

THE KING'S BENCH
WINNIPEG CENTRE

**IN THE MATTER OF: THE APPOINTMENT OF A RECEIVER PURSUANT
TO SECTION 243 OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, R.S.C. 1985 c.B-3, AS AMENDED
AND SECTION 55 OF *THE KING'S BENCH ACT*,
C.C.S.M. c.C280**

BETWEEN:

ROYAL BANK OF CANADA

Applicant,

-and-

**PADM GROUP INC., PADM MEDICAL INC., AND
ROSWELL DOWNHOLE TECHNOLOGIES INC.**

Respondents.

**PRE-FILING REPORT OF THE PROPOSED RECEIVER
BDO CANADA LIMITED**

MAY 22, 2024

PROPOSED RECEIVER

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INTRODUCTION

1. BDO Canada Limited (“**BDO**”) has been advised that Royal Bank of Canada (“**RBC**” or the “**Applicant**”) intends to make an application to the Court of King’s Bench in Manitoba (the “**Court**”), seeking an order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c. B-3, as amended (the “**BIA**”), to appoint BDO as receiver, without security, of all the assets, undertakings, and properties of PADM Group Inc. (“**PADM Group**”), PADM Medical Inc. (“**PADM Medical**”), and Roswell Downhole Technologies Inc. (“**Roswell DHT**”, and collectively the “**Companies**”) acquired for or used in relation to the businesses carried on by the Companies (the “**Property**”). BDO has been requested to act as the receiver for the purposes of the receivership proceedings by the Applicant and has consented to being appointed as such (the “**Proposed Receiver**”, and if appointed by the Court, the “**Receiver**”).
2. BDO understands that the application will be made on May 23, 2024, and the Applicant will seek a receivership order (the “**Receivership Order**”):
 - (a) appointing BDO as the Receiver in the proceedings;
 - (b) empowering and authorizing the Receiver to, amongst other authorities:
 - (i) take possession and exercise control over the Property;
 - (ii) preserve and protect the Property;
 - (iii) carry on the business of the Companies;
 - (iv) market any or all of the Property;
 - (v) sell, convey, transfer, lease or assign the Property out of the ordinary course of business without approval of the Court in respect of any transaction not exceeding \$100,000, provided that the aggregate consideration for all such transactions does not exceed \$500,000; and with approval of the Court in respect of any transaction (or transactions) exceeding these thresholds;
 - (vi) apply for any vesting order or other orders necessary to convey the Property;

and

- (vii) assign the Companies into bankruptcy;
 - (c) staying all proceedings, rights, and remedies against or in respect of the Companies and the Receiver; and
 - (d) approving the following charges over the Property:
 - (i) a charge in favour of the Receiver and its legal counsel, Taylor McCaffrey LLP (“**Taylor McCaffrey**”), in respect of their fees and disbursements incurred before and after the granting of the Receivership Order (the “**Receiver’s Charge**”); and
 - (ii) a charge in favour of the Receiver for any borrowings, which principal amount shall not exceed \$500,000 (the “**Receiver’s Borrowing Charge**”)
3. If appointed, the Receiver will also be seeking a sale approval and vesting order (the “**SAVO**”) at the May 23, 2024 hearing, authorizing and approving a proposed transaction (the “**Transaction**”) with 15988977 Canada Inc. (the “**Purchaser**”) to purchase certain assets of the Companies, along with an order sealing the Pre-Filing Confidential Supplement (as defined below).
4. The Receivership Order and the SAVO, along with the application materials and all other documents filed in these proceedings, will be posted on the Proposed Receiver’s website at <https://www.bdo.ca/services/financial-advisory-services/business-restructuring-turnaround-services/current-engagements/PADMGroup>.

PURPOSE

5. This pre-filing report (the “**Pre-Filing Report**”) has been prepared by the Proposed Receiver to assist the Court in considering the requests for relief that are being made by the Applicant and to provide the Court with information concerning the following:
- (a) the Proposed Receiver’s prior relationship with the Companies;
 - (b) BDO’s qualifications to act as Receiver;

- (c) details of the Companies' assets and liabilities including charges, security interests, and encumbrances registered against the Property;
 - (d) the history of actions and sales efforts previously taken by the Companies; and
 - (e) the proposed Transaction that the Receiver is seeking approval of.
6. Furthermore, this Pre-Filing Report, along with the Confidential Supplement to the Pre-Filing Report dated May 22, 2024 (the "**Pre-Filing Confidential Supplement**") are being filed in support of the Proposed Receiver's application to this Honourable Court on May 23, 2024, seeking the following:
- (a) abridging the time for service of the Proposed Receiver's notice of application and all other materials filed in support of the same;
 - (b) approving of the Transaction; and
 - (c) sealing the Pre-Filing Confidential Supplement.
7. In this Pre-Filing Report, reference is made to the Affidavit of Alex Wang ("**Wang**") sworn May 15, 2024, in support of the application filed by RBC in these proceedings (the "**Wang Affidavit**"). Capitalized terms not otherwise defined in this Pre-Filing Report are as defined in the Wang Affidavit.

TERMS OF REFERENCE

8. In preparing this Pre-Filing Report, the Proposed Receiver has relied upon unaudited interim and annual financial information, the Companies' books and records, the Wang Affidavit, and discussions with management ("**Management**") and their financial and legal advisors.
9. The financial information of the Companies has not been audited, reviewed or otherwise verified by the Proposed Receiver as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that this Pre-Filing Report may not disclose all significant matters about the Companies. Additionally, none of the Proposed Receiver's procedures were intended to

detect defalcations or other irregularities. If the Proposed Receiver were to perform additional procedures or to undertake an audit examination of the financial statements in accordance with generally accepted auditing standards, additional matters may have come to the Proposed Receiver's attention. Accordingly, the Proposed Receiver does not express an opinion nor does it provide any other form of assurance on the financial or other information presented herein. The Proposed Receiver may refine or alter its observations as further information is obtained or brought to its attention after the date of this Pre-Filing Report.

10. The Proposed Receiver assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of this Pre-Filing Report. Any use that any party makes of this Pre-Filing Report, or any reliance on or decisions to be made based on it is the responsibility of such party.
11. Unless otherwise stated, all monetary amounts contained in this Pre-Filing Report are expressed in Canadian dollars.

PROPOSED RECEIVER'S PRIOR RELATIONSHIP WITH THE COMPANIES

12. The Proposed Receiver's affiliated accounting firm, BDO Canada LLP, is not the auditor of the Companies.
13. On March 12, 2024, BDO was retained by the Companies as financial advisor ("**Financial Advisor**") to provide financial consulting and reorganization services. The Financial Advisor appointment included assisting the Companies with assessing various informal and formal restructuring alternatives, assisting with the preparation cash flow projections, and interfacing with constituencies and interested stakeholders.
14. By late March 2024, Management determined that it was likely necessary to commence a formal restructuring proceeding, as this would provide the Companies with the flexibility and time needed to facilitate and complete certain sale transactions. Since this time, BDO has been working with Management, the Companies' primary secured lenders (RBC and Business Development Bank of Canada ("**BDC**")), and the parties respective legal counsels, reviewing available financial information and assessing options available to the Companies.

QUALIFICATIONS TO ACT AS RECEIVER

15. BDO is a Licensed Insolvency Trustee within the meaning of subsection 2(1) of the BIA. In accordance with section 13.3(1) of the BIA, neither BDO nor any of its representatives or affiliates have been:
 - (a) at any time in the two (2) preceding years the auditor, accountant, or legal counsel, or a partner or an employee of the auditor, accountant, or legal counsel, of the Companies;
 - (b) a director, officer or employee of the Companies or otherwise related to the Companies or to any director or officer of the Companies; or
 - (c) a trustee (or related to any such trustee) under a trust indenture issued by the Companies or any person related to the Companies.
16. Additionally, in accordance with section 13.4(1) of the BIA, as the Proposed Receiver will be acting in a dual capacity as Receiver of the Companies and as bankruptcy trustee in respect of Roswell DHT (which voluntarily assigned itself into bankruptcy in Alberta on May 10, 2024), the Proposed Receiver retained Gowlings WLG (“**Gowlings**”) in Alberta to provide an independent security opinion on the RBC Security (as defined below) in respect of Roswell DHT. Gowlings has confirmed that the RBC Security is valid and enforceable against Roswell DHT and any trustee in bankruptcy.
17. Accordingly, BDO is of the view that the restrictions as to who may be appointed as a Receiver under section 13.3(1) and 13.4(1) of the BIA do not preclude BDO from acting as Receiver.
18. BDO is related to BDO Canada LLP. BDO Canada LLP is an independent international professional services firm providing among other things, bankruptcy, insolvency, and restructuring services. The senior BDO professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Professional Accountants, Chartered Insolvency and Restructuring Professionals, and Licensed Insolvency Trustees (Canada), each of whom have acted in matters of a similar nature and scale in Canada.

19. BDO has consented to act as Receiver should this Court grant the Applicant's request for the Receivership Order. BDO's consent to act as Receiver is attached hereto as **Appendix A**.

BUSINESS, FINANCIAL AFFAIRS, AND FINANCIAL POSITION

20. As detailed in the Wang Affidavit, PADM Medical and Roswell DHT are affiliated operating corporations, each of which is owned by PADM Group. An organizational chart depicting the legal ownership structure of the Companies is attached hereto as **Appendix B**.
21. Each of the Companies is a private corporation focused on fostering innovation and sustainability through advanced technologies. Detailed below is a summary of each of the Companies.

PADM Group

22. Precision ADM Inc. was incorporated on December 29, 2022, pursuant to the *Canada Business Corporations Act*, with its registered office located in Winnipeg, Manitoba. On February 17, 2023, Precision ADM Inc. changed its name to PADM Group. Martin Petrak ("**Petrak**") is the sole director of PADM Group.
23. PADM Group is an Advanced Digital Manufacturing leader in Canada that focuses on metal and polymer additive manufacturing (i.e. the process of creating an object by building one layer at a time) of precision components with complex geometries and regulatory requirements in the medical, aerospace/defense, and energy sectors. PADM Group provides digital manufacturing design and manufacturing solutions to make their customers' products more efficient and functional than those made with conventional manufacturing methods, leveraging multiple metal additive manufacturing DMLS systems and Polymer SLA 3D printers located in Class 7 clean rooms for medical device and instrument manufacturing.
24. Up until May 3, 2024, PADM Group operated out of an approximate 19,000 sq. ft. leased facility at 1595 Buffalo Place, in Winnipeg, Manitoba ("**Buffalo Place**"). PADM Group had a head lease for three (3) units at Buffalo Place, with PADM Group operating out of

Unit A (“**Unit A**”), PADM Medical operating out of Unit B (“**Unit B**”), and Unit C was sublet to a third party. On May 3, 2024, the landlord, Artis Winnipeg Industrial Ltd. (“**Artis**”), terminated the head lease, but did not distraint on any of the assets located in Unit A or Unit B. As at the date of this Pre-Filing Report, PADM Group continues to employ thirteen (13) staff, and its assets remain in Unit A on a temporary basis. As at the date of this Pre-Filing Report, Artis, the Receiver, and the Purchaser are working on certain licensing arrangements that may permit the assets to remain in Unit A until August 31, 2024.

PADM Medical

25. PADM Medical, a wholly owned subsidiary of PADM Group, was incorporated on September 10, 2020, pursuant to the *Canada Business Corporations Act*, with its registered office located in Winnipeg, Manitoba. Petrak is the sole director of PADM Medical
26. PADM Medical innovates, manufactures, and distributes essential medical Personal Protective Equipment (“**PPE**”) and consumer products with a focus on sustainable healthcare solutions, while reducing environmental impact. PADM Medical designed and manufactured Precision Eco, the world’s first plant-based ASTM (American Society for Testing Materials) Level 3 face mask (providing the highest level of protection), approved by the US Federal Drug Administration (“**FDA**”), by leveraging Ecofuse technologies from its affiliated company, Roswell DHT.
27. As noted above, up until May 3, 2024, PADM Medical operated from an approximate 20,000 sq. ft. leased facility at Buffalo Place, Unit B, until the lease was terminated by Artis. As at the date of this Pre-Filing Report, PADM Medical continues to employ one (1) individual, and its assets remain in Unit B on a temporary basis (subject to negotiating certain licensing arrangements until August 31, 2024 with Artis as noted above for Unit A).

Roswell DHT

28. Roswell DHT was incorporated on May 1, 2022, pursuant to the laws of Alberta, with its registered office located in Calgary, Alberta. Petrak and Kalin Nelson are listed as

directors of Roswell DHT.

29. Roswell DHT can be segregated into two (2) divisions:
 - (a) Roswell Downhole Technologies (“**Downhole**”) is a manufacturer of essential components for energy exploration and production, and in particular:
 - (i) Tubing Encapsulated Cable (“**TEC**”) which is critical in any downhole monitoring system as it provides power transmission from the surface to the downhole system; and
 - (ii) Capillary Tubing which is used to introduce liquids to the downhole system to maximize production results.
 - (b) Roswell Textiles (“**Textiles**”) was created during the pandemic to provide eco-friendly textile solutions, focusing on highly technical and complex materials for applications in medical textiles. With assistance from PADM Medical, and by leveraging its versatile and sustainable platform technology, Ecofuse, Textiles developed a compostable biopolymer nonwoven meltblown media-technology for PPE, offering a lower carbon footprint than synthetic nonwovens used in filtration media.
30. Up until May 10, 2024, Roswell DHT operated from an approximate 36,000 sq. ft. leased facility at Bay 17, 47 Aero Drive NE in Calgary, Alberta (“**Aero Drive**”). On May 6, 2024, Roswell DHT received the following notices from the landlord, RAL Calgary Cargo, LP:
 - (a) default notice advising that Roswell DHT was in default of certain terms of the lease; and
 - (b) delinquent payment notice and a demand for payment advising that Roswell DHT had five (5) days to bring its account current (i.e. approximately \$88,000 of arrears), otherwise the landlord may avail itself to any and all remedies.
31. As Roswell DHT did not have the available resources to bring its account current, in order to protect and preserve the value of the assets located at Aero Drive, Roswell DHT filed

an assignment in bankruptcy on May 10, 2024 (the “**Date of Bankruptcy**”), with BDO consenting to act as licensed insolvency trustee (the “**Trustee**”). As at the Date of Bankruptcy, Roswell DHT had one (1) active employee, and all assets remain at the Aero Drive location.

Background to Financial Difficulties and Restructuring Efforts

32. Management has advised that the Companies financial difficulties primarily resulted from the following:
- (a) Provincial contracts for PPE dried up post-pandemic, and significant price reductions resulted due to the overall global supply of PPE inventories;
 - (i) The Government of Manitoba (“**Manitoba**”) placed a call to develop reusable respirators and other PPE to shore up a supply chain for PPE for local healthcare workers, children in schools, and the public for COVID testing needs, since existing supply chains from Asia broke down and the products lacked quality and certifications. The Companies, through PADM Medical, was able to invest and commercialize multiple products to the required standards of Manitoba.
 - (ii) During the peak of the pandemic, PADM Group had approximately 200 full-time, part-time, and seasonal staff to meet this significant demand. Global supply began to catch up and began to exceed the demand towards the end of the pandemic and low-cost Asian product began to seep into Canadian supply chains.
 - (iii) Manitoba suddenly ended further procurement in December of 2022, and the last products were shipped to Manitoba in April of 2023.
 - (b) Slow market adoption of new innovative products; and
 - (c) Cancellation of a multi-million dollar purchase order as between Roswell DHT and a large US customer after one (1) year of commercialization efforts.

PADM Group, PADM Medical, and Textiles

33. In early 2023, in preparation for the potential sale of certain business units to strategic buyers, Management advised that they developed a restructuring plan for the Companies to better align assets with the operational business units. The goal was to simplify the general security structures and eliminate the previous cross guarantees in order to attract investment into newly formed subsidiary entities.
34. In April 2023, Management advised that the Companies attempted to restructure the cross guarantees with RBC and BDC, but efforts were met with some resistance and the restructuring was never completed.
35. As the pandemic emergency was declared over by the World Health Organization in May 2023, Manitoba advised Management that new tenders for masks and other PPE products were going to market by April or May 2023. The tenders were finally issued in September 2023, and with a projected award date in November 2023. The tenders were never awarded as Manitoba began sourcing PPE products from pre-pandemic suppliers outside the province.
36. The loss of Manitoba, the largest buyer of the Companies' PPE in Manitoba negatively impacted both PADM Medical and Textiles revenue which decreased by approximately 95% percent. In an effort to create a differentiated product, PADM Medical and Textiles heavily invested into developing an alternative sustainable PPE technology made from biopolymers that have a lower carbon footprint and are compostable. This took significant investment and time, but by March 2023, PADM Medical achieved its first US FDA contract (for approximately \$510,000).
37. Management advised that they have had multiple conversations with governmental authorities, and all are supportive of having local manufacturing capabilities within the province, although Manitoba appears to have prioritized procurement strategies post-pandemic to out of province/international suppliers.

Downhole

38. Management advised that Downhole overcame many technical barriers throughout 2023, commercializing Capillary Tubing for a large multi-million dollar contract with a large Texas based customer. The business was in full stride ramping up production with high volume deliveries set for January 2024, however, Downhole was notified by the customer that they cancelled the purchase order for apparent issues with one spool of material (although Management understands that the customer continued to use all of our product that they had in inventory even after the issue was raised). Management now understands that the purchase order cancellation was more commercially motivated, as market prices for the product declined by approximately 25% as low-cost product from Asia has now made its way into the North American market.
39. After cancelling the purchase order, Management advised that the same customer is now seeking to reissue a subsequent purchaser order with Downhole, but with an 80% reduction in volume. This customer's single action has significantly damaged Downhole's revenue generating capabilities, and Downhole immediately reduced staffing by approximately 75% to deal with the shortfall in expected revenue.
40. As a result of the above, the Companies found themselves faced with a serious liquidity crisis, and in March 2024, the Companies began working with their advisors, RBC, and BDC to determine if support could be obtained for the Companies to file for creditor protection under the provisions of the BIA or the *Companies Creditor's Arrangement Act*, but were unsuccessful.

Financial Position

41. The table below summarizes the financial position of the Companies as at March 31, 2024.

**Financial Position of the Companies
As at March 31, 2024**

Assets	PADM Group	PADM Medical	Roswell DHT	Precision Quebec Inc.	Total
Cash	\$ 58,127	\$ 47,671	\$ 35	\$ -	\$ 105,833
Accounts Receivable	353,476	33,940	87,757	-	475,172
Taxes (GST/PST/Corporate Tax)	-	5,945	168,602	-	174,547
Inventory	310,012	2,120,081	741,575	-	3,171,668
Prepays	119,945	-	86,349	-	206,294
Deferred Revenue	9,520	6,055	-	20,225	35,800
Due from Receiver General	579,500	-	995,978	-	1,575,478
Total Current Assets	1,430,579	2,213,693	2,080,295	20,225	5,744,792
Capital Assets	5,045,455	16,824	4,311,057	-	9,373,336
Intangible Assets	690,037	-	526,136	-	1,216,173
Goodwill	1,319,907	-	358,702	-	1,678,609
Intercompany	10,778,944	-	-	-	10,778,944
Total Assets	19,264,922	2,230,516	7,276,190	20,225	28,791,853
Liabilities					
Bank Indebtedness	49,147	-	369	-	49,516
Accounts Payable and Accrued Liabilities	2,636,753	807,776	962,569	133	4,407,231
Taxes (GST/PST/Corporate Tax)	538,456	-	-	16,970	555,426
Current Portion of Long Term Debt	3,668,417	374,253	82,068	-	4,124,738
Deferred Revenue	-	-	22,970	-	22,970
Intercompany	-	3,145,975	7,563,610	69,358	10,778,944
Due From Related Party	102,653	-	860,000	-	962,653
Long Term Debt	6,916,175	434,437	3,419,877	-	10,770,489
Total Liabilities and Equity	13,911,601	4,762,441	12,911,463	86,462	31,671,966
Equity	5,353,321	(2,531,925)	(5,635,273)	(66,237)	(2,880,113)
Total Liabilities and Equity	\$ 19,264,922	\$ 2,230,516	\$ 7,276,190	\$ 20,225	\$ 28,791,853

Source: Internally prepared financial statements of the Companies as at March 31, 2024.

42. On a consolidated basis (excluding intercompany balances, but including Precision Quebec Inc. which is not a party to the proposed receivership proceedings) the Companies have total assets of approximately \$18.0 million and total liabilities of approximately \$20.9 million based on accounting book values.

Bank and Credit Facilities

43. As detailed in the Wang Affidavit, the Companies have granted various registrations and security interests to a number of lenders (collectively the “**Security Interests**”). As at the date of this Pre-Filing Report, the Proposed Receiver has not conducted a fulsome assessment of the various Security Interests and priorities of same. Based on the March 31, 2024 internal financial statements of the Companies, and the Wang Affidavit, the table below summarizes the approximate obligations that appear to be owing to potentially secured creditors:

Secured Creditor	Balance (Rounded)
(1) Royal Bank of Canada	\$ 2,620,000
(2) Business Development Bank of Canada	4,074,000
(3) Orthopaedic Innovation Centre Inc.	4,970,000
(4) Vendor Take Backs (i.e. The Cote Family Trust, The Sadie Family Trust, and The Fiolka Family Trust)	1,850,000
(5) Coast Capital Equipment Leasing	24,000
(6) CWB National Leasing Inc.	26,000
(7) De Lage Landen Financial Services Canada	18,000
(8) Travelers Leasing Ltd.	241,000
(9) FA Equipment Finance, Inc.	496,000

A fulsome security review and priority analysis will be completed by the Receiver during the proceedings in order to determine priority rankings for distribution purposes, as there may be certain registrations that have not been properly perfected.

Other Priority Creditors

44. As at the date of this Pre-Filing Report, the Proposed Receiver has been advised by Management that the following balances are owing to the undernoted potential priority creditors:

- (a) Canada Revenue Agency (unpaid source deductions) – \$2,019;
- (b) Minister of Finance (unpaid retail sales tax) – \$26,272; and
- (c) Employee wages, vacation, and pension obligations - \$280,768.

As noted above, the potential priority claims will be reviewed and assessed by the Receiver during the receivership proceedings in order to determine priority rankings for distribution purposes.

Landlords and unsecured Creditors

45. Management has advised that the approximate landlord arrears as at May 15, 2024 were:

- (a) Buffalo Place Unit A – \$66,000;
- (b) Buffalo Place Unit B – \$73,000; and
- (c) Aero Drive - \$88,000.

46. Management has further advised that the approximate amounts owing to the Companies' unsecured trade creditors as at May 15, 2024 were:
- (a) PADM Group - \$1,810,000 (113 creditors);
 - (b) PADM Medical - \$879,000 (61 creditors); and
 - (c) Roswell DHT - \$1,903,000 (71 creditors).

BANKRUPTCY FILING AND SECURITY REVIEW

47. As noted above, on May 10, 2024, Roswell DHT filed for bankruptcy in Alberta. In accordance with section 13.4(1) of the BIA, on May 21, 2024, the Proposed Receiver received a written opinion (the "**Security Opinion**") from Gowlings opining that the RBC security in respect of Roswell DHT (the "**RBC Security**"):
- (a) is valid and enforceable; and
 - (b) subject to a priority agreement between BDC and RBC, ranks in a second priority position to a general security agreement granted by Roswell DHT to BDC.
48. Accordingly, as BDO is already acting in the capacity as Trustee, based on the Security Opinion, BDO is not precluded from operating in a dual capacity as both Trustee and Receiver of Roswell DHT.

PAST SALES ACTIVITIES AND PROPOSED TRANSACTION

49. The history of the Companies prior sales activities, along with certain confidential information, is further detailed in the Pre-Filing Confidential Report.
50. Management advised that in April 2023, the Companies began working with Stifel Investment Banking ("**Stifel**") to actively explore the potential market interest in the PADM Group operations, and in particular, the additive manufacturing division (the "**Stifel Process**"). A confidential information memorandum ("**CIM**") was prepared, a copy of which is attached as Appendix A to the Pre-Filing Confidential Report, which detailed the PADM Group operations and certain financial results. After execution of a non-disclosure agreement, CIM's were distributed to interested parties in late April and

early May 2023. Management advised that the Stifel Process called for a binding agreement to be in place by the end of July 2023, with a targeted closing of mid-September 2023.

51. Various parties expressed an interest and participated in the Stifel Process, but no transaction was ever culminated.
52. In March 2024, one of the directors and shareholders of PADM Group, Kent Cancilla (“**Cancilla**”), expressed an interest in a potential transaction for certain of the assets of the Companies, and in particular, the additive manufacturing assets in PADM Group. As discussions progressed, it was determined that Cancilla was in a conflict of interest as a director of PADM Group, and as a potential purchaser. Accordingly, on March 25, 2024, Cancilla resigned as director of PADM Group.
53. After resigning as a director, Cancilla began working with the Management to complete certain due diligence on the operations and assets that were of interest, all of which culminated in an asset purchase agreement executed on May 3, 2024 amongst the Companies and the Purchaser (the “**Initial APA**”), attached as Appendix B to the Pre-Filing Confidential Report.
54. Given the financial position of the Companies at the time, the Initial APA contemplated the Companies filing a notice(s) of intention to make proposal under the BIA (the “**NOI Proceedings**”), and within the NOI Proceedings, a sale approval and vesting order was to be sought. Unfortunately, the Companies were unable to obtain the necessary financial support from RBC and BDC to commence the NOI Proceedings, and the Initial APA stalled.
55. The Companies also sought alternate debtor in possession financing, and a term sheet was executed with Pillar Capital Corporation (“**Pillar**”). As part of Pillar’s due diligence process, the Proposed Receiver understands that Pillar approached two (2) of its preferred appraisers, but given the unique nature and customization of the Companies’ assets, both auctioneers declined the opportunity to appraise same. Further, without the support of RBC and BDC, the Companies were not prepared to move forward with the Pillar term sheet and the NOI Proceedings.

56. Despite the inability to conclude the Initial APA, Cancilla, via the Purchaser, remains interested in completing a Transaction with the Companies in the receivership proceedings on the condition that it close on May 24, 2024.
57. The Proposed Receiver is advised by the Companies that other sales processes have been and are being conducted for the sale of other assets of the Companies.

Textiles

58. In February 2024, Management initiated a formal process to market the highly specialized Textiles assets, combined with PADM Medical assets. A formal pitch deck was developed by Management, attached as Appendix D to the Pre-Filing Confidential Supplement, along with an asset list of tangible and intangible assets (the “**Asset List**”), attached as Appendix E to the Pre-Filing Confidential Supplement. The Asset List and sales information was sent to vendors, competitors, and clients operating in both the North American and European markets.
59. A formal process was described to all parties for submitting a non-binding letter of intent by March 31, 2024, a formal binding offer by May 1, 2024, and a transaction closing date of May 15, 2024. At the request of certain interested parties, an extension for an additional forty-five (45) days (after May 1, 2024) to June 15, 2024 was agreed to by Management.

Downhole

60. Commencing in the fall of 2023, Management advised that they undertook extensive efforts to find investors and/or potential buyers for Downhole’s TEC and Capillary Tubing manufacturing operations. Over a five (5) month period of time, various parties entered into NDAs and received Downhole’s CIM, attached as Appendix F to the Pre-Filing Confidential Supplement, to review business details, financial statements, and growth potential opportunities. As at the date of this Pre-Filing Confidential Report, Management advised that they continue to drive conversations regarding the Downhole assets in anticipation of a favourable net realization.
61. Management believes that concluding the Transaction with the Purchaser will maximize recoveries for the included assets. Attached hereto as **Appendix C** is a redacted version

of the Final APA.

62. The Proposed Receiver is of the view that the Final APA is reasonable in the circumstances and is recommending the Court approve the Transaction and the Final APA for, among others, the following reasons:
- (a) the Transaction is expected to provide greater net realizations for the Companies' assets than would be expected in a liquidation in a bankruptcy scenario;
 - (b) as the Purchaser has advised it intends to make offers of employment to all or substantially all of the current employees, the Transaction provides an opportunity for continued employment of thirteen (13) employees (with highly specialized training and technical engineering skillsets required for the complicated, reverse engineering and 3D design/printing work that the business undertakes), providing for the continued involvement of key personnel who are most familiar with the business operations, its suppliers, and its customers;
 - (c) RBC and BDC have had the opportunity to review the Final APA and are supportive of the Transaction;
 - (d) while the assets included in the Transaction could be more broadly exposed to the market in a formal sales process conducted by the Receiver, it is Management's firm belief that given the technical nature and customization of the assets, it is unlikely that this would result in a higher net realization than the proposed Transaction;
 - (e) Management believes that the Transaction will allow the only additive/subtractive manufacturer operation in Manitoba to continue, providing a service offering that fits well with Manitoba's aerospace industry;
 - (f) Management believes that the business and assets are unique from both a tangible and intangible perspective, and the niche products that can be produced involve significant trade secrets in the design and processing, making it difficult to extract value from a third party unfamiliar with the assets;
 - (g) if the PADM Group operations were to cease for even a short period of time, the

Purchaser advised that they would no longer be interested in the Transaction given the risks associated with retention of key employees and the potential impact on being able to continue with operations; and

- (h) the Transaction provides certainty in respect of very specialized and niche equipment in an uncertain market.

63. The Proposed Receiver will continue to look at the potential for recovery on the remaining assets of the Companies not included in the Transaction.

APPROVALS SOUGHT

64. This Pre-Filing Report is being filed in support of the May 23, 2024 application seeking the following:

- (a) abridgement of the time for service of the Proposed Receiver's notice of application and all other materials filed in support of the same;
- (b) approval of the Transaction and the Final APA, and directing and authorizing the Receiver to execute the Final APA and take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser;
- (c) a declaration that, upon the delivery of the Receiver's Certificate (as that term is defined in the SAVO) to the Purchaser, all of the Receiver's right, title, and interest in and to the Purchased Assets described in the Final APA shall vest absolutely in the Purchaser free and clear of and from any and all claims and encumbrances;
- (d) the sealing of the Pre-Filing Confidential Report until the discharge of the Receiver or further order of the Court; and
- (e) granting such further and other relief that the Court considers just and warranted in the circumstances.

All of which is respectfully submitted at Winnipeg, Manitoba, this 22nd day of May, 2024.

BDO CANADA LIMITED

In its capacity as Proposed Receiver of PADM Group Inc.,
PADM Medical Inc., and Roswell Downhole Technologies Inc.
and not in its personal capacity.



Per: Brent Warga, CPA, CA, CIRP, LIT
Senior Vice-President

Appendix A – Consent to Act as Receiver

**THE KING'S BENCH
Winnipeg Centre**

IN THE MATTER OF: **The Appointment of a Receiver pursuant to
Section 243 of the *Bankruptcy and
Insolvency Act*, R.S.C. 1985 c.B-3, as
amended and Section 55 of *The Court of
King's Bench Act*, C.C.S.M. c. C280**

BETWEEN:

ROYAL BANK OF CANADA,

Applicant,

- and -

**PADM GROUP INC., PADM MEDICAL INC., and ROSWELL DOWNHOLE
TECHNOLOGIES**

Respondents.

CONSENT OF BDO CANADA LIMITED

FILLMORE RILEY LLP
1700 - 360 Main Street
Winnipeg, Manitoba
R3C 3Z3

Telephone: 204-957-8308
Facsimile: 204-954-0308

KALEV A. ANNIKO
File No. 180007-888/KAA

**THE KING'S BENCH
Winnipeg Centre**

IN THE MATTER OF:

The Appointment of a Receiver pursuant to Section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c.B-3, as amended and Section 55 of *The Court of King's Bench Act*, C.C.S.M. c. C280

BETWEEN:

ROYAL BANK OF CANADA,

Applicant,

- and -

**PADM GROUP INC., PADM MEDICAL INC., and ROSWELL DOWNHOLE
TECHNOLOGIES**

Respondents.

CONSENT OF BDO CANADA LIMITED

BDO Canada Limited hereby consents to its appointment as receiver of the undertaking of the Respondents and all of the Respondents' present and after acquired property (the "Property") pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, RSC 1985 c. B-3 and section 55 of *The Court of King's Bench Act*, C.C.S.M. c.C280 in the event that this Honourable Court is prepared to so order on substantially the same terms as those set out in the form of Order filed in support of this application.

Date: May 14, 2024

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

Per: B. Warga

Name: Brent Warga, CPA, CA, CIRP, LIT

Title: Senior Vice President

Appendix B – Organizational Chart

Current Operating Corporate Structure



PADM Group Inc. (amended 02-17-2023)
Formerly known as Precision ADM Inc.
(domiciles Precision ADM business/assets)



100%

100%

100%

100%

100%

PADM Québec
Fabrication Avancée
Precision ADM Québec Inc.

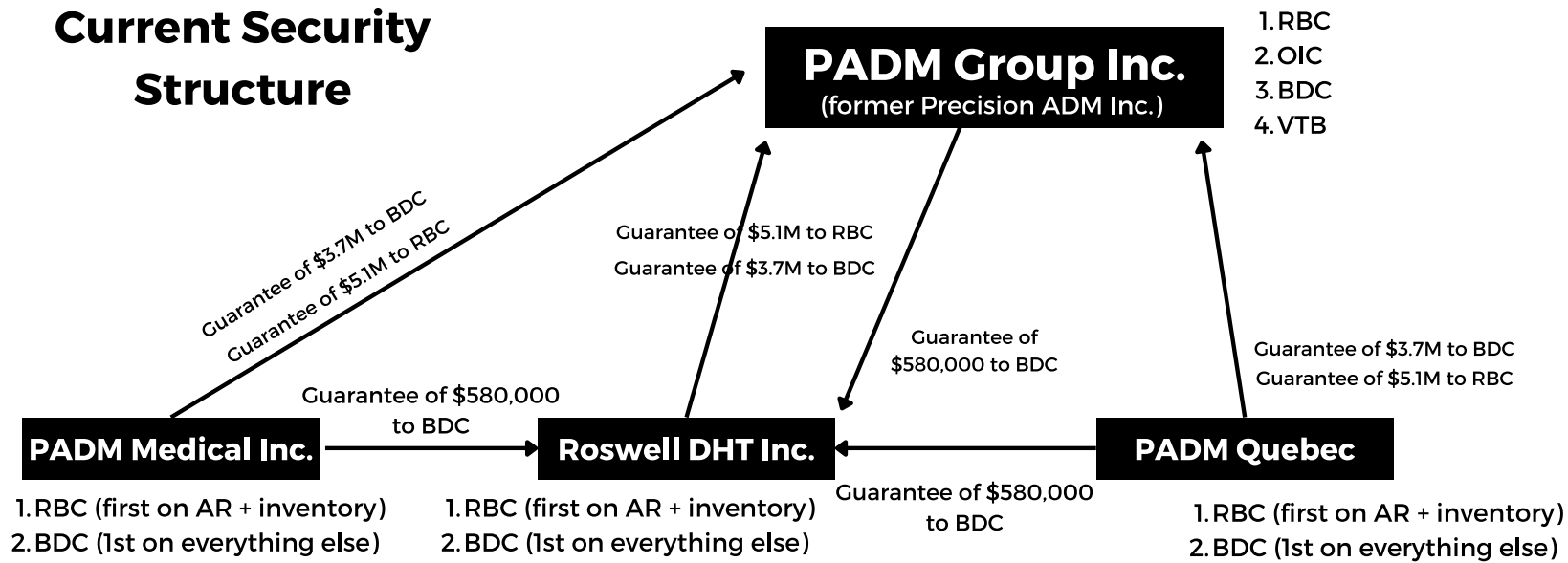
PADM Medical™
Innovation for Life™
PADM Medical Inc.
(some PADM Medical assets are still domiciled in PADM Group Inc.)

PADM USA Inc.
(shelf corp. - never actively used)

PADM Medical USA Inc.
(shelf corp. - never actively used)

ROSWELL
DOWNHOLE TECHNOLOGIES
Roswell Downhole Technologies Inc.
(domiciles Roswell DHT and Roswell Textiles business/assets)

Current Security Structure



- Main RBC and BDC credit agreements held at PADM Group Inc. (former Precision ADM Inc.)
- GSAs in place on all entities
- Does not include BDC amended security to reflect inclusion of new operating companies that were intended post re-org. (which has not occurred - shares of newcos have not been issued)
- PADM Group Inc. security priority subject to some equipment financing priority (full extent TBD) and 2021 Precision ADM SR&ED financing priority in favour of Global Liquidity Services (FundEasy)

Appendix C – Redacted Final Asset Purchase Agreement

ASSET PURCHASE AGREEMENT

This Agreement is made as of the 23rd day of May, 2024 (the “**Effective Date**”)

AMONG:

BDO CANADA LIMITED in its capacity as court appointed receiver of **PADM GROUP INC.**, **PADM MEDICAL INC.** and **ROSWELL DOWNHOLE TECHNOLOGIES INC.** and not in its personal or corporate capacity (collectively, the “**Vendor**”)

– and –

15988977 CANADA INC., a corporation incorporated pursuant to the federal laws of Canada (the “**Purchaser**”)

WHEREAS:

A. The Royal Bank of Canada has commenced receivership proceedings (the “**Receivership Proceedings**”) against, among others, PADM Group Inc., PADM Medical Inc. and Roswell Downhole Technologies Inc. (the “**Debtors**”) by filing an application pursuant to Section 243(1) of the *Bankruptcy and Insolvency Act* (Canada), as amended (the “**BIA**”) and Section 55 of *The Court of King's Bench Act* (Manitoba) (the “**KBA**”), as amended, to appoint BDO Canada Limited as the court appointed receiver of the Debtors (the “**Receiver**”) in the Receivership Proceedings.

B. In connection with the Receivership Proceedings, the Purchaser desires to purchase from the Vendor, and the Vendor desires to sell to the Purchaser, the Purchased Assets (as defined herein) upon and subject to the terms and conditions subject herein.

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby irrevocably acknowledged, the parties hereto (collectively, the “**Parties**”, and each, a “**Party**”) hereby acknowledge and agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

Unless something in the subject matter or context is inconsistent therewith, the terms defined herein shall have the following meanings:

“**Act**” means *The Corporations Act* (Manitoba).

“**Affiliate**” has the meaning given to the term “affiliate” in the Act.

“**Agreement**” means this asset purchase agreement, as may be amended and restated from time to time in accordance with the terms hereof and “**Article**” and “**Section**” mean and refer to the specified article, section and subsection of this Agreement.

“**Applicable Law**” means, in respect of any Person, property, transaction or event, any: (a) domestic or foreign statute, law (including the common law), ordinance, rule, regulation, treaty,

restriction, regulatory policy, standard, code or guideline, by-law or order; (b) judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, rulings, instruments or awards of any Governmental Authority; and (c) policies, practices, standards, guidelines and protocols having the force of law, that applies in whole or in part to such Person, property, transaction or event.

"Approval and Vesting Order" means an order by the Court, substantially in the form attached as Schedule "B", as may be amended by the Parties, acting reasonably, from time to time.

"Approval Motion" means a motion to be made to the Court for, among other things, the Approval and Vesting Order.

"Approval Motion Date" has the meaning set out in Section 4.1(b).

"Assignment and Assumption Agreement" means an assignment and assumption agreement evidencing the assignment to the Purchaser of the Vendors interest in, to and under the Assumed Liabilities and the assumption by the Purchaser of all of the Assumed Liabilities, in form and substance satisfactory to the Parties, acting reasonably.

"Assumed Liabilities" means: all Liabilities which relate to: (a) any Permits and Licences forming part of the Purchased Assets (other than Unassignable Permits and Licences), and (b) the Purchased Assets, in each case, solely in respect of the period from and after the Closing Time and not relating to any default existing prior to or as a consequence of Closing. For certainty, the Assumed Liabilities do not include any Liabilities other than the foregoing.

"Authorization" means any authorization, approval, consent, concession, exemption, licence, lease, grant, permit, franchise, right, privilege or no-action letter from any Governmental Authority having jurisdiction with respect to any specified Person, property, transaction or event, or with respect to any of such Person's property or business and affairs or from any Person in connection with any easements, contractual rights or other matters.

"BIA" has the meaning set out in the recitals hereto.

"Books and Records" means, in relation to the Business, all files, documents, instruments, papers, books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise), including Tax and accounting books and records used or intended for use by, or in the possession of the Vendor or any of its Affiliates including information, documents and records relating to the Purchased Assets, customer lists, customer information and account records, sales records, computer files, data processing records, employment and personnel records, sales literature, advertising and marketing data and records, cost and pricing information, production reports and records, equipment logs, operating guides and manuals, credit records, records relating to present and former suppliers and contractors, plans and projections and all other records, data and information stored electronically, digitally or on computer-related media.

"Business" means the additive and subtractive manufacturing business carried on by the Debtors.

"Business Day" means a day on which banks are open for business in Winnipeg, Manitoba, but does not include a Saturday, Sunday or statutory holiday in the Province of Manitoba.

"Claims" means any civil, criminal, administrative, regulatory, arbitral or investigative inquiry, action, suit, investigation or proceeding and any claim of any nature or kind (including any cross-claim or counterclaim), demand, investigation, audit, chose in or cause of action, suit, default,

assessment, litigation, prosecution, third party action, arbitral proceeding or proceeding, complaint or allegation, by or before any Person.

“**Closing**” means the closing and consummation of the Transaction.

“**Closing Date**” means May 24, 2024 such other earlier or later date as may be agreed by the Vendor and the Purchaser in writing.

“**Closing Time**” means 12:01 a.m. (Winnipeg time) on the Closing Date or such other time on the Closing Date as the Parties agree in writing that the Closing Time shall take place.

“**Court**” means the Court of King’s Bench of Manitoba.

“**Deposit**” means the sum of _____ payable by the Purchaser to the Vendor’s Solicitor, in trust, upon the execution by all Parties of this Agreement.

“**Effective Date**” means the date on which this Agreement is made, as described on page 1 of this Agreement.

“**Encumbrance**” means any security interest, lien, Claim, charge, right of retention, deemed trust, judgment, writ of seizure, writ of execution, notice of seizure, notice of execution, notice of sale, hypothec, reservation of ownership, pledge, encumbrance, mortgage or right of a third party (including any contractual rights such as purchase options, rights of first refusal, rights of first offer or any other pre-emptive contractual right) or encumbrance of any nature or kind whatsoever and any agreement, option or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing, (including any conditional sale or title retention agreement, or any capital or financing lease).

“**Excise Tax Act**” means the *Excise Tax Act*, R.S.C, 1985, c. E-15.

“**Final Order**” means an order of the Court that has not been vacated, stayed, set aside, amended, reversed, annulled or modified, as to which no appeal or application for leave to appeal therefrom has been filed and the applicable appeal period with respect thereto shall have expired without the filing of any appeal or application for leave to appeal, or if any appeal(s) or application(s) for leave to appeal therefrom have been filed, any (and all) such appeal(s) or application(s) have been dismissed, quashed, determined, withdrawn or disposed of with no further right of appeal and all opportunities for rehearing, reargument, petition for certiorari and appeal being exhausted or having expired without any appeal, motion or petition having been filed and remaining pending, any requests for rehearing have been denied, and no order having been entered and remaining pending staying, enjoining, setting aside, annulling, reversing, remanding, or superseding the same, and all conditions to effectiveness described therein or otherwise by Applicable Law or order having been satisfied.

“**General Conveyance**” means a general conveyance evidencing the conveyance to the Purchaser of the Vendor’s interest in and to the Purchased Assets, in form and substance satisfactory to the Parties, acting reasonably.

“**Governmental Authority**” means any domestic or foreign government, whether federal, provincial, state, territorial or municipal; and any governmental agency, ministry, department, court (including the Court), tribunal, commission, stock exchange, bureau, board or other instrumentality exercising or purporting to exercise legislative, judicial, regulatory or administrative functions of, or pertaining to, government or securities market regulation.

“**GST**” means all goods and services tax imposed under Part IX of the *Excise Tax Act*.

“**Income Tax Act**” means the *Income Tax Act* (Canada).

“**KBA**” has the meaning set out in the recitals hereto.

“**Landlord**” means Artis WPG Industrial Ltd. or an Affiliate or designee.

“**Lease**” means that certain lease agreement between PADM Group, as tenant, and Landlord, as landlord, in respect of 1595 Buffalo Place, Winnipeg Manitoba, including Unit A and Unit B, as amended and restated from time to time.

“**Liability**” means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person.

“**Organizational Documents**” means any trust document, charter, certificate or articles of incorporation or amalgamation, articles of amendment, articles of association, articles of organization, articles of continuance, bylaws, as amended, partnership agreement or similar formation or governing documents of a Person (excluding individuals).

“**PADM Group**” means PADM Group Inc.

“**PADM Medical**” means PADM Medical Inc.

“**Parties**” has the meaning set out in the recitals hereto.

“**Party**” has the meaning set out in the recitals hereto.

“**Permits and Licences**” means the orders, permits, licences, Authorizations, approvals, registrations, consents, waivers or other evidence of authority issued to, granted to, conferred upon, or otherwise created for, the Debtors by any Governmental Authority as described in Schedule “C”.

“**Person**” means any individual, partnership, limited partnership, limited liability company, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Authority or other entity however designated or constituted.

“**Receiver**” has the meaning set out in the recitals hereto.

“**Receiver Certificate**” means the certificate, attached to the Approval and Vesting Order, to be delivered by the Receiver to the Purchaser on Closing and thereafter filed by the Receiver with the Court.

“**PST**” means all retail sales taxes imposed by *The Retail Sales Tax Act*, CCSM c R130.

“**Purchased Assets**” has the meaning set out in Section 2.1, and for certainty, includes the Purchased Claims.

“**Purchased Claims**” means all right, title and interest of the Vendor in and to:

- (a) Action No. T-250-24 filed in the Federal Court of Canada against the Federal Government of Canada (colloquially known as the CAPPEM lawsuit); and
- (b) Claim against Flowco Production Solutions, LLC for damages stemming from and relating to the cancellation of a purchase order held by RDT.

“**Purchase Price**” has the meaning set out in Section 3.1.

“**Purchaser**” means 15988977 Canada Inc.

“**RDT**” means Roswell Downhole Technologies Inc.

“**Receivership Proceedings**” has the meaning set out in the recitals hereto.

“**Taxes**” means, with respect to any Person, all national, federal, provincial, local or other taxes, including income taxes, capital gains taxes, value added taxes, severance taxes, ad valorem taxes, property taxes, capital taxes, net worth taxes, production taxes, sales taxes, use taxes, licence taxes, excise taxes, environmental taxes, transfer taxes, withholding or similar taxes, payroll taxes, employment taxes, employer health taxes, pension plan premiums and contributions, workers’ compensation premiums, employment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, alternative or add-on minimum taxes, GST, customs duties or other taxes of any kind whatsoever imposed or charged by any Governmental Authority, together with any interest, penalties, or additions with respect thereto and any interest in respect of such additions or penalties.

“**Transaction**” means all of the transactions contemplated by this Agreement, including the purchase and sale transaction whereby the Purchaser will acquire the Purchased Assets.

“**Transfer Taxes**” means all present and future transfer taxes, sales taxes, use taxes, production taxes, value-added taxes, goods and services taxes, registration and recording fees, and any other similar or like taxes and charges imposed by a Governmental Authority in connection with the sale, transfer or registration of the transfer of the Purchased Assets, including GST and PST.

“**Unassignable Permits and Licences**” has the meaning given to it in Section 2.3.

“**Unit A**” means the premises known as Suite A, 1595 Buffalo Place, Winnipeg Manitoba.

“**Unit A & B License Inducement Arrears Amount**” means the sum of _____ being the portion of the amount identified as the “Inducement Payment” in the Unit A & B License relating to arrears (including, without limitation, all rent, additional rent, fees, penalties and interest) payable to the Landlord in respect of Unit A pursuant to the Lease for all periods prior to Closing.

“**Unit A & B License**” means a license agreement between Purchaser or an Affiliate or designee and the Landlord in respect of Unit A and Unit B, in form and substance acceptable to the Purchaser, in its sole discretion.

“**Unit A & B License Condition**” has the meaning given to it in Section 7.1(f).

“**Unit B**” means the premises known as Suite B, 1595 Buffalo Place, Winnipeg Manitoba.

“**Vendor’s Solicitor**” means Taylor McCaffrey LLP.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.3 General Construction

The terms "this Agreement", "hereof", "herein" and "hereunder" and similar expressions refer to this Agreement and not to any particular section hereof. The expression "Section" or reference to another subdivision followed by a number mean and refer to the specified Section or other subdivision of this Agreement. The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

1.4 Extended Meanings

Words importing the singular include the plural and vice versa and words importing gender include all genders. The term "including" means "including, without limitation," and such terms as "includes" have similar meanings and the term "third party" means any other Person other than the Vendor or the Purchaser, or any Affiliates thereof.

1.5 Currency

All references in this Agreement to dollars, monetary amounts, or to \$, are expressed in Canadian currency unless otherwise specifically indicated.

1.6 Statutes

Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules, regulations and interpretations made under it, as it or they may have been or may from time to time be modified, amended or re-enacted.

1.7 Schedules & Amendments to Schedules

The following schedules are attached hereto and incorporated in and form part of this Agreement:

SCHEDULES

- Schedule A - Purchased Assets
- Schedule B - Form of Approval and Vesting Order
- Schedule C - Permits and Licences

Unless the context otherwise requires, words and expressions defined in this Agreement will have the same meanings in the Exhibits and Schedules and the interpretation provisions set out in this Agreement will apply to the Exhibits and Schedules. Unless the context otherwise requires, or a contrary intention appears, references in the Exhibits and Schedules to a designated Article, Section, or other subdivision refer to the Article, Section, or other subdivision, respectively, of this Agreement.

ARTICLE 2 PURCHASE AND SALE OF PURCHASED ASSETS

2.1 Purchase and Sale of Purchased Assets

At the Closing Time, subject to the terms and conditions of this Agreement, the Vendor shall sell, assign, transfer and convey to the Purchaser, and the Purchaser shall purchase and assume from the Vendor, all of the Vendor's right, title and interest in, to and under the (a) tangible and intangible assets, properties and

rights listed in Schedule "A", attached hereto and (b) the Permits and Licences (collectively, the "**Purchased Assets**"), in each case free and clear of all Encumbrances in accordance with the Approval and Vesting Order. For greater certainty, and notwithstanding anything contrary elsewhere in this Agreement, the Purchased Assets shall not include any assets of the Vendor not expressly listed in Schedule "A" and nothing herein shall be deemed to sell, transfer, assign or convey any assets of the Vendor not expressly listed in Schedule "A".

2.2 Assumption of Assumed Liabilities

- (a) Upon the terms and subject to the conditions set forth in this Agreement, at the Closing Time, the Vendor shall sell, assign, transfer and convey to the Purchaser, and the Purchaser agrees to assume, pay, discharge, honour and perform and fulfill, as the case may be and as when due, all of the Assumed Liabilities from and after the Closing Time. Subject to the terms and conditions of this Section 2.2 and the Approval and Vesting Order, the Assumed Liabilities shall form part of the Purchased Assets assigned and transferred to the Purchaser at Closing, the consideration for which is included in the Purchase Price, and the Purchaser will assume and agree to perform and discharge the Assumed Liabilities under any assumed contracts pursuant to this Agreement and the applicable specific conveyances. For certainty, the Purchaser is not assuming any Liabilities of the Vendor other than the Assumed Liabilities and shall have no liability to any Person for any Liabilities other than the Assumed Liabilities;
- (b) The Purchaser hereby agrees to indemnify and save harmless the Receiver from all Claims, Liabilities, damages, losses and other amounts arising directly or indirectly out of or in connection with the failure by the Purchaser to discharge the Assumed Liabilities. For certainty, the Purchaser shall not be obligated to indemnify and save harmless any of the Receiver and/or the Vendor from any Claims, Liabilities, damages, losses and other amounts arising directly or indirectly out of the gross negligence or willful misconduct of the Receiver and/or Vendor;
- (c) Notwithstanding anything in this Agreement to the contrary, this Agreement shall not constitute an agreement to assign any of the Assumed Liabilities, to the extent said Assumed Liabilities are not assignable under Applicable Law without the consent of any other Person unless such consent has been obtained; and
- (d) For greater certainty, if any consent is required to assign some or all of the Assumed Liabilities under contract or Applicable Law, but is not obtained, neither the Receiver nor the Purchaser shall be in breach of this Agreement, nor shall (i) any condition to Closing be unsatisfied (ii) the Purchase Price be adjusted or (iii) the Closing be delayed, and the Transaction shall proceed in the absence of the assignment of such contract.

2.3 Permits & Licenses

In the event that there are any Permits and Licences which are not assignable by the Vendor to the Purchaser in whole or in part without the consent, approval or waiver of any party or parties, and if such consents, approvals or waivers with respect thereto have not been obtained as of the Closing Date (any such Permits and Licences, collectively, the "**Unassignable Permits and Licences**"), then each such Unassignable Permit and Licence, in the Vendor's sole discretion, shall be excluded from this Transaction, without any adjustment of any kind whatsoever to the Purchase Price.

ARTICLE 3 PURCHASE PRICE

3.1 Purchase Price

The purchase price payable by the Purchaser for the Purchased Assets shall be _____ (the "Purchase Price") plus the assumption of the Assumed Liabilities. The Purchase Price shall be satisfied in accordance with Section 3.2.

3.2 Satisfaction of Purchase Price

At Closing, the Purchaser shall pay and satisfy the Purchase Price in accordance with the following:

- (a) Deposit. If Closing occurs in accordance with the terms and conditions of this Agreement, then subject to the other provisions of this Article 3, the Deposit shall be released to the Vendor and applied against the Purchase Price, in partial satisfaction of the Purchaser's obligation to pay the Purchase Price at Closing;
- (b) License Inducement. The Unit A & B License Inducement Arrears Amount will be paid by the Purchaser to the Landlord;
- (c) Balance. The balance of the Purchase Price (being, for certainty, the Purchase Price, less the Deposit, less the Unit A & B License Inducement Arrears Amount) shall be paid on the Closing Date by the Purchaser to the Vendor by way of bank draft, solicitor's trust cheque or wire transfer of immediately available funds (the "Closing Payment").

3.3 Deposit

- (a) On the Effective Date, the Purchaser will pay the Deposit to the Vendor's Solicitor, in trust, for the benefit of the Vendor, to be dealt with in accordance with Section 3.2 and this Section 3.3.
- (b) If the transactions contemplated by this Agreement are not completed by the Closing Date solely by reason of the default of the Purchaser, the Deposit shall be paid to or to the order of the Vendor as liquidated damages and not as a penalty, and upon payment of the Deposit, the Vendor will have no further Claim against the Purchaser for any additional damages or loss whatsoever related to the termination of this Agreement. For certainty, and without limitation, not entering into the Unit A License shall not be considered to be a default of the Purchaser in any circumstance.
- (c) If the transactions contemplated by this Agreement are not completed by the Closing Date by reason of the default of the Debtors, the Vendor or the Receiver in the performance or satisfaction of their obligations under this Agreement, or by reason of the Purchaser not waiving its conditions set out in Article 8 by the Closing Date, as applicable (or such conditions not being met), or for any other reason whatsoever (other than the reasons set out in Section 3.3(b)), the Deposit shall be forthwith returned to the Purchaser and the Purchaser shall have no Claim against the Vendor for any additional damages or loss whatsoever related to the termination of this Agreement. For certainty, the Deposit shall also be returned to the Purchaser in the event of an insurable event in accordance with Section 6.4 and mutual termination in accordance with Section 8.1(a).
- (d) In the event that the Deposit is to be returned to the Purchaser pursuant to Section 3.3(c), the Deposit shall be returned no later than three (3) Business Days following the termination or expiry of this Agreement.

3.4 Transfer Taxes

The Parties agree that:

- (a) The Purchase Price does not include Transfer Taxes and the Purchaser shall be liable for and shall pay any and all Transfer Taxes, if any, pertaining to the Purchaser's acquisition of the Purchased Assets.
- (b) Where the Vendor is required under Applicable Law to collect or pay Transfer Taxes, the Purchaser will pay, in addition to the Purchase Price, the amount of such Transfer Taxes to the Vendor at Closing. The Vendor shall then pay such Transfer Taxes directly to the appropriate Governmental Authority or other entity within the required time period and shall file all necessary documentation with respect to such Transfer Taxes when due. Notwithstanding the foregoing, on the basis of the representation of the Purchaser set forth in Section 4.2(i), no retail sales tax payable in connection with the Purchaser's acquisition of the Purchased Assets shall be collected by the Vendor at Closing.
- (c) Except where the Vendor is required under Applicable Law to collect or pay such Transfer Taxes, the Purchaser shall pay such Transfer Taxes directly to the appropriate Governmental Authority or other entity within the required time period and shall file all necessary documentation with respect to such Transfer Taxes when due. The Vendor will do and cause to be done such things as are reasonably requested to enable the Purchaser to comply with such obligation in a timely manner. If the Vendor is required under Applicable Law to pay any such Transfer Taxes which are not paid by the Purchaser at Closing, the Purchaser shall promptly reimburse such Vendor the full amount of such Transfer Taxes upon delivery to the Purchaser of copies of receipts showing payment of such Transfer Taxes.
- (d) Notwithstanding the foregoing, if available, the Purchaser and the Vendor shall jointly execute an election under:
 - (i) section 167 of the Excise Tax Act in connection with the transfer of the Purchased Assets contemplated herein, and the Purchaser shall file such election with its applicable Tax return for the reporting period in which the sale of the Purchased Assets takes place. Any GST incurred in connection with the purchase and sale of the Purchased Assets contemplated by this Agreement, including where an election pursuant to subsection 167(1) of the *Excise Tax Act* is not or cannot be validly made in respect of the Purchased Assets, shall be borne by Purchaser; and
 - (ii) section 22 of the *Income Tax Act* in respect of the accounts receivable forming part of the Purchased Assets. The Vendor and the Purchaser agree to file such election in a manner consistent with the Purchase Price Allocation contemplated in Section 7.1(e).
- (e) Notwithstanding the foregoing, the Purchaser hereby agrees to indemnify and save harmless the Vendor from all Claims, Liabilities, damages, losses and other amounts arising directly or indirectly out of or in connection with the Transfer Taxes (including any interest and penalties thereon), including any Transfer Taxes not collected by the Vendor from the Purchaser at Closing (including any interest and penalties thereon).

3.5 Final Order

The Vendor shall not distribute any of the Deposit or the Closing Payment until a Final Order has been obtained, and shall only distribute the Deposit and the Closing Payment in accordance with such Final Order.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of the Vendor

The Vendor hereby represents and warrants as of the date hereof and as of the Closing Time as follows, and acknowledges that the Purchaser is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

- (a) Corporate Authorization. The execution, delivery and, subject to obtaining of the Approval and Vesting Order in respect of the matters to be approved therein, performance by the Vendor of this Agreement has been authorized by all necessary corporate action on the part of the Vendor.
- (b) Residency. The Vendor is not a non-resident of Canada for purposes of the *Income Tax Act* or the *Excise Tax Act*, as applicable.

4.2 Representations and Warranties of the Purchaser

The Purchaser hereby represents and warrants to and in favour of the Vendor as of the date hereof and as of the Closing Time, and acknowledges that the Vendor are relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

- (a) Incorporation and Status. The Purchaser is a corporation incorporated and existing under the *Canada Business Corporations Act* is in good standing under the *Canada Business Corporations Act* and has the power and authority to enter into, deliver and perform its obligations under this Agreement.
- (b) Corporate Authorization. The execution, delivery and performance by the Purchaser of this Agreement has been authorized by all necessary corporate action on the part of the Purchaser.
- (c) No Conflict. The execution, delivery and performance by the Purchaser of this Agreement do not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of the Purchaser.
- (d) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms subject only to the Approval and Vesting Order.
- (e) Proceedings. There are no proceedings pending, or to the knowledge of the Purchaser, threatened, against the Purchaser before any Governmental Authority, which prohibit or seek to enjoin delay, restrict or prohibit the Closing of the Transaction, as contemplated by this Agreement, or which would reasonably be expected to delay, restrict or prevent the Purchaser from fulfilling any of its obligations set forth in this Agreement.
- (f) Payment. The Purchaser will have the financial resources necessary to pay, as and when due from the Purchaser, the Purchase Price (including the Deposit), the Transfer Taxes, if any, and any other amounts payable by the Purchaser under this Agreement.

- (g) Residency. The Purchaser is not a non-resident of Canada for purposes of the *Income Tax Act*.
- (h) GST. The Purchaser will be a registrant for purposes of Part IX of the Excise Tax Act (Canada) on Closing.
- (i) Sale in Bulk. The transaction contemplated by this Agreement constitutes a "sale in bulk" for the purposes of *The Tax Administration and Miscellaneous Taxes Act (Manitoba)*.

The representations and warranties of the Purchaser shall not merge on Closing, but shall instead survive the Closing for a period of 18 months.

4.3 As is, Where is

The representations and warranties of the Vendor shall merge on Closing and shall thereafter be of no further force and effect. The Purchaser acknowledges, agrees and confirms that, at the Closing Time, the Purchased Assets shall be sold to the Purchaser on a strictly "*as is, where is*" basis, subject only to the representations and warranties contained herein. Except as expressly set forth in this Agreement, the Vendor makes no representations, warranties, statements or promises on its own behalf or on behalf of the Debtors in favour of the Purchaser concerning the Purchased Assets, or in the Receiver's or the Vendor's right, title or interest in or to the Purchased Assets, or the uses or applications of the Purchased Assets, whether express or implied, statutory or collateral, arising by operation of Applicable Law, including *The Sale of Goods Act (Manitoba)* or otherwise. Without limiting the generality of the foregoing, the Purchaser acknowledges and accepts that the description of, and information relating to, the Purchased Assets and any portion thereof contained in this Agreement, the Schedules hereto or otherwise provided by the Vendor and/or Receiver is for the purpose of identification only; and that no representation, warranty or condition has or will be given by the Receiver or any other Party concerning completeness or the accuracy of such descriptions or with respect to any data room set up by the Vendor and/or Receiver. In entering into this Agreement and completing the Transaction, the Purchaser is relying solely upon its own independent inspection, appraisal, analysis, evaluation and knowledge of the Purchased Assets and the facts and circumstances related thereto and has satisfied itself with respect to the same, without regard to any other information made available or provided by the Receiver or its Representatives, including any reports in respect of the Purchased Assets supplied by the Receiver or its Representatives. The Purchaser shall get possession of the Purchased Assets at its own costs and expense and any costs or proceedings required to acquire such possession shall be the responsibility of the Purchaser.

4.4 Books and Record

Each of: (a) the Receiver, (b) the trustees, trustees in bankruptcy or similar officials appointed with respect to the Vendor, and (c) the Representatives of the foregoing shall, for themselves and for anyone with whom they are dealing in connection with the Agreement (including the creditors of the Vendor) for a period of six (6) years from the Closing Date, shall have access to, and the right to copy, at their expense, if the Receiver in the Receiver's sole discretion deems necessary or useful and during usual business hours, upon reasonable prior notice to the Purchaser, all Books and Records relating to the business, the Purchased Assets and the Assumed Liabilities which are to be transferred and conveyed to the Purchaser pursuant to this Agreement. The Purchaser shall use reasonable efforts to retain and preserve all such Books and Records for such six (6) year period. The Purchaser shall not be responsible or liable to the Receiver or any other Person for or as a result of any unintentional loss or destruction of or damage to any of the Books and Records.

ARTICLE 5 COVENANTS

5.1 Approval and Vesting Order

- (a) The Vendor and Purchaser acknowledge that the Vendor's and the Purchaser's obligations under this Agreement and the Closing are subject to the making and terms of the Approval and Vesting Order.
- (b) The Vendor shall request that the Receiver file and serve a motion with the Court seeking the Approval and Vesting Order, returnable on May 23, 2024 (the "**Approval Motion Date**").
- (c) If leave to appeal is sought, an appeal is taken or a stay pending appeal is requested with respect to the Approval and Vesting Order, the Receiver shall promptly notify the Purchaser of such leave to appeal, appeal or stay request and shall promptly provide to the Purchaser a copy of the related notice(s) or order(s) and written notice of any motion or application filed in connection with any leave to appeal or appeal from such orders.

5.2 Closing Date

The Parties shall cooperate with each other and shall use their commercially reasonable efforts to effect the Closing on or before the Closing Date.

5.3 Insurance Matters

Until Closing, the Vendor shall keep in full force and effect all existing insurance policies providing coverage in respect of the Purchased Assets and give any notice or present any Claim under any such insurance policies consistent with past practice in the ordinary course of business.

ARTICLE 6 CLOSING ARRANGEMENTS

6.1 Closing

Closing shall take place on the Closing Date effective as of the Closing Time electronically (or as otherwise determined by mutual agreement of the Parties in writing), by the exchange of deliverables (in counterparts or otherwise) by electronic transmission in PDF format.

6.2 Vendor's Closing Deliveries

At or before the Closing Time, the Vendor shall deliver or cause to be delivered to the Purchaser the following:

- (a) a true copy of the Approval and Vesting Order, as issued and entered by the Court;
- (b) all Tax elections contemplated by Section 3.4, duly executed by the Vendor;
- (c) a General Conveyance, duly executed by the Vendor;
- (d) an Assignment and Assumption Agreement, duly executed by the relevant Vendor;
- (e) a claim assignment in respect of the Purchased Claims, duly executed by the relevant Vendor;

- (f) all Manitoba Companies Office documents necessary to transfer the corporate names "PADM Group Inc." and "PADM Medical Inc." to the Purchaser;
- (g) all passwords, keys, keycodes, and login information, as applicable, in respect of the Purchased Assets;
- (h) the Books and Records; and
- (i) such other agreements, documents and instruments as may be reasonably required by the Purchaser to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

6.3 Purchaser's Closing Deliveries

At or before the Closing, the Purchaser shall deliver or cause to be delivered to the Vendor, the following:

- (a) the Closing Payment and any other payment required to be made by the Purchaser in connection with the Transaction;
- (b) a certified copy of a resolution of the directors of the Purchaser authorizing the purchase of the Purchased Assets from the Vendor;
- (c) payment of all Transfer Taxes payable on Closing to the Vendor (or evidence of payment by the Purchaser thereof to the relevant Governmental Authorities) in accordance with Section 3.4;
- (d) an undertaking to file any applicable return for Retail Sales Tax required pursuant to *The Retail Sales Tax Act* (Manitoba);
- (e) a copy of the completed Casual Purchaser's Return required pursuant to *The Retail Sales Tax Act* (Manitoba), to be delivered to the Vendor within thirty (30) days following the Closing Date;
- (f) an indemnity to the Vendor in respect of all GST owing as a result of this Transaction;
- (g) all tax elections contemplated by Section 3.4, duly executed by the Purchaser;
- (h) a General Conveyance, duly executed by the Purchaser;
- (i) an Assignment and Assumption Agreement, duly executed by the Purchaser;
- (j) a certificate of an officer of the Purchaser dated as of the Closing Date confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Purchaser has performed in all material respects the covenants to be performed by it prior to the Closing Time; and
- (k) such other agreements, documents and instruments as may be reasonably required by the Vendor to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

6.4 Risk

The Purchased Assets will be and remain at the risk of the Vendor to the extent of their interest until Closing and at the Risk of the Purchaser from and after the Closing Time. If, prior to Closing, a material portion of the Purchased Assets is substantially damaged or destroyed by fire or other casualty, then, at its option, the Purchaser may decline to complete this Transaction. Such option must be exercised within one (1) Business Days after receipt of notice by the Purchaser from the Receiver of the occurrence of substantial damage or destruction (or prior to the Closing Date if such occurrence takes place within one (1) Business Days of the Closing Date) in which event this Agreement will be terminated automatically. If the Purchaser does not exercise such option, it will complete this Transaction and will be entitled to an assignment of the proceeds of insurance, if any, referable to such damage or destruction. Where any damage or destruction is not substantial, the Purchaser will complete this Transaction and will be entitled to an assignment of the proceeds of insurance, if any, referable to such damage or destruction provided that such damage or destruction is insured or, otherwise, to an agreed abatement.

ARTICLE 7 CONDITIONS OF CLOSING

7.1 Conditions to Closing in Favour of the Parties

The obligation of the Parties to complete the Transaction is subject to the following joint conditions being satisfied, fulfilled or performed on or prior to the Closing Date:

- (a) Approval and Vesting Order. The Court shall have made the Approval and Vesting Order.
- (b) No Order. No Applicable Law and no judgment, injunction, order or decree shall have been issued by a Governmental Authority or otherwise in effect that restrains or prohibits the completion of the Transaction.
- (c) No Restraint. No motion, action or proceedings shall be pending by or before a Governmental Authority to restrain or prohibit the completion of the Transaction contemplated by this Agreement.
- (d) Receiver's Certificate. The Receiver shall have delivered the executed Receiver's Certificate substantially in the form attached to the Approval and Vesting Order confirming that all other conditions to Closing have either been satisfied or waived by both the Purchaser and the Vendor.
- (e) Allocation of Purchase Price. On or before the Closing Date, the Purchaser and the Vendor shall have agreed, on terms acceptable to the Purchaser and the Vendor, each acting reasonably, upon the allocation of the Purchase Price and the Assumed Liabilities among the Purchased Assets for all purposes (including Tax and financial accounting), and the Purchaser and the Vendor shall have confirmed same in writing to the other of them.
- (f) Unit A & B License. On or before the Closing Date, the Landlord and the Purchaser shall have entered into the Unit A & B License, on terms acceptable to the Purchaser and the Vendor, each in its sole discretion, and the Purchaser and the Vendor shall have confirmed same in writing to the other of them (the "**Unit A & B License Condition**").

The foregoing conditions are for the mutual benefit of the Parties. If any condition set out in Section 7.1 is not satisfied, performed or mutually waived on or prior to the Closing Date, any Party may elect on written notice to the other Parties to terminate this Agreement. For certainty, in the event of any such termination, the Deposit shall be returned in full to the Purchaser.

7.2 Conditions to Closing in Favour of the Purchaser

The obligation of the Purchaser to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed on or prior to the Closing Date:

- (a) Vendor's Deliverables. The Vendor shall have executed and delivered or caused to have been executed (where required) and delivered to the Purchaser at the Closing all the documents contemplated in Section 6.2.
- (b) No Breach of Representations and Warranties. Except as such representations and warranties may be affected by the occurrence of events or transactions specifically contemplated by this Agreement, each of the representations and warranties contained in Section 4.1 shall be true and correct in all material respects: (i) as of the Closing Date as if made on and as of such date; or (ii) if made as of a date specified therein, as of such date.
- (c) No Breach of Covenants. The Vendor shall have performed, in all material respects, all covenants, obligations and agreements contained in this Agreement required to be performed by the Vendor on or before the Closing Date.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any condition in this Section 7.2 may be waived by the Purchaser in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfillment of any other condition in whole or in part. Any such waiver shall be binding on the Purchaser only if made in writing. If any condition set out in this Section 7.2 is not satisfied or performed on or prior to the Closing Date, the Purchaser may elect on written notice to the Vendor to terminate this Agreement. For certainty, in the event of any such termination, the Deposit shall be returned in full to the Purchaser.

7.3 Conditions to Closing in Favour of the Vendor

The obligation of the Vendor to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed on or prior to the Closing Date:

- (a) Purchaser's Deliverables. The Purchaser shall paid the Purchase Price in accordance with this Agreement and shall have executed and delivered or caused to have been executed and delivered to the Vendor at the Closing all the documents and other payments, if any, contemplated in Section 6.3.
- (b) No Breach of Representations and Warranties. Each of the representations and warranties contained in Section 4.2 shall be true and correct in all material respects: (i) as of the Closing Date as if made on and as of such date, or (ii) if made as of a date specified therein, as of such date.
- (c) No Breach of Covenants. The Purchaser shall have performed in all material respects all covenants, obligations and agreements contained in this Agreement required to be performed by the Purchaser on or before the Closing.

The foregoing conditions are for the exclusive benefit of the Vendor. Any condition in this Section 7.3 may be waived by the Vendor in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part. Any such waiver shall be binding on the Vendor only if made in writing. If any condition set forth in this Section 7.3 is not materially satisfied or performed on or prior to the Closing Date, the Vendor may elect on written notice to the Purchaser to terminate the Agreement. For certainty, in the event of any such termination, the Deposit shall be released to the Vendor in accordance with Section 3.4(b).

7.4 Receiver's Certificate

The Parties acknowledge and agree that the Receiver shall be entitled to deliver to the Purchaser, and file with the Court, the executed Receiver's Certificate without independent investigation, upon receiving written confirmation from both Parties (or the applicable Party's counsel) that all conditions of Closing in favour of such Party have been satisfied or waived, and the Receiver shall have no Liability to the Parties in connection therewith. The Parties further acknowledge and agree that upon written confirmation from both Parties that all conditions of Closing in favour of such Party have been satisfied or waived, the Receiver may deliver the executed Receiver's Certificate to the Purchaser's counsel in escrow, with the sole condition of its release from escrow being the Receiver's written confirmation that the Purchaser has performed its obligations under Section 7.3 of this Agreement, including that the Purchase Price and other payments required to be paid by the Purchaser at Closing have been paid, and, upon receipt by the Receiver of such confirmation, the Receiver's Certificate will be released from escrow to the Purchaser, the Closing shall be deemed to have occurred.

ARTICLE 8 TERMINATION

8.1 Grounds for Termination

This Agreement may be terminated on or prior to the Closing Date:

- (a) by the mutual written agreement of the Vendor and the Purchaser; or
- (b) by the Vendor or the Purchaser upon written notice to the other Party if: (i) the Closing has not occurred on or prior to the Closing Date; or (ii) the Approval and Vesting Order has not been made by the Court on or before the Approval Motion Date; provided in each case that the failure to close or obtain such order, as applicable, by such deadline is not caused by a breach of this Agreement by the Party proposing to terminate the Agreement.

8.2 Effect of Termination.

If this Agreement is terminated pursuant to Section 8.1, all further obligations of the Parties under this Agreement will terminate and no Party will have any Liability or further obligations hereunder; except for the provisions of Section 8.2 and the return of the Deposit to the Purchaser.

ARTICLE 9 MISCELLANEOUS

9.1 Wrong Pocket Reconciliation

If any of the Vendor receive any amount in respect of either: (a) accounts receivable forming part of the Purchased Assets; or (b) related to the performance of an Assigned Contract during the period following Closing, the Vendor shall pay over to the Purchaser all monies collected by or paid to the Vendor properly on account of the Purchaser within 5 days of the Vendor receipt thereof.

9.2 Legal and Other Fees and Expenses

Unless otherwise specifically provided herein, the Parties will pay their respective legal, accounting and other professional fees and expenses incurred by each of them in connection with the negotiation and settlement of this Agreement, the completion of the transactions contemplated by this Agreement and other matters pertaining hereto.

9.3 Liability of the Parties

In addition to all of the protections granted to the Receiver under the BIA and the KBA or any order of the Court in the Receivership Proceedings, the Purchaser acknowledges and agrees that in all matters pertaining to this Agreement, including its execution, delivery and performance, the Receiver is acting solely in its capacity as Court-appointed Receiver of the property, assets and undertaking of the Debtors and not in its personal capacity, and, as such, its Liability under this Agreement, if any, will be in its capacity as Receiver, and the Receiver and its director, officers, agents, servants, employees or Representatives shall have no personal or corporate liability of any kind, whether in contract, common law, by statute, in equity or otherwise as a result hereof. In no circumstances will the Receiver be liable for any consequential damages including loss of profit. Any Claim against the Receiver shall be limited to and only enforceable against the property and assets then held by or available to it in its said capacity as Receiver of the assets, undertakings and properties of the Vendor and shall not apply to its personal property and assets held by it in any other capacity.

9.4 Access to Books and Records

For a period of two years from the Closing Date or for such longer period as may be required by any Applicable Law, the Purchaser shall retain all original Books and Records that are transferred to the Purchaser under this Agreement, but the Purchaser is not responsible or liable for any accidental loss or destruction of, or damage to, any such Books and Records. So long as any such Books and Records are retained by the Purchaser pursuant to this Agreement, the Vendor has the right to inspect and to make copies (at its own expense) of them at any time upon reasonable request during normal business hours and upon reasonable notice for any proper purpose and without undue interference to the business operations of the Purchaser.

9.5 Notice

Any notice or other communication under this Agreement shall be in writing and may be delivered by read-receipted email, addressed:

- (a) in the case of the Purchaser, as follows:

23-845 Dakota Street, Suite 362
Winnipeg, Manitoba, R2M 5M3

Attention: Kent Cancilla
Email: kent@cancilla.biz

with a copy (which shall not constitute notice) to:

MLT Aikins LLP
360 Main St 30th Floor
Winnipeg, MB R3C 4G1

Attention: Eric Buettner/Chris Nyberg
Email: ebuettner@mltaikins.com/cnyberg@mltaikins.com

- (b) in the case of the Vendor, as follows:

BDO Canada Limited
201 Portage Avenue, 26th Floor
Winnipeg MB R3B 3K6

Attention: Brent Warga

Email: bwarga@bdo.ca

with a copy (which shall not constitute notice) to:

Taylor McCaffrey LLP
2200 201 Portage Avenue
Winnipeg, MB R3B 3L3
Attention: Jack Fleming
Email: jfleming@tmlawyers.com

Any such notice or other communication, if transmitted by email before 5:00 p.m. (Winnipeg time) on a Business Day, will be deemed to have been given on such Business Day, and if transmitted by email after 5:00 p.m. (Winnipeg time) on a Business Day, will be deemed to have been given on the Business Day after the date of the transmission. In the case of a communication by email or other electronic means, if an autoreply is received indicating that the email is no longer monitored or in use, delivery must be followed by the dispatch of a copy of such communication pursuant to one of the other methods described above; provided however that any communication originally delivered by electronic means shall be deemed to have been given on the date stipulated above for electronic delivery.

Sending a copy of a notice or other communication to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the notice or other communication to that Party. The failure to send a copy of a notice or other communication to legal counsel does not invalidate delivery of that notice or other communication to a Party. A Person may change its address for service by notice given in accordance with the foregoing and any subsequent communication must be sent to such Person at its changed address.

9.6 Public Announcements

The Vendor shall be entitled to disclose this Agreement to the Court and parties in interest in the Receivership Proceedings and this Agreement may be posted on the Receiver's website maintained in connection with the Receivership Proceedings.

9.7 Time

Time shall, in all respects, be of the essence hereof, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Parties.

9.8 Survival

The representations and warranties of the Parties contained in this Agreement shall merge on Closing, provided that the representations, warranties and covenants of the Parties contained herein to be performed after the Closing shall survive Closing and remain in full force and effect.

9.9 Benefit of Agreement

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

9.10 No Strict Construction

The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event any ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favouring or disfavouring either Party by virtue of authorship of any provision of this Agreement.

9.11 Entire Agreement

This Agreement and the Exhibits and Schedules attached hereto constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior negotiations, understandings and agreements. This Agreement may not be amended or modified in any respect except by written instrument executed by the Vendor and the Purchaser.

9.12 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement, and any other agreement, document or instrument executed or delivered in connection with this Transaction or this Agreement, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency.

9.13 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Manitoba and the laws of Canada applicable therein and each of the Parties irrevocably attorns to the exclusive jurisdiction of the Court, and any appellate courts of the Province of Manitoba therefrom.

9.14 Assignment

This Agreement may be assigned by the Purchaser prior to Closing, in whole or in part, without the prior written consent of the Vendor or the Receiver, provided that: (a) such assignee is a related party or subsidiary of the Purchaser; (b) the Purchaser provides prior notice of such assignment to the Vendor and the Receiver; and (c) such assignee agrees to be bound by the terms of this Agreement to the extent of the assignment; provided further, however, that any such assignment shall not relieve the Purchaser of its obligations hereunder. This Agreement may not be assigned by the Vendor without the consent of the Purchaser.

9.15 Further Assurances

Each of the Parties shall, at the request and expense of the requesting Party, take or cause to be taken such action and execute and deliver or cause to be executed and delivered to the other such conveyances, transfers, documents and further assurances as may be reasonably necessary or desirable to give effect to this Agreement.

9.16 Counterparts

This Agreement may be executed electronically in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. Transmission by e-mail of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

9.17 Severability

Notwithstanding any provision herein, if a condition to complete the Transaction, or a covenant or an agreement herein is prohibited or unenforceable pursuant to Applicable Law, then such condition, covenant or agreement shall be ineffective to the extent of such prohibition or unenforceability without invalidating the other provisions hereof.

9.18 Protection of the Receiver

Nothing in this Agreement shall or shall be interpreted to require the Receiver to do any act or thing that would result in a breach or default by the Receiver of any duty or obligation of the Receiver as provided in or by the Receivership Order, any amendment thereof or further order, or any statute or otherwise at law.

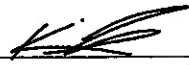
[Signature Page Follows]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first above written.

BDO CANADA LIMITED in its capacity as court appointed receiver of **PADM GROUP INC., PADM MEDICAL INC. and ROSWELL DOWNHOLE TECHNOLOGIES INC.** and not in its personal or corporate capacity

By: _____
Name: Brent Warga
Title: Authorized Signatory

15988977 CANADA INC.

By:  _____
Name: Kent Cancilla
Title: Authorized Signatory

I have authority to bind the Corporation.

SCHEDULE "A"
PURCHASED ASSETS LIST

(see attached)

PADM Group Inc.

Asset and Equipment Listing

Item Description

3D Printers and CNC Machines - Additive Manufacturing

VX-1000 CNC Machine Model Year 2016 w/ miscellaneous tooling configurations
MX-520 CNC Machine Model Year 2015 w/ miscellaneous tooling configurations
MX-330 CNC Machine Model Year 2019 w/ miscellaneous tooling configurations
M290 3D Printer 1 Model Year 2015 w/ miscellaneous tooling configurations
M290 3D Printer 2 Model Year 2015 w/ miscellaneous tooling configurations
M290 3D Printer 3 Model Year 2017 w/ miscellaneous tooling configurations 2630* see Appendix A
M290 3D Printer 4 Model Year 2017 w/ miscellaneous tooling configurations 3701* see Appendix A
Formlabs Polymer 3D Printers with accessories
Standalone Printer System - 3D Systems - swabs
George Fisher Machining Wire EDM w/ miscellaneous tooling configurations
Daewoo Lynx 210 CNC Lathe
Cosen SH-3026L Semi Auto Bandsaw 230V 3ph + Electrical Certification
Crest Ultrasonics - Ultrasonic Cleaning Line
De Lage - Air Unlimited - Air Compressors
Miscellaneous Shop Tools

Furniture & Fixtures - Additive Manufacturing

Mirra Chairs
Folding table
Shelving unit
Folding table
McMaster cabinet, steelcart
Creative display unit
Fridge & Dishwasher
BBQ
Tanfu exhibit
Work bench
Costco Shelves

PADM Group Inc.

Asset and Equipment Listing

Uline Locker
Cart/Table/mat from Uline
EOS Light Monitor
Costco shelving units
Filing cabinets
Tower Master
Trade show booth
Pandemic Sculpture
ULINE Conference Room Chairs
2 Adjustable Height Office Desk Frames
18 Chairs
2 Stnd Floor SCL Ramps
Office Chair
12 Office Chairs
Office Furniture
Hillard Office Chair
Workstations - Creative Office Furniture
Heavy Duty Storage Cabinet
Office Desks, Pedestal File
Adjustable height machine tables
Rander mesh and fiber Armless task chair
Rander mesh and fiber Armless task chair
Printer Kitchen Office storage stand (Withe)
Global Industrial - Aluminum 24" Industrial Fan
Hankn8er Corp - Sit Stand Desk + Dual monitor arms
Staples Mesh Task Chair - Black
Offices to Go, Ibex, Upholstered Seat & Mesh Back Multi-Tilter, Black
Qty 3 Sunjoy KOSS Adjustable Desks
Sunjoy KOSS Elevate Mobile Hight-Adjustable Desk (3)
Downtown Mobile 2 Drawer Pedestal File
Downtown Office Desk 72 X 24"
1999 Crown Forklift with 3,000 lb capacity



PADM Group Inc.

Asset and Equipment Listing

Dishwasher for Unit A
Dasco File Cabinet w/ Sliding Door Qty: 6 (part of Unit C parcel)
2 Photography Light (part of Unit C parcel)
1 Canon Rebel X5 Camera (part of Unit C parcel)
Metal Green Circular Picnic Table w/ Curved Benches (part of Unit C parcel)
Eye Wash System (part of Unit C parcel)
Zebra ZT410 Label Printer (part of Unit C parcel)
Fall Harness Set (part of Unit C parcel)
Pallet Man Basket (part of Unit C parcel)
Conference TV + Display booth
Racking
Pallet Jacks

Lab Area & Equipment - Additive Manufacturing

Acrylic Clean Room
FARO Arm
Density measuring device
Keyence Microscope
Shelving from McMaster Carr
Image Analysis Software for the microscope
ZEN Module Image Analysis & Module License
Zeiss Camera AxioCam
Elliott Matsuura Inc. - Adapter plate VAST, Probe Socket, 40DGE, CFX1
Thomas Skinner - Surface Plates in granite and steel
Eclipse Tools - Height Gauge

Computer Hardware - Additive Manufacturing

Various computer hardware including laptops Qty: 35
Various computer hardware including various monitors Qty: 35
Various laptop docking stations, keyboards, mice
Phones Yealink for VoIP Qty: 20
Server, Backup and UPS
Multi-Function Printers in Unit A Qty: 4

PADM Group Inc.

Asset and Equipment Listing

Label printer and fax machine

Computer Software - Additive Manufacturing

2 Single User Annual Licence from Minitab

Image Dimension Measuring System - Keyence

Software - Keyence

NX CAD/Cam - Design Fusion

Solidworks - Hawk Ridge Systems

Materialise - Licence for Floating MAGICS (subscription based)

EOS - ESOPRINT 2 Network License

Ntopology (subscription based)

EPICOR ERP Base Installation

Intangible Assets

300,000 Class A Common Shares in Thunderbird Power Systems Corp.

CAPPEM lawsuit against the Federal Government of Canada (PADM Group portion)

ISO 13485 Quality management System Documentation

AS 91000 Quality management System Documentation

Controlled Goods Certification Documentation

ISO 9001 Certification Documentation

FDA Medical Device Manufacturing Registration Documentation

Precision ADM Website

SR&ED Filing for fiscal year ended March 31, 2024 as related to PADM Group Inc.

Accounts Receivable

Backlog (work in process and balance of purchase orders at closing)

Goodwill

Intellectual Property

"PADM" Word Trademark and Design Trademark (country of registrations to be confirmed)

"PADM Group of Companies" Word Trademark (country of registrations to be confirmed)

"Precision ADM" Word Trademark and Design Trademark (country of registrations to be confirmed)

"ADM" Word Trademark (country of registrations to be confirmed)

"Advanced Digital Manufacturing" Word Trademark (country of registrations to be confirmed)

PADM Group Inc.
Asset and Equipment Listing

Inventory

3D

- Consumables
- Powder
- Plates
- Resin Tanks
- Resin, BioMed Amber

Manufacturing Equipment - PPE

- Ingersoll Rand R11n-TAS-135, 15 HP w/ Variable Frequency Drive and 3-in-1 dryer - Air Unlimited
- Digital Convection Oven Hi Temp - Hogentogler
- Omron Robotics & VisionProax
- Power Supply - Proax Technologies
- Cables, encoder kit - Proax Technologies
- Robot & Controller - Proax Technologies
- Cables - Proax Technologies
- Vacuum Injector - Proax Technologies
- Tubes - Proax Technologies
- EOA Assembly for eCobra Robot - Proax Technologies
- Robot Pedestal - Proax Technologies
- Power Cable - Proax Technologies
- AC1 - 152000 IPC Application Controller - Proax Technologies
- Zebra Printer - ULINE
- Pal Distributors Inc. - Zebra ZT610 Industrial Barcode Printer
- VideoJet Technologies Inc. - various printers

TotalPADM Group Pre-Pack Value

PADM Medical Inc.

Asset and Equipment Listing

Item Description	
Computer Hardware	
Apple Ipad	
Manufacturing Equipment - PPE Manufacturing	
Eclipse Innovations Inc. - temp & humidity test chamber	
Prusa, MK3S+ kit 3D Printer	
Intangible Assets	
CAPPEM lawsuit against the Federal Government of Canada (PADM Medical Portion)	
Total PADM Medical Pre-Pack Value	

Roswell Downhole Technologies Inc.

Asset and Equipment Listing

Asset Name/Group Description

Tube Mill-2 (Asset ID 121)
Tube Mill-5 (Asset ID 169)
OW-Unwinder
OW-Cross Welder Section
OW-Ultrasonic Cleaner
OW-Oscillating Winder-1 (Asset ID 161)
TM2-Uncoiler
TM2-Forming Section Tooling
TM2-Weldbox
TM2-Welder
TM2-Weld Camera and PC
TM2-Eddy Current Sensor
TM2-Cyclomatic Arc Controller
TM2-Seam Conditioner Brushes
TM2-Dust Collector
TM2-Sizing station Tooling
TM2-Length Counter
TM2-Wash Tank
TM2-Winder (Black winder)
TM5-Forming Section Tooling
TM5-Weldbox
TM5-Welder
TM5-Weld Camera and PC
TM5-Eddy Current Sensor
RW-Reel O Matic (Asset ID 151)
RW-QC station (Eddy current sensor MiniMac 55)
RW-Orbit Weld Cart (Asset ID 49)
RW-Swagelok m200 orbit weld head
RW- Ultra flex induction power supply and Coil

RW- In line couner
 BA- Unwinder
 BA-Sizing Section
 BA-Wash bin
 BA-Bright Annealer-1 (Asset ID 42)
 BA- Ultra flex induction power supply and Coil
 BA-Printer
 BA- QC station Digital Mic and Length Encoder
 BA-Level-Winder
 HT - Hydrostatic Test Cell-1 (Asset ID 165)
 QC-Hardness Tester
 QC-Tensile Tester

Intangible Assets Tubing

SR&ED Filing for fiscal year ended March 31, 2022 as related to Roswell Downhole Technologies Inc.
 SR&ED Filing for fiscal year ended March 31, 2023 as related to Roswell Downhole Technologies Inc.
 SR&ED Filing for fiscal year ended March 31, 2024 as related to Roswell Downhole Technologies Inc.
 Website Roswelldht.com
 Roswell Downhole Inc. PO cancelation lawsuit
 CAPPEM lawsuit against the Federal Government of Canada (Roswell DHT and Roswell Textiles Portion)
 Tooling Designs 1/4 inch Tooling CAP Roller designs
 Tooling Designs 1/4 inch Tooling TEC Roller designs
 Tooling Design 1/4" Tooling, CAP Sizing Rollers, 3 Stage
 Tooling Design TM-2 1/4" Tooling, CAP 9 Stages
 Tooling Design TM-2 1/4" Tooling, CAP 12 Stages
 Tooling Design BA-01 1/4" Sizing Sectioning, 3 Stages
 Tooling Design TM-01 1/4" TEC Rollers, 12 Stages
 Design Document OW-1 Single line
 PLC Program Rewind Level wind program
 PLC Program Tensile Tester program
 Machine Designs Cap Mill
 Machine Designs Weld Box
 Machine Designs Oscillate Winder
 Process Settings inspection Eddie Current Inspection
 Forming Processes to CAP
 Forming Processes to TEC
 Production Management Access Database Tubing KPI and Prodcution
 Production Management Sharepoint List, Oscillate Production
 Production Management Sharepoint List, Tubemill Production

Production Management
Production Management
Production Management
Production Management
Production Management
Purchase Specification
Purchase Specification
Purchase Specification
Purchase Specification
Purchase Specification
Purchase Specification
Purchase Specification
Purchase Specification
Purchase Specification
Purchase Specification
Purchase Specification
Supply Chain
Process Specification
Process Specification
Process Settings inspection
Process Settings inspection
Process Settings inspection
Process Settings inspection
Welding Procedure
Welding Procedure
Welding Procedure
Welding Procedure
Welding Procedure
Maintaince
Maintaince
Maintaince
Operating Procedures
Operating Procedures
Operating Procedures
Operating Procedures
Operating Procedures
Operating Procedures

Sharepoint List, Rewind Production
Sharepoint List, Orbit Welds
Sharepoint List, Annealer Production
Sharepoint List, Tubing Inventory
Sharepoint List, Tubing Inspection
General Purchase Specification for Stainless Steel Strip
Detailed Specification for Stainless 316L Strip, 0.916" wide x 0.028" Thick
Detailed Specification for Stainless 316L Strip, 0.894" wide x 0.035" Thick
Detailed Specification for Stainless 316L Strip, 0.862" wide x 0.049" Thick
Detailed Specification for Stainless 316L Strip, 0.537" wide x 0.020" Thick
Detailed Specification for Stainless 316L Strip, 0.716" wide x 0.030" Thick
Detailed Specification for Stainless 316L Strip, 0.968" wide x 0.028" Thick
Detailed Specification for Stainless 316L Strip, 0.948" wide x 0.035" Thick
Purchase Specification for UNS S32205 Strip
Purchase Specification for UNS S32205 Strip
Purchase Specification for Fluoropolymer Insulated Conductor
Detailed Specification for 0.192" ETF Insulated 1x18AWG Standard
Approved Vendor List
TM-1 PN1002 (1/4" x 0.028" TEC)
TM-2 PN1032 (1/4" x 0.035" Tubing)
Eddie Current Inspection, CAP Tube, RW-01
Eddie Current Inspection, TEC Tube, RW-01
Eddie Current Inspection, CAP Tube, TM-02
Eddie Current Inspection, TEC Tube, TM-01
Cross Weld Automated GTAW 316L to 316L
WPS Orbit Weld, A-01 0.250" x 0.035" Duplex 2205
WPS Orbit Weld, A-02 0.250" x 0.035" Duplex 2205
WPS Orbit Weld, A-03 0.250" x 0.035" Duplex 2205
WPS Orbit Weld, A-04 0.250" x 0.035" Duplex 2205
TM-01 Service Schedule/ Spare Parts List
TM-02 Service Schedule/ Spare Parts List
TM-03 Service Schedule/ Spare Parts List
SWP-1027 Rev 0 - TM1 - Operation Manual
SWP-1028 Rev 0 - TM2 - Operation Manual
SWP-1030 Rev 0 - Electrode Preparation
SWP-1031 Rev 0 - Weld Seam Gapping
SWP-1032 Rev 0 - Torch Installation and Setup
SWP-1033 Rev 0 - Cross Weld

Component Design	TM-2 Seam Conditioner
Component Design	TM-2 Torch Holder
Component Design	TM-3 Sizing Rafter
Component Design	TM-3 Gearbox Extension Plate
Component Design	1/4" Tubing Reduction Head Alignment Device

Inventory Tubing

Raw Materials

Reels, 3 Ply	10 ea
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Finished Product

1032	Tube, 1/4" x 0.035"	99,851 ft
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Total Roswell Pre-Pack Value

SCHEDULE "B"
FORM OF APPROVAL AND VESTING ORDER

(see attached)

THE KING'S BENCH
Winnipeg Centre

THE HONOURABLE)	WEDNESDAY, THE 23RD
)	
MR. JUSTICE CHARTIER)	DAY OF MAY, 2024

IN THE MATTER OF: **THE APPOINTMENT OF A RECEIVER PURSUANT TO SECTION 243 OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED AND SECTION 55 OF THE *KING'S BENCH ACT*, C.C.S.M. c. C280**

B E T W E E N:

THE ROYAL BANK OF CANADA,

Applicant,

- and -

PADM GROUP INC., PADM MEDICAL INC., and ROSWELL DOWNHOLE TECHNOLOGIES INC.

Respondents.

APPROVAL AND VESTING ORDER

THIS MOTION, made by BDO Canada Limited as the proposed Receiver (the "**Receiver**") of the undertaking, property and assets (the "**Property**") of PADM Group Inc., PADM Medical Inc. and Roswell Downhole Technologies Inc. (the "**Debtors**") for an order approving the sale transaction (the "**Transaction**") contemplated by an Asset Purchase Agreement (the "**Asset Purchase Agreement**") between the Proposed Receiver and 15988977 Canada Inc.. (the "**Purchaser**") dated May 22, 2024 appended as Appendix A to the Pre-Filing Confidential Report of the Receiver dated May 22, 2024 (the "**Confidential Report**"), and vesting in the Purchaser the Debtors' right, title and interest in and to the assets described in the Asset Purchase Agreement (the "**Purchased Assets**") free and clear of all Encumbrances (as defined below), including in

accordance with Section 59(14) of *The Personal Property Security Act*, CCSM c. P35, was heard this day at Winnipeg, Manitoba.

ON READING the Pre-Filing Report of the Receiver dated May 22, 2024 (the “**Pre-Filing Report**”), the Confidential Report and the Affidavit of Alex Wang affirmed May 15, 2024, and on hearing the submissions of counsel for the Receiver, the Applicant and the Purchaser, no one appearing for any other person on the service list, although properly served as appears from the Affidavit of Service of _____ sworn May 2_, 2024 filed:

SERVICE

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

SEALING ORDER

2. THIS COURT ORDERS AND DECLARES that the Confidential Report be sealed, kept confidential and not form part of public record and shall remain stored electronically with this Court on an encrypted basis limiting access to only the Registrar of this Honourable Court and the presiding Judge and shall only be made accessible or form part of the public record upon further Order of this Court.

SALE APPROVAL AND VESTING

3. THIS COURT ORDERS AND DECLARES that the Transaction is hereby approved, and the Receiver is hereby authorized and directed to execute the Asset Purchase Agreement, complete the Transaction and take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

4. THIS COURT ORDERS AND DECLARES that:

- (a) except as expressly provided for in the Asset Purchase Agreement, the Purchaser shall not, by completion of the Transaction, have liability of any kind whatsoever in respect of any Claims against the Debtor;

- (b) upon completion of the Transaction, the Debtors and all persons who claim by, through or under the Debtors in respect of the Purchased Assets, and all persons or entities having any Claims of any kind whatsoever in respect of the Purchased Assets shall stand absolutely and forever barred, estopped and foreclosed from and permanently enjoined from pursuing, asserting or claiming any and all right, title, estate, interest, royalty, rental, equity of redemption or other Claim whatsoever in respect of or to the Purchased Assets, and to the extent that any such persons or entities remain in the possession or control of any of the Purchased Assets, or any artifacts, certificates, instruments or other *indicia* of title representing or evidencing any right, title, estate, or interest in and to the Purchased Assets, they shall forthwith deliver possession thereof to the Purchaser; and
- (c) The Purchaser shall be entitled to enter into and upon, hold and enjoy the Purchased Assets for its own use and benefit without any interference of or by the Debtors, any person claiming by, through or against the Debtors, or any person having any Claims.
2. 5. THIS COURT ORDERS AND DECLARES that upon the delivery of a Receiver's certificate to the Purchaser substantially in the form attached as Schedule "A" hereto (the "**Receiver's Certificate**"), all of the Debtors' right, title and interest in and to the Purchased Assets described in the Asset Purchase Agreement, which includes, for certainty, sole right, title and interest in and to such Purchased Assets, shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, reservations of ownership, charges, royalties, options, rights of pre-emption, privileges, interests, assignments, actions, judgements, taxes, writs of enforcement, charges, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable Mr. Justice G.L. Chartier dated May 23, 2024 (the "**Receivership Order**"); and (ii) all charges, security interests or claims evidenced by registrations pursuant to *The Personal Property Security Act* (Manitoba) or any other personal property registry system (all of which are collectively referred to as the "**Encumbrances**"), and, for greater

certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

PRIORITIES

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

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

8. THIS COURT ORDERS that, notwithstanding:

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

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtors and shall not be void or voidable by creditors of the Debtors, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct or action other than in good faith pursuant to any applicable federal or provincial legislation.

APPROVAL OF ACTIVITIES OF THE RECEIVER

9. THIS COURT ORDERS that the Pre-Filing Report and the Confidential Report and the activities described therein are hereby approved.

MISCELLANEOUS MATTERS

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

Schedule A – Form of Receiver’s Certificate

Court File No. _____

**THE KING'S BENCH
WINNIPEG CENTRE**

B E T W E E N:

THE ROYAL BANK OF CANADA,

Applicant,

- and -

**PADM GROUP INC., PADM MEDICAL INC., and ROSWELL DOWNHOLE
TECHNOLOGIES INC.**

Respondents.

RECEIVER’S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable Mr. Justice G.L. Chartier of the Manitoba Court of King's Bench (the "**Court**") dated May 23, 2024, BDO Canada Limited was appointed as the receiver (the "**Receiver**") of the undertaking, property and assets of the Respondents (the "**Debtors**").

B. Pursuant to an Order of the Court dated May 23, 2024, the Court approved the Asset Purchase Agreement made as of May 2, 2024 (the "**Asset Purchase Agreement**") between the Receiver and 15988977 Canada Inc. (the "**Purchaser**") and provided for the vesting in the Purchaser of the Debtors' right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Receiver to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing have been satisfied or waived by the

Receiver and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Receiver.

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

THE RECEIVER CERTIFIES the following:

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

**BDO Canada Limited, in its capacity as
Receiver and Manager of the undertaking,
property and assets of debtors, and not in its
personal capacity**

Per: _____
Name:
Title:

SCHEDULE "C"
PERMITS AND LICENCES

1. Canada Makes
2. Manitoba Aerospace (1)
3. Aerospace Industries Association of Canada – July 2023 to June 2024
4. Canadian Association of Manufacturers and Exporters (CME) – 2023/2024
5. CRIAQ – 2023-04-01 to 2024-03-31
6. Bioscience Association of Manitoba – 2023-04-01 to 2024-03-31
7. Engineers and Geoscientists of Manitoba (EGM) – 2023-05-01 to 2024-04-30
8. Certificate of Authorization – Practicing Entity for Precision ADM Inc.
9. FDA Medical Device Manufacturing Authorization
10. Controlled Goods Program Authorization and Documentation
11. ISO 13485 Authorization and Documentation
12. AS 9100 Authorization and Documentation
13. ISO 9001 Authorization and Documentation (within AS 9100 documentation)

Prepack APA - Dentzone PADM (Final Compiled)

Final Audit Report

2024-05-23

Created:	2024-05-23
By:	Steven Dressler (sdressler@mltaikins.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAjs3ew9xZQYJAx9uWyMgRs6OeM1HyeI_U

"Prepack APA - Dentzone PADM (Final Compiled)" History

 Document created by Steven Dressler (sdressler@mltaikins.com)

2024-05-23 - 3:36:32 AM GMT

 Document emailed to kent@cancilla.biz for signature

2024-05-23 - 3:37:27 AM GMT

 Email viewed by kent@cancilla.biz

2024-05-23 - 3:38:22 AM GMT

 Signer kent@cancilla.biz entered name at signing as Kent Cancilla

2024-05-23 - 3:39:12 AM GMT

 Document e-signed by Kent Cancilla (kent@cancilla.biz)

Signature Date: 2024-05-23 - 3:39:14 AM GMT - Time Source: server

 Agreement completed.

2024-05-23 - 3:39:14 AM GMT