELEASE

THIS SETTLEMENT AGREEMENT AND RELEASE (**the "Agreement"**) is made and entered into between Conneaut Creek Ship Repair, Inc. (**"Conneaut Creek"**); 1635536 Ontario Inc., operating as Versitec Marine & Industrial (**"Versitec"**); Versitec Marine Services, Inc. (**"Versitec Marine"**); and Versitec's court-appointed receiver Morgan & Partners, Inc. (**the "Receiver,"**) (collectively with Versitec and Versitec Marine **the "Versitec Parties"**). Conneaut Creek, Versitec, Versitec Marine, and the Receiver shall each be referred to as a **"Party"** and collectively be referred to as the **"Parties."**

RECITALS

WHEREAS, on May 1, 2020, Conneaut Creek filed a lawsuit against Versitec in the United States District Court for the Southern District of New York, Case No. 20-cv-03435-RA alleging breach of contract, account stated, and unjust enrichment, pursuant to which Conneaut Creek compensatory damages, and costs and expenses, including attorneys' fees (**the "Action"**). Conneaut Creek subsequently amended its complaint to include Versitec Marine.

WHEREAS, the Versitec Parties deny Conneaut Creek's allegations in their entirety;

WHEREAS, the Parties hereto agree that, in order to avoid the costs and disruption associated with litigation of the Action, it would be advantageous to settle their disputes, including the Action and any and all other claims asserted, or which could have been asserted, in the Action or in any other action(s), on the terms and conditions set forth herein;

NOW, THEREFORE, for and in consideration of the mutual covenants set forth herein and other good and valuable consideration, the receipt, adequacy, and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Parties agree as follows:

1. **Recitals.** The Parties agree, acknowledge, warrant and represent that the above recitals are true and correct and are incorporated herein by this reference.

2. **Dismissal of Action With Prejudice.** Within seven (7) days of the receipt of the Settlement Sum in full, Conneaut Creek shall cause to be filed in the Action a Notice of Dismissal With Prejudice in the form attached hereto as Exhibit A (the “**Notice of Dismissal With Prejudice**”).

3. **Settlement Payment.** The Versitec Parties shall pay or cause to be paid to Conneaut Creek the total sum of seventy thousand U.S. dollars and no cents (\$70,000.00 USD) (the “**Settlement Sum**”) as set forth in the following schedule:

- On or before August 15, 2020, the Versitec Parties shall deliver to Conneaut Creek’s counsel’s trust account twenty thousand U.S. dollars and no cents (\$20,000.00 USD);
- On or before September 15, 2020, the Versitec Parties shall deliver to Conneaut Creek’s counsel’s trust account a minimum of twenty thousand U.S. dollars and no cents (\$20,000.00 USD); and
- On or before October 15, 2020, the Versitec Parties shall deliver to Conneaut Creek’s counsel’s trust account the remainder of the Settlement Sum.

Payments of the Settlement Sum shall be made payable to “Homer Bonner Jacobs Ortiz, P.A. Trust Account” and shall be delivered to Homer Bonner Jacobs Ortiz, P.A., 1200 Four Seasons Tower, 1441 Brickell Avenue, Miami, Florida 33131. Conneaut Creek represents, warrants, agrees, and acknowledges that the Settlement Sum and the Versitec Parties’ other covenants contained herein are good, valuable, and adequate consideration for the release and the other covenants contained herein.

4. **Conneaut Creek’s Waiver And Release Of The Versitec Parties.** Upon full payment of the Settlement Sum, Conneaut Creek, shall forever releases and discharges the Versitec Parties and each of their assigns, heirs, successors and predecessors in interest, employees and former employees, directors, officers, members, partners, associates, parent companies, subsidiary companies, affiliate and related companies, affiliates, agents, attorneys, insurers, and shareholders and investors in interest, of and from any and all actions of any nature, suits, claims, extra-contractual claims, claims for fraud, claims for bad faith, unfair claims handling practices, claims for subrogation, contracts, demands, fees, costs, expenses, losses, damages, liabilities or causes of action, whether in law or equity, known or unknown, accrued and unaccrued, based upon, or arising out of the Action, that were or could have been asserted in the Action or that may arise from, or relate to, the subject matter of the Action; providing that nothing herein shall be deemed to be a release of any obligations under this Agreement.

5. **The Versitec Parties’ Waiver And Release Of Conneaut Creek.** The Versitec Parties, for themselves and their successors, assigns and affiliates, hereby forever release and

discharge Conneaut Creek and its assigns, heirs, successors and predecessors in interest, employees and former employees, directors, officers, members, partners, associates, parent companies, subsidiary companies, affiliate and related companies, affiliates, agents, attorneys, insurers, and shareholders and investors in interest, of and from any and all actions of any nature, suits, claims, extra-contractual claims, claims for fraud, claims for bad faith, contracts, demands, fees, costs, expenses, losses, damages, liabilities or causes of action, whether in law or equity, known or unknown, accrued and unaccrued, based upon, or arising out of the Action, that were or could have been asserted in Action or that may arise from, or relate to, the subject matter of the Action; provided that nothing herein shall be deemed release of any obligations under this Agreement.

6. **No Litigation.** Conneaut Creek warrants and represent that it has not filed, directly or indirectly, nor caused to be filed and will not file or cause to be filed, any other legal proceeding whatsoever in any state or federal court or in arbitration or any administrative proceeding with any local, state or federal agency having jurisdiction, raising any claims settled, resolved or released by this Agreement. Conneaut Creek covenants that neither it, nor any of its agents, successors, assigns, heirs, executors, personal representatives and trustees, will commence, prosecute, or cause to be commenced or prosecuted, against the Versitec Parties any action or other proceedings based upon any claims, demands, causes of action, obligations, damages, or liabilities which are being settled, resolved or released by this Agreement, nor will Conneaut Creek seek to challenge the validity of this Agreement, or any part thereof, in any way. Conneaut creek shall hold the Versitec Parties harmless from and against any and all claims for damages, judgments, court costs, attorneys' fees, or expenses asserted against the Versitec Parties as a result of or in connection with any proceeding brought contrary to this paragraph. Further, the Versitec Parties warrant and represent that none of them has filed, directly or indirectly, has caused to be filed and will file or cause to be filed, any legal proceeding whatsoever in any state or federal court or in arbitration or any administrative proceeding with any local, state or federal agency having jurisdiction, raising any claims settled, resolved or released by this Agreement. The Versitec Parties covenant that none of them, or any of their agents, successors, assigns, heirs, executors, personal representatives and trustees, will commence, prosecute, or cause to be commenced or prosecuted, against the Conneaut Creek its assigns, heirs, successors and predecessors in interest, employees and former employees, directors, officers, members, partners, associates, parent companies, subsidiary companies, affiliate and related companies, affiliates, agents, attorneys, insurers, and shareholders and investors in interest, any action or other proceedings based upon any claims, demands, causes of action, obligations, damages, or liabilities which are being settled, resolved or released by this Agreement, nor will any of the Versitec Parties seek to challenge the validity of this Agreement, or any part thereof, in any way. The Versitec Parties shall hold Conneaut Creek harmless from and against any and all claims for damages, judgments, court costs, attorneys' fees, or expenses asserted against Conneaut Creek as a result of or in connection with any proceeding brought contrary to this paragraph.

7. **Warranty Of No Assignment.** Assignment of this Agreement or any rights or obligations hereunder is prohibited without the prior written consent of the opposing Party/ies and any attempt by any Party to assign this Agreement without such consent shall be void *ab initio*.

8. **Entire Agreement.** This Agreement constitutes a single, fully-integrated contract expressing and representing the entire agreement and understanding of the Parties as of the date of execution hereof with respect to the subject matter hereof, and supersedes all prior and contemporaneous oral and written agreements, negotiations, discussions, understandings, representations, statements, and writings between the Parties relating thereto and with respect to the subject matter hereof. No other promises or agreements shall be binding or shall modify this Agreement unless signed by the Parties hereto.

9. **Notices.** Any notices required by or given in connection with this Agreement shall be made in writing by both email and postage prepaid registered mail, certified mail or private carrier providing a return receipt to the addresses set forth below:

If to Conneaut Creek:

Adam Schwartz
Homer Bonner Jacobs Ortiz, P.A.
1200 Four Seasons Tower
1441 Brickell Avenue
Miami, Florida 33131
aschwartz@homerbonner.com

If to Versitec:

Michael J. Valente
Scarfone Hawkins LLP
One James Street South, 14th Floor
Hamilton, ON L8P 4R5
Canada
mvalente@shlaw.ca

If to Versitec Marine:

Michael J. Valente
Scarfone Hawkins LLP
One James Street South, 14th Floor
Hamilton, ON L8P 4R5
Canada
mvalente@shlaw.ca

If to the Receiver:

John Morgan
Morgan & Partners Inc.
4 Cedar Pointe Drive, Unit J2
Barrie, ON L4N 5R7

Canada
johnmorgan.morgantrustees.com

10. **No Admissions, Collateral Estoppel, Or Prevailing Party Effect.** It is expressly understood, acknowledged and agreed by the Parties that nothing in this Agreement or any related act or document constitutes an admission, declaration, or other evidence of the rights or liabilities of the Parties or any person or entity, except with respect to the contractual duties and stipulations provided in this Agreement itself. Neither this Agreement nor any action or document taken to carry out this Agreement: (a) shall be construed as or deemed to be evidence or an acknowledgment of any presumption, inference, concession, or admission on any point of fact or law, or any liability, fault, omission, or other wrongful act whatsoever; (b) shall be offered or received as evidence in any litigation or proceeding whatsoever of any presumption, inference, concession, or admission of any liability, fault, omission, or other wrongful act whatsoever; or (c) shall be offered or received as evidence in any action or proceeding whatsoever other than such proceeding by the Parties hereto as may be necessary to enforce the provisions of this Agreement.
11. **Understanding Of Agreement.** The Parties represent and warrant that they (a) have carefully read this entire Agreement; (b) fully understand the terms, conditions, and significance of this Agreement; (c) have had sufficient time to consider this Settlement Agreement before executing it; (d) have had a full opportunity to review and consult with their respective attorneys regarding this Agreement and have done so; (e) have executed this Agreement voluntarily, knowingly, and with the advice of their respective attorneys; (f) that in signing this Agreement the Parties represent and acknowledge that no representations, inducements, promises or agreements, oral or otherwise, have been made by any Party hereto; (g) have not relied upon any oral or written statement or omission made by any person other than those statements expressly set forth in this Agreement; and (h) that they believe there are no other facts or representation that would, if known, change the Parties' decision to enter into the Agreement.
12. **Construction.** Any controversy regarding the construction of this Agreement shall be decided neutrally, in light of its conciliatory purpose, not in favor of or against any Party, and without regard to the events of authorship or negotiation.
13. **Counterparts.** This Agreement may be executed by the Parties hereto in separate counterparts and/or by facsimile, each of which when so executed and delivered shall be deemed an original copy that is binding and enforceable, but all such counterparts shall together constitute but one and the same instrument.
14. **Applicable Law and Venue.** This Agreement shall be governed by and interpreted in accordance with the laws of the State of New York, without regard to conflicts of laws provisions. The Parties agree that the district court for the Southern District of New York shall retain jurisdiction to resolve any disputes arising or relating to this Agreement and to enforce the terms of the Agreement. To be clear, for any disputes arising out of or relating to this Agreement, the Parties consent to the exclusive jurisdiction of a court of competent jurisdiction located in New

York County, New York, and that the exclusive venue for such a dispute is in New York County, New York.

15. **Taxes.** Any tax liability, if any, incurred by Conneaut Creek resulting from or in connection with this Agreement or the Settlement Sum shall be the sole responsibility of Conneaut Creek.

16. **Authority To Execute.** The signatories to this Agreement represent and warrant that they have the authority to bind the respective parties identified below to the terms of this Agreement.

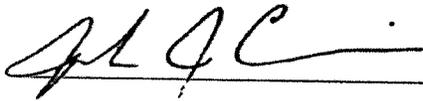
IN WITNESS WHEREOF, this Agreement is made and entered into as of the date this Agreement is executed by all Parties below.

[signature page to follow]

Type text here

CONNEAUT CREEK:

Conneaut Creek Ship Repair, Inc.

By: 

Date: 08/14/2020

THE VERSITEC PARTIES:

1635536 Ontario Inc.

By: _____

Date: _____

Versitec Marine Services, Inc.

By: 

Date: 8/14/2020

Morgan & Partners, Inc.

By: _____

Date: _____

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

CONNEAUT CREEK SHIP REPAIR, INC.,

Plaintiff,

vs.

VERSITEC MARINE SERVICES, INC.,
d/b/a VERSITEC MARINE & INDUSTRIAL,

Defendant.

CASE NO. 1:20-CV-03435-RA

SETTLEMENT AGREEMENT AND RELEASE

THIS SETTLEMENT AGREEMENT AND RELEASE (the "Agreement") is made and entered into between Conneaut Creek Ship Repair, Inc. ("Conneaut Creek"); 1635536 Ontario Inc., operating as Versitec Marine & Industrial ("Versitec"); Versitec Marine Services, Inc. ("Versitec Marine"); and Versitec's court-appointed receiver Morgan & Partners, Inc. (the "Receiver,") (collectively with Versitec and Versitec Marine the "Versitec Parties"). Conneaut Creek, Versitec, Versitec Marine, and the Receiver shall each be referred to as a "Party" and collectively be referred to as the "Parties."

RECITALS

WHEREAS, on May 1, 2020, Conneaut Creek filed a lawsuit against Versitec in the United States District Court for the Southern District of New York, Case No. 20-cv-03435-RA alleging breach of contract, account stated, and unjust enrichment, pursuant to which Conneaut Creek compensatory damages, and costs and expenses, including attorneys' fees (the "Action"). Conneaut Creek subsequently amended its complaint to include Versitec Marine.

WHEREAS, the Versitec Parties deny Conneaut Creek's allegations in their entirety;

WHEREAS, the Parties hereto agree that, in order to avoid the costs and disruption associated with litigation of the Action, it would be advantageous to settle their disputes, including the Action and any and all other claims asserted, or which could have been asserted, in the Action or in any other action(s), on the terms and conditions set forth herein;

NOW, THEREFORE, for and in consideration of the mutual covenants set forth herein and other good and valuable consideration, the receipt, adequacy, and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Parties agree as follows:

1. **Recitals.** The Parties agree, acknowledge, warrant and represent that the above recitals are true and correct and are incorporated herein by this reference.

2. **Dismissal of Action With Prejudice.** Within seven (7) days of the receipt of the Settlement Sum in full, Conneaut Creek shall cause to be filed in the Action a Notice of Dismissal With Prejudice in the form attached hereto as Exhibit A (the "Notice of Dismissal With Prejudice").

3. **Settlement Payment.** The Versitec Parties shall pay or cause to be paid to Conneaut Creek the total sum of seventy thousand U.S. dollars and no cents (\$70,000.00 USD) (the "Settlement Sum") as set forth in the following schedule:

- On or before August 15, 2020, the Versitec Parties shall deliver to Conneaut Creek's counsel's trust account twenty thousand U.S. dollars and no cents (\$20,000.00 USD);
- On or before September 15, 2020, the Versitec Parties shall deliver to Conneaut Creek's counsel's trust account ~~thirty~~ a minimum of twenty thousand U.S. dollars and no cents (\$20,000.00 USD); and
- On or before October 15, 2020, the Versitec Parties shall deliver to Conneaut Creek's counsel's trust account ~~the remaining Settlement Sum of fifty thousand U.S. dollars and no cents (\$50,000.00 USD).~~

Payments of the Settlement Sum shall be made payable to "Homer Bonner Jacobs Ortiz, P.A. Trust Account" and shall be delivered to Homer Bonner Jacobs Ortiz, P.A., 1200 Four Seasons Tower, 1441 Brickell Avenue, Miami, Florida 33131. Conneaut Creek represents, warrants, agrees, and acknowledges that the Settlement Sum and the Versitec Parties' other covenants contained herein are good, valuable, and adequate consideration for the release and the other covenants contained herein.

4. **Conneaut Creek's Waiver And Release Of The Versitec Parties.** Upon full payment of the Settlement Sum, Conneaut Creek, hereby shall forever releases and discharges the Versitec Parties and each of their assigns, heirs, successors and predecessors in interest, employees and former employees, directors, officers, members, partners, associates, parent companies, subsidiary companies, affiliate and related companies, affiliates, agents, attorneys, insurers, and shareholders and investors in interest, of and from any and all actions of any nature, suits, claims, extra-contractual claims, claims for fraud, claims for bad faith, unfair claims handling practices, claims for subrogation, contracts, demands, fees, costs, expenses, losses, damages, liabilities or causes of action, whether in law or equity, known or unknown, accrued and unaccrued, based upon, or arising out of the Action, that were or could have been asserted in the Action or that may arise from, or relate to, the subject matter of the Action; providing that nothing herein shall be deemed to be a release of any obligations under this Agreement.

5. **The Versitec Parties' Waiver And Release Of Conneaut Creek.** The Versitec Parties, for themselves and their successors, assigns and affiliates, hereby forever release and

discharge Conneaut Creek and its assigns, heirs, successors and predecessors in interest, employees and former employees, directors, officers, members, partners, associates, parent companies, subsidiary companies, affiliate and related companies, affiliates, agents, attorneys, insurers, and shareholders and investors in interest, of and from any and all actions of any nature, suits, claims, extra-contractual claims, claims for fraud, claims for bad faith, contracts, demands, fees, costs, expenses, losses, damages, liabilities or causes of action, whether in law or equity, known or unknown, accrued and unaccrued, based upon, or arising out of the Action, that were or could have been asserted in Action or that may arise from, or relate to, the subject matter of the Action; provided that nothing herein shall be deemed release of any obligations under this Agreement.

6. **No Litigation.** Conneaut Creek warrants and represent that it has not filed, directly or indirectly, nor caused to be filed and will not file or cause to be filed, any other legal proceeding whatsoever in any state or federal court or in arbitration or any administrative proceeding with any local, state or federal agency having jurisdiction, raising any claims settled, resolved or released by this Agreement. Conneaut Creek covenants that neither it, nor any of its agents, successors, assigns, heirs, executors, personal representatives and trustees, will commence, prosecute, or cause to be commenced or prosecuted, against the Versitec Parties any action or other proceedings based upon any claims, demands, causes of action, obligations, damages, or liabilities which are being settled, resolved or released by this Agreement, nor will Conneaut Creek seek to challenge the validity of this Agreement, or any part thereof, in any way. Conneaut Creek shall hold the Versitec Parties harmless from and against any and all claims for damages, judgments, court costs, attorneys' fees, or expenses asserted against the Versitec Parties as a result of or in connection with any proceeding brought contrary to this paragraph. Further, the Versitec Parties warrant and represent that none of them has filed, directly or indirectly, has caused to be filed and will file or cause to be filed, any legal proceeding whatsoever in any state or federal court or in arbitration or any administrative proceeding with any local, state or federal agency having jurisdiction, raising any claims settled, resolved or released by this Agreement. The Versitec Parties covenant that none of them, or any of their agents, successors, assigns, heirs, executors, personal representatives and trustees, will commence, prosecute, or cause to be commenced or prosecuted, against the Conneaut Creek its assigns, heirs, successors and predecessors in interest, employees and former employees, directors, officers, members, partners, associates, parent companies, subsidiary companies, affiliate and related companies, affiliates, agents, attorneys, insurers, and shareholders and investors in interest, any action or other proceedings based upon any claims, demands, causes of action, obligations, damages, or liabilities which are being settled, resolved or released by this Agreement, nor will any of the Versitec Parties seek to challenge the validity of this Agreement, or any part thereof, in any way. The Versitec Parties shall hold Conneaut Creek harmless from and against any and all claims for damages, judgments, court costs, attorneys' fees, or expenses asserted against Conneaut Creek as a result of or in connection with any proceeding brought contrary to this paragraph.

7. **Warranty Of No Assignment.** Assignment of this Agreement or any rights or obligations hereunder is prohibited without the prior written consent of the opposing Party/ies and any attempt by any Party to assign this Agreement without such consent shall be void *ab initio*.

8. **Entire Agreement.** This Agreement constitutes a single, fully-integrated contract expressing and representing the entire agreement and understanding of the Parties as of the date of execution hereof with respect to the subject matter hereof, and supersedes all prior and contemporaneous oral and written agreements, negotiations, discussions, understandings, representations, statements, and writings between the Parties relating thereto and with respect to the subject matter hereof. No other promises or agreements shall be binding or shall modify this Agreement unless signed by the Parties hereto.

9. **Notices.** Any notices required by or given in connection with this Agreement shall be made in writing by both email and postage prepaid registered mail, certified mail or private carrier providing a return receipt to the addresses set forth below:

If to Conneaut Creek:

Adam Schwartz
Homer Bonner Jacobs Ortiz, P.A.
1200 Four Seasons Tower
1441 Brickell Avenue
Miami, Florida 33131
aschwartz@homerbonner.com

If to Versitec:

Michael J. Valente
Scarfone Hawkins LLP
One James Street South, 14th Floor
Hamilton, ON L8P 4R5
Canada
mvalente@shlaw.ca

If to Versitec Marine:

Michael J. Valente
Scarfone Hawkins LLP
One James Street South, 14th Floor
Hamilton, ON L8P 4R5
Canada
mvalente@shlaw.ca

If to the Receiver:

John Morgan
Morgan & Partners Inc.
4 Cedar Pointe Drive, Unit 12
Barrie, ON L4N 5R7

Formatted: Superscript

Canada
johnmorean.morgantrustees.com

10. No Admissions, Collateral Estoppel, Or Prevailing Party Effect. It is expressly understood, acknowledged and agreed by the Parties that nothing in this Agreement or any related act or document constitutes an admission, declaration, or other evidence of the rights or liabilities of the Parties or any person or entity, except with respect to the contractual duties and stipulations provided in this Agreement itself. Neither this Agreement nor any action or document taken to carry out this Agreement: (a) shall be construed as or deemed to be evidence or an acknowledgment of any presumption, inference, concession, or admission on any point of fact or law, or any liability, fault, omission, or other wrongful act whatsoever; (b) shall be offered or received as evidence in any litigation or proceeding whatsoever of any presumption, inference, concession, or admission of any liability, fault, omission, or other wrongful act whatsoever; or (c) shall be offered or received as evidence in any action or proceeding whatsoever other than such proceeding by the Parties hereto as may be necessary to enforce the provisions of this Agreement.

11. Understanding Of Agreement. The Parties represent and warrant that they (a) have carefully read this entire Agreement; (b) fully understand the terms, conditions, and significance of this Agreement; (c) have had sufficient time to consider this Settlement Agreement before executing it; (d) have had a full opportunity to review and consult with their respective attorneys regarding this Agreement and have done so; (e) have executed this Agreement voluntarily, knowingly, and with the advice of their respective attorneys; (f) that in signing this Agreement the Parties represent and acknowledge that no representations, inducements, promises or agreements, oral or otherwise, have been made by any Party hereto; (g) have not relied upon any oral or written statement or omission made by any person other than those statements expressly set forth in this Agreement; and (h) that they believe there are no other facts or representation that would, if known, change the Parties' decision to enter into the Agreement.

12. Construction. Any controversy regarding the construction of this Agreement shall be decided neutrally, in light of its conciliatory purpose, not in favor of or against any Party, and without regard to the events of authorship or negotiation.

13. Counterparts. This Agreement may be executed by the Parties hereto in separate counterparts and/or by facsimile, each of which when so executed and delivered shall be deemed an original copy that is binding and enforceable, but all such counterparts shall together constitute but one and the same instrument.

14. Applicable Law and Venue. This Agreement shall be governed by and interpreted in accordance with the laws of the State of New York, without regard to conflicts of laws provisions. The Parties agree that the district court for the Southern District of New York shall retain jurisdiction to resolve any disputes arising or relating to this Agreement and to enforce the terms of the Agreement. To be clear, for any disputes arising out of or relating to this Agreement, the Parties consent to the exclusive jurisdiction of a court of competent jurisdiction located in New

York County, New York, and that the exclusive venue for such a dispute is in New York County, New York.

15. **Taxes.** Any tax liability, if any, incurred by Conneaut Creek resulting from or in connection with this Agreement or the Settlement Sum shall be the sole responsibility of Conneaut Creek.

16. **Authority To Execute.** The signatories to this Agreement represent and warrant that they have the authority to bind the respective parties identified below to the terms of this Agreement.

IN WITNESS WHEREOF, this Agreement is made and entered into as of the date this Agreement is executed by all Parties below.

[signature page to follow]

CONNEAUT CREEK:

Conneaut Creek Ship Repair, Inc.

By: _____

Date: _____

THE VERSITEC PARTIES:

1635536 Ontario Inc.

By: _____

Date: _____

Versitec Marine Services, Inc.

By: _____

Date: _____

Morgan & Partners, Inc.

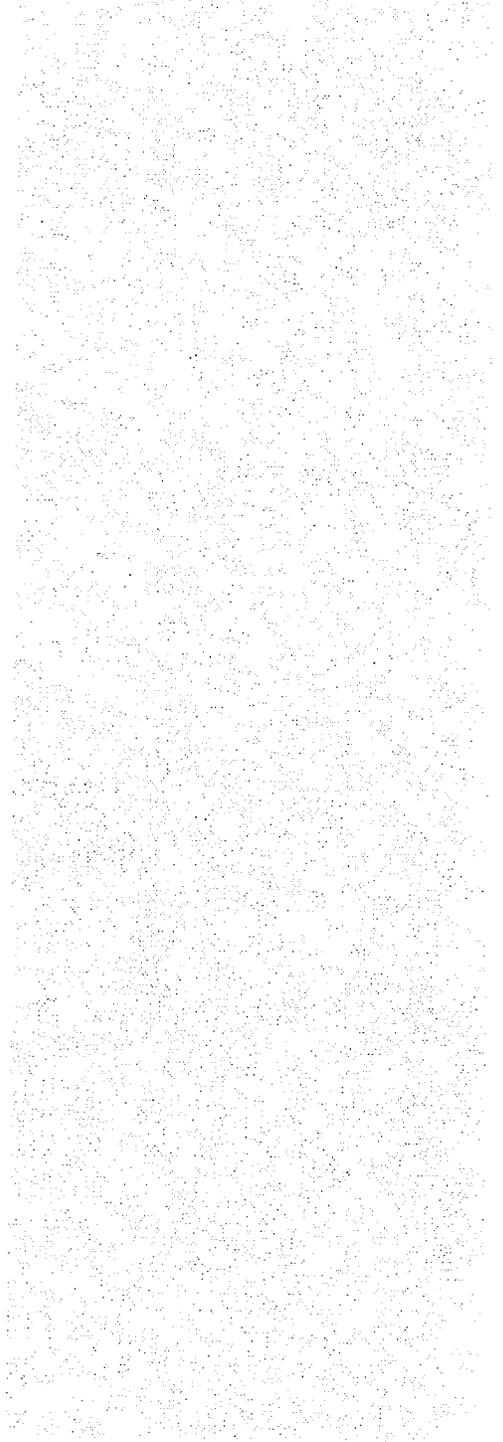
By: John Morgan

Date: Aug 4, 2010

President

EXHIBIT A

Notice of Dismissal With Prejudice



UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

CONNEAUT CREEK SHIP REPAIR, INC.,

Plaintiff,

vs.

VERSITEC MARINE & INDUSTRIAL,

Defendant.

CASE NO. 1:20-CV-03435-RA

NOTICE OF DISMISSAL WITH PREJUDICE

Pursuant to Federal Rule of Civil Procedure 41(a)(1)(A)(i), Plaintiff Conneaut Creek Ship Repair, Inc., by and through its undersigned counsel, hereby dismisses the above-captioned action with prejudice.

Dated: October __, 2020.

By:

Adam L. Schwartz
Homer Bonner Jacobs Ortiz, P.A.
1200 Four Seasons Tower
1441 Brickell Avenue
Miami, Florida 33131
(305) 350-5116
aschwartz@homerbonner.com
Counsel for Plaintiffs

EXHIBIT A

Notice of Dismissal With Prejudice

This is Exhibit “F” referred to in the Affidavit of Jonathan Brindley sworn by Jonathan Brindley of the City of Mississauga, in the Regional Municipality of Peel, before me at the City of Toronto, in the Province of Ontario, on November 18, 2021 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

S. Thom

Commissioner for Taking Affidavits (or as may be)

STEWART THOM

Josset-Patricia Johnson

From: Calvin Ho <cho@laishleyreed.com>
Sent: February 11, 2021 8:55 PM
To: Stewart Thom
Cc: John Morgan
Subject: RE: Versitec Receivership arrangements with receiver re approval of activities

This is an external email.

The revised version is acceptable to John Morgan.

Calvin J. Ho
Laishley|Reed LLP
 3 Church Street, Suite 505
 Toronto, ON M5E 1M2
 Tel: 416.981.9430
 Fax: 416.981.0060
www.laishleyreed.com



Please do not print this e-mail unless you really need to - think green!

This communication, including any attachments, is strictly privileged and confidential, may be subject to copyright, and is intended to be read only by the parties to whom it is addressed. If you have received this communication in error, please advise the sender by response email and destroy all copies of this communication immediately following. Any unauthorized use or disclosure of this email, including any attachments, is prohibited.

From: Stewart Thom <sthom@torkinmanes.com>
Sent: February 11, 2021 8:17 PM
To: Calvin Ho <cho@laishleyreed.com>
Subject: Re: Versitec Receivership arrangements with receiver re approval of activities

REVISED LANGUAGE BELOW

The Receiver, Morgan and Partners Inc. ("MPI") and the senior secured creditor, Liquid Capital Exchange Corp. ("LCX") have agreed as follows and consent to the below:

- Notwithstanding the approval of any conduct or activities of the Receiver, it is understood, consented to and agreed that such approval is not intended to, nor understood to, and will not preclude LCX from taking any action or requesting any relief in connection with any objection LCX may have as to the appropriateness of:
 - Any of the Receiver's activities not specifically set out in the First Report;
 - Any payments made by the Debtors, authorized by the Receiver or made by the Receiver in connection with, or during the period of, MPI's appointment as Receiver of the Debtors, regardless of whether

- these were incurred in relation to approved activities or activities which have not been approved by the Court;
- Any fees or expenses claimed by MPI as being recoverable by MPI pursuant to the Receiver's Charge regardless of whether these were incurred in connection with approved activities or in connection with activities which have not been approved by the Court;
- If any (a) fees or expenses incurred by MPI or (b) payments as above, are determined by agreement between LCX and MPI, or by a determination of the Court, to be without legal justification or otherwise inappropriate ("Impugned Amounts"):
 - the fees and expenses of MPI otherwise recoverable pursuant to the Receiver's Charge shall be reduced in an amount corresponding to the Impugned Amounts; and
 - in the event the forgoing does not rectify any loss that LCX suffered as a result of the activities leading to the Impugned Amount, LCX may seek any other legal recourse against MPI as appropriate to recover any corresponding loss to LCX in the maximum amount of the determined or agreed upon Impugned Amounts, less any reduction to approved fees of MPI applied to offset same.
 - None of the foregoing shall be interpreted as an admission of liability of the part of MPI or an admission that any fees or payments as above were made inappropriately or without legal justification. MPI reserves its rights to defend such allegations on the merits, but shall not assert any defence of res judicata, abuse of process or collateral attack in such case.

Sent from my iPhone

On Feb 11, 2021, at 4:30 PM, Stewart Thom <sthom@torkinmanes.com> wrote:

Calvin,

Additionally, please respond and confirm the receiver's consent and agreement to the below.

The Receiver, Morgan and Partners Inc. ("MPI") and the senior secured creditor, Liquid Capital Exchange Corp. ("LCX") have agreed as follows and consent to the below:

- Notwithstanding the approval of any conduct or activities of the Receiver, it is understood, consented to and agreed that such approval is not intended to, nor understood to, and will not preclude LCX from taking any action or requesting any relief in connection with any objection LCX may have as to the appropriateness of:
 - Any of the Receiver's activities not specifically set out in the First Report;
 - Any payments made by the Debtors, authorized by the Receiver or made by the Receiver in connection with, or during the period of, MPI's appointment as Receiver of the Debtors, regardless of whether these were incurred in relation to approved activities or activities which have not been approved by the Court;
 - Any fees or expenses claimed by MPI as being recoverable by MPI pursuant to the Receiver's Charge regardless of whether these were incurred in connection with approved activities or in connection with activities which have not been approved by the Court;

- If any (a) fees or expenses incurred by MPI or (b) payments as above, are determined by agreement between LCX and MPI, or by a determination of the Court, to be without legal justification or otherwise inappropriate (“Impugned Amounts”):
 - the fees and expenses of MPI otherwise recoverable pursuant to the Receiver’s Charge shall be reduced in an amount corresponding to the Impugned Amounts; and
 - in the event the forgoing does not rectify any loss that LCX suffered as a result of the activities leading to the Impugned Amount, LCX may seek any other legal recourse against MPI as appropriate to recover any corresponding loss to LCX.

Stewart Thom

Tel: 416-777-5197
Fax: 1-877-689-3872
sthom@torkinmanes.com
[VCard](#)

Torkin Manes LLP

Barristers & Solicitors

Ranked the #1 Ontario Regional Law Firm by Canadian Lawyer

151 Yonge Street, Suite 1500
Toronto ON M5C 2W7
torkinmanes.com

An international member of Ally Law

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This is Exhibit “G” referred to in the Affidavit of Jonathan Brindley sworn by Jonathan Brindley of the City of Mississauga, in the Regional Municipality of Peel, before me at the City of Toronto, in the Province of Ontario, on November 18, 2021 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

S. Thom

Commissioner for Taking Affidavits (or as may be)

STEWART THOM

Stewart Thom

From: Calvin Ho <cho@laishleyreed.com>
Sent: June 15, 2021 2:51 PM
To: Stewart Thom
Subject: RE: Fee Agreement
Attachments: MPI Fee Agreement June 15 2021.revised4.docx

This is an external email.

Stewart,

Sorry, please use this one. I miss-spelled Florian in para 2(m). You can complete the LCX indebtedness amount for para. 1(b) - (I highlighted what I thought was the number) as we talked about.

Thanks,

Calvin J. Ho
Laishley|Reed LLP
 3 Church Street, Suite 505
 Toronto, ON M5E 1M2
 Tel: 416.981.9430
 Fax: 416.981.0060
www.laishleyreed.com



Please do not print this e-mail unless you really need to - think green!

This communication, including any attachments, is strictly privileged and confidential, may be subject to copyright, and is intended to be read only by the parties to whom it is addressed. If you have received this communication in error, please advise the sender by response email and destroy all copies of this communication immediately following. Any unauthorized use or disclosure of this email, including any attachments, is prohibited.

From: Calvin Ho
Sent: June 15, 2021 2:41 PM
To: 'Stewart Thom' <sthom@torkinmanes.com>
Subject: RE: Fee Agreement

Ok, I have John's agreement now to the Fee Agreement, as we have amended.

I also filled out the numbers from John's end. If you look at para. 2(m), it was \$27,500 plus HST and also \$5,000 which was paid to Florian Meyer. As you may recall, Florian was LCX's agent before John's appointment, and his invoice to John after just one or two visits to Versitec was over \$14k, which was considered excessive, of which John paid him \$5k.

For para. 1(b), I included the LCX indebtedness amount as at October 19, 2020 which was what was in John's report - I completed the next date blank going forward as October 20, 2020 unless you say otherwise.

If you can complete from your end, then we can aim to have this signed by tomorrow morning (John is at a doctor's appt this afternoon). I am around this aft if you want to discuss.

Thanks,

Calvin J. Ho
Laishley|Reed LLP
3 Church Street, Suite 505
Toronto, ON M5E 1M2
Tel: 416.981.9430
Fax: 416.981.0060
www.laishleyreed.com



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From: Stewart Thom <sthom@torkinmanes.com>
Sent: June 15, 2021 11:44 AM
To: Calvin Ho <cho@laishleyreed.com>
Subject: Re: Fee Agreement

Totally fine with that

Sent from my iPhone

On Jun 15, 2021, at 11:40 AM, Calvin Ho <cho@laishleyreed.com> wrote:

This is an external email.

(k) MPI agrees and undertakes that, at the request of LCX, MPI will provide reasonable cooperation of an administrative nature to LCX as reasonably required for the prosecution of the Guarantor Proceedings or and claims for damages which LCX may hereafter commence or continue against Versitec or as an assignee of any claims of Versitec;

From: Stewart Thom <sthom@torkinmanes.com>
Sent: June 15, 2021 11:36 AM
To: Calvin Ho <cho@laishleyreed.com>
Subject: Re: Fee Agreement

My phone isn't picking it up in the doc. Can you cut and paste the new language into an email?

Sent from my iPhone

On Jun 15, 2021, at 11:21 AM, Calvin Ho <cho@laishleyreed.com> wrote:

This is an external email.

This is what I am prepared to recommend to John, as discussed.

Calvin J. Ho
Laishley|Reed LLP
 3 Church Street, Suite 505
 Toronto, ON M5E 1M2
 Tel: 416.981.9430
 Fax: 416.981.0060
www.laishleyreed.com



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From: Stewart Thom <sthom@torkinmanes.com>
Sent: June 15, 2021 11:14 AM
To: Calvin Ho <cho@laishleyreed.com>
Subject: Fee Agreement

Stewart Thom
 Tel: 416-777-5197
 Fax: 1-877-689-3872
sthom@torkinmanes.com
[VCard](#)

Torkin Manes LLP
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<MMPI Fee Agreement June 15 2021.revised2.docx>

Stewart Thom

From: Calvin Ho <cho@laishleyreed.com>
Sent: June 16, 2021 9:54 AM
To: Stewart Thom
Subject: Versitec - Agreement re: Fees
Attachments: versitec agreement respecting fees_2021_06_16_09_28_53_457.pdf

This is an external email.

Stewart,

Attached is the signed execution copy of the Agreement Respecting Fees.

Please send me a signed copy from LCX, thanks.

Calvin J. Ho
Laishley|Reed LLP
3 Church Street, Suite 505
Toronto, ON M5E 1M2
Tel: 416.981.9430
Fax: 416.981.0060
www.laishleyreed.com



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Stewart Thom

From: Jonathan Brindley <jbrindley@liquidcapitalcorp.com>
Sent: June 16, 2021 10:24 AM
To: Stewart Thom
Cc: Liliana Rizopulos; Robert Thompson-So
Subject: Re: FW: Versitec - Agreement re: Fees
Attachments: MPI + LCX Fees Settlement Agreeent 15-6-2021 Signed JB+JM_000221.pdf

This is an external email.

Hi Stewart
Fully executed John Morgan + LCX fees agreement

Regards

Jonathan Brindley CPA CA
Liquid Capital Advance Corp.
 Tel: 416-727-4521
 Toll Free: 1-800-778-0133
 Fax: 289-201-0178

Email: jbrindley@liquidcapitalcorp.com
www.liquidcapitaladvancecorp.com



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On Wed, Jun 16, 2021 at 10:03 AM Stewart Thom <sthom@torkinmanes.com> wrote:

Please see attached executed copy from John Morgan? Are we good to go on countersigning?

Stewart Thom
 Tel: 416-777-5197
 Fax: 1-877-689-3872

Torkin Manes LLP
 Barristers & Solicitors

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From: Calvin Ho <cho@laishleyreed.com>
Sent: June 16, 2021 9:54 AM

This is Exhibit “H” referred to in the Affidavit of Jonathan Brindley sworn by Jonathan Brindley of the City of Mississauga, in the Regional Municipality of Peel, before me at the City of Toronto, in the Province of Ontario, on November 18, 2021 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

S. Thom

Commissioner for Taking Affidavits (or as may be)

STEWART THOM

AGREEMENT RESPECTING FEES

BETWEEN

LIQUID CAPITAL EXCHANGE CORP.

and

MORGAN & PARTNERS INC.

1. **RECITALS:**

Whereas:

- (a) Liquid Capital Exchange Corp. ("LCX") is the Applicant creditor in Court File No. CV-20-00637427-00CL (the "Application");
- (b) 163556 Ontario Inc. o/a Versitec Marine & Industrial and Versitec Marine USA Inc. (together, "Versitec"), Respondents in the Application, are indebted to LCX in the amount of \$764,695.04 as of May 27, 2021, together with such interest fees and other charges or amounts payable as may accrue from May 27, 2021 onward and are payable by Versitec pursuant to the terms of the agreements between LCX and Versitec (the "Indebtedness");
- (c) Pursuant to the March 9, 2020 Order of Justice Gilmore issued in the Application (the "Appointment Order"), Morgan & Partners Inc. ("MPI" or the "Receiver") was appointed as Receiver of such assets and undertakings of Versitec as are set out more particularly in the Appointment Order;
- (d) On February 12, 2021, Justice Koehnen issued an Order in the Application appointing BDO Canada Limited as Substitute Receiver (the "Substitute Receiver") over the assets and undertakings of Versitec (the "Substitution Order");
- (e) Pursuant to an Order issued on May 4, 2021, the Court approved of and authorized the sale of certain assets of Versitec pursuant to the terms of an Asset Purchase Agreement entered into between the Substitute Receiver and the purchaser of the assets of Versitec, Crug Ltd. (the "Transaction");
- (f) Other than the proceeds available as a result of the Transaction, it is not anticipated that any further realizations from the assets of Versitec will be achieved, or will result in additional funds being available for distribution to creditors of Versitec;
- (g) LCX is the senior ranking general secured creditor of Versitec subject only to:

- (i) Statutorily conferred priorities/rights;
 - (ii) Such amounts as are owed to MPI and secured by a charge in favour of the Receiver as set out by the terms of the Appointment Order and/or the Substitution Order as security for the fees and disbursements of MPI incurred while acting in its capacity as Receiver of Versitec or in relation to the Application (the "Receiver's Charge");
- (h) Realizations upon the assets of Versitec will not result in funds being available for distribution to LCX in an amount sufficient to fully repay the Indebtedness owed to LCX by Versitec (the remaining balance of the Indebtedness after deduction of the amounts received from such distribution being, the "Shortfall Amount") ;
- (i) LCX holds certain security and guarantees (collectively, the "Guarantees") of the Indebtedness of Versitec to LCX. LCX intends to commence or continue legal proceedings to enforce the terms of the Guarantees and related security (the "Guarantor Proceedings") and recover additional funds on account of the Indebtedness;
- (j) LCX has advised MPI that it is of the view that MPI is liable to LCX for damages in relation to, without limitation, acts or omissions of MPI as Receiver of Versitec, including, without limitation, payments improperly made or authorized by MPI, which negatively impacted or reduced the quantum of funds available for distribution to LCX following realization upon the assets of Versitec (all such claimed liabilities being, the "Claims");
- (k) MPI agrees and undertakes that, at the request of LCX, MPI will provide reasonable cooperation of an administrative nature to LCX as reasonably required for the prosecution of the Guarantor Proceedings or and claims for damages which LCX may hereafter commence or continue against Versitec or as an assignee of any claims of Versitec
- (l) MPI denies that it is liable to LCX for damages as Receiver of Versitec, and makes no admission of liability in respect of the Claims;
- (m) To date MPI has received the sum of \$27,500 + HST \$3,575 (+ distribution of \$5,000 payable to Florian Meyer) in connection with fees and disbursements incurred while acting as Receiver of Versitec (the "Transferred Fees"). MPI further asserts a claim for additional outstanding fees and disbursements in the total amount of \$80,700.61, inclusive of HST (the "Unpaid Fees");
- (n) In addition to the Unpaid Fees, fees and disbursements of counsel to the Receiver are claimed in the amount of \$13,000 + HST \$1,690 ("Counsel Fees");
- (o) Having regard to the Claims of LCX, the Receiver and LCX have reached terms of agreement as to the treatment of Unpaid Fees, Transferred Fees and Counsel Fees.

2. **NOW THEREFORE THE UNDERSIGNED PARTIES AGREE AS FOLLOWS:**

- (a) The Receiver/MPI hereby waives and releases any and all rights, priorities, benefits or entitlements conferred upon the Receiver by Receiver's Charge in relation to all Unpaid Fees and furthermore subordinates and postpones any and all security interest conferred to the Receiver by the Receiver's Charge to the security interest of LCX;
- (b) The Receiver will not, in the Application or any other legal proceeding, seek approval of, or request payment of, any Unpaid Fees;
- (c) The Receiver shall be entitled to request that the Court approve fees of the Receiver in an amount equal to the Transferred Fees only;
- (d) The Receiver shall be entitled to request Court approval of Counsel Fees in the amount equal to, but not exceeding, the amount herein stated for same;
- (e) LCX shall make best efforts to recover the Shortfall Amount through the Guarantor Proceedings;
- (f) In the event that LCX is able to recover the Shortfall Amount in full, LCX shall pay to MPI compensation for Unpaid Fees in the sum of \$50,000 in consideration for the concessions made by MPI pursuant to this Agreement;
- (g) LCX shall have no obligation to pay to MPI any amounts for Unpaid Fees or any other fees and/or expenses incurred by MPI or its counsel except in the circumstances provided for at 2(f) herein;
- (h) LCX shall not commence any proceeding against MPI for recovery of damages alleged to have been suffered by LCX as a result of or in relation to any Claims, or any other matter in relation to the Application, unless and until:
 - (i) the Guarantor Proceedings have each been concluded by final judgment or settlement; and
 - (ii) LCX believes, on reasonable grounds, that it will be unable to fully recover the Shortfall Amount from the guarantors and/or through realization upon any related guarantor security,
- (i) The parties hereto consent and agree to the suspension of the time period within which a legal proceeding must be commenced by LCX against MPI as provided for under the *Limitations Act*, 2002 in respect of any Claims until such time as the conditions set out at 2(h), herein have been satisfied at which time LCX shall notify MPI in writing of such occurrence and the limitation period shall resume running as of the date of such occurrence;
- (j) MPI consents and agrees to the distribution any and all remaining funds available for distribution to LCX as determined by the Substitute Receiver and as set out in

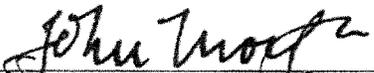
the Third Report of the Substitute Receiver dated June 15, 2021 filed in the Application.

THE UNDERSIGNED PARTIES CONSENT AND AGREE to the terms set out herein this 15th day of June, 2021.

LIQUID CAPITAL EXCHANGE CORP

Per: 
Name: S. BRINDLEY
Title: PRINCIPAL
I have the authority to bind LCX

MORGAN & PARTNERS INC.

Per: 
Name: JOHN MORGAN
Title: PRESIDENT
I have the authority to bind MPI

This is Exhibit "I" referred to in the Affidavit of Jonathan Brindley sworn by Jonathan Brindley of the City of Mississauga, in the Regional Municipality of Peel, before me at the City of Toronto, in the Province of Ontario, on November 18, 2021 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

S. Thom

Commissioner for Taking Affidavits (or as may be)

STEWART THOM

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

**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

Table of Contents

	<u>Page</u>
1.0 INTRODUCTION AND PURPOSE OF REPORT.....	3
1.1 Introduction.....	3
1.2 Purpose of this Report	4
2.0 RECEIVER’S ACTIVITIES	5
2.1 Introduction.....	5
2.2 Distribution to Canada Revenue Agency.....	5
2.3 Distribution to LCX.....	6
2.4 Obtaining U.S. Bank Statements.....	6
2.5 Review of Versitec USA Bank Transactions.....	7
2.6 Receipts & Disbursements.....	8
3.0 PROPOSED FINAL DISTRIBUTION.....	9
3.1 Introduction.....	9
3.2 LCX.....	9
3.3 Proposed Final Distribution	10
4.0 PROFESSIONAL FEES	11
4.1 Professional Fees of the Receiver and its legal counsel	11
5.0 DISCHARGE OF THE RECEIVER	12
6.0 CONCLUSION	13

Listing of Appendices

Appendix A	-	Appointment Order dated February 12, 2021
Appendix B	-	Preliminary Report dated February 9, 2021
Appendix C	-	Second Report dated April 23, 2021
Appendix D	-	Approval and Vesting Order dated May 4, 2021
Appendix E	-	Administrative Order dated May 4, 2021
Appendix F	-	Third Report dated June 16, 2021
Appendix G	-	Administrative Order dated June 9, 2021
Appendix H	-	Amended CRA Claim Letter for Source Deductions
Appendix I	-	Versitec USA Banking Transactions
Appendix J	-	Receiver's Statement of Receipts & Disbursements
Appendix K	-	Fee Affidavit of Peter Crawley dated November 18, 2021
Appendix L	-	Fee Affidavit of Sarah White dated November 16, 2021

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>
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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

This is Exhibit “J” referred to in the Affidavit of Jonathan Brindley sworn by Jonathan Brindley of the City of Mississauga, in the Regional Municipality of Peel, before me at the City of Toronto, in the Province of Ontario, on November 18, 2021 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

S. Thom

Commissioner for Taking Affidavits (or as may be)

STEWART THOM

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	<u>524,440.00</u>	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	<u>- 817,562.00</u>	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

LIQUID CAPITAL EXCHANGE CORP.
Applicant

-and-

Court File No. CV-20-00637427-00CL
1635536 ONTARIO INC. et al
Respondents

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
Toronto

**RESPONDING MOTION RECORD OF THE
RESPONDENT, REUBEN BYRD**

Paliare Roland Rosenberg Rothstein LLP
155 Wellington Street West
35th Floor
Toronto ON M5V 3H1

Jeffrey Larry (LSO# 44608D)
Tel: 416.646.4330
jeff.larry@paliareroland.com

Danielle Glatt (LSO# 65517N)
Tel: 416.646.7440
danielle.glatt@paliareroland.com

Lawyers for the Respondent, Reuben Byrd