

File No. BK 17-01-04509

THE QUEEN'S BENCH
Winnipeg Centre
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE *BANKRUPTCY AND*
***INSOLVENCY ACT*, R.S.C. 1985,**
c. B-3, AS AMENDED

AND IN THE MATTER OF THE PROPOSAL OF
5274398 MANITOBA LTD.

SECOND REPORT OF TRUSTEE ON PROPOSAL

Dated: September 13, 2017

LAZER GRANT INC., Licensed Insolvency Trustee
Suite 300, 309 McDermot Avenue
Winnipeg, Manitoba
R3A 1T3
204-942-0300

District of: Manitoba
Division No.: 01
Court No.: BK 17-01-04509
Estate No.: 21-2281867

Report of Trustee
(Section 50.4(9) of the *Bankruptcy and Insolvency Act*)

In the matter of the Proposal of
5274398 Manitoba Ltd. o/a Cross Country Manufacturing, an Insolvent Person
of the City of Morden, in the Province of Manitoba

We, Lazer Grant Inc., the Licensed Insolvency Trustee acting *in re* the Proposal of 5274398 Manitoba Ltd. o/a Cross Country Manufacturing., hereinafter referred to as the Debtor, hereby report to the Court as follows:

Introduction

1. On August 11, 2017, the Debtor signed a Notice of Intention to Make a Proposal ("**NOI**") under Subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**Act**") and Lazer Grant Inc. was named as Licensed Insolvency Trustee (the "**Proposal Trustee**").
2. On September 5, 2017, the Debtor filed a Notice of Motion (the "**Extension Motion**") supported by the Affidavit of Jonathan Doerksen sworn September 5, 2017 (the "**Doerksen Affidavit**"), in which the Debtor sought, among other things, the following relief:
 - a) an Order extending the time in which the Proposal Trustee may file a proposal with the Official Receiver in the within proposal proceedings to 11:59 PM Central Daylight Time on Monday, October 23, 2017;
 - b) an Order approving of a Sale Process described in the Doerksen Affidavit;
 - c) an Order approving of the engagement of a Financial Advisor for the purpose of conducting the Sale Process;
 - d) an Order providing for an Administration Charge in favour of the Proposal Trustee, counsel to the Proposal Trustee, counsel to the Debtor, and the Financial Advisor; and
 - e) an Order providing for a DIP Lenders' Charge and approving the DIP Loans, to provide interim financing for working capital purposes.

3. On September 6, 2017, the Proposal Trustee filed a Report of Trustee on Proposal, dated September 6, 2017 (the "**Trustee's First Report**") which referred to an initial cash-flow projection, attached as Exhibit 31 to the Doerksen Affidavit, and an updated statement of projected cash-flow, attached as Exhibit 32 to the Doerksen Affidavit, both prepared by the Proposal Trustee in conjunction with the Debtor.
4. The Debtor's Notice of Motion was heard before the Honourable Mr. Justice Dewar at 2:00 p.m. on September 7, 2017. At the hearing:
 - a) a further updated cash-flow statement prepared by the Proposal Trustee was provided to the Honourable Mr. Justice Dewar, with revisions to account for the impact of certain developments arising after the filing of the Doerksen Affidavit and the Trustee's First Report; and
 - b) counsel for the Debtor advised as to a material typographical error contained in Exhibit 3 to the Affidavit of Jonathan Doerksen Sworn September 6, 2017 (DIP Loan Supplemental Affidavit) (the "**DIP Loan Affidavit**").
5. At the conclusion of the hearing, the Court substantially granted the relief sought by the Debtor, as is particularized in the Order of the Honourable Mr. Justice Dewar signed September 11, 2017 (the "**Extension Order**") and Ordered the Proposal Trustee to file a supplemental report on the matters described in paragraph 4.a) and 4.b) hereof.

Purpose of Report

6. The purpose of this report is to comply with paragraph 20 of the Extension Order, and to provide the Proposal Trustee's comments on the further updated cash flow statement.

Restrictions

7. In preparing this report, conducting its analysis and making the comments herein, the Proposal Trustee has obtained and relied upon certain unaudited, draft and/or internal financial information of the Debtor, its books and records, discussions with management and other employees of the Debtor, and information from other sources. The Proposal Trustee has also been provided with and relied upon information provided by Jonathan Doerksen in his affidavits sworn September 5, 2017 (the "**Doerksen Affidavit**"), including the Exhibits thereto, and the DIP Loan Affidavit, including the Exhibits thereto, and has relied upon information provided by the Debtor's counsel, MLT Aikins LLP, and information otherwise available to the Proposal Trustee and its counsel, Fillmore Riley LLP (collectively, the "**Information**").
8. Except as otherwise described in this report:

- a) the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Professional Accountants Handbook; and
 - b) the Proposal Trustee has not conducted an examination or review of the financial forecast and projections in a manner that would comply with the procedures described in the aforesaid Handbook.
9. Future-oriented financial information referred to in this report is based on estimates and assumptions. Actual results may vary from forecast, even if the assumptions materialize, and such variations may be significant.
10. The Proposal Trustee also bases its report on the Debtor's cash flow projections and underlying assumptions and notes that its review and commentary thereon were performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals' Standards of professional Practice No. 99-5 (Trustee's Report on Cash Flow Statement). Certain of the information referred to in this report consists of financial forecasts and/or projections. Readers are cautioned that, since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, and such variations could be material.
11. The Trustee has prepared this report solely to update the record and other parties in relation to matters raised at the hearing of the Extension Motion on September 7, 2017.

Background Information

A. Update as to projected cash flow.

12. The updated statement of projected cash-flow, attached as Exhibit 32 to the Doerksen Affidavit was prepared based on the projected professional fees to be paid from cash flow of the Debtor for the period in question. At the time, it was contemplated that the Debtor would be seeking an Administration Charge in the amount of \$250,000.00, as described in the Trustee's First Report at paragraph 27, to provide security for the fees of the Debtor's legal and professional advisors, of PwC (the Financial Advisor), and of the Proposal Trustee and its counsel.
13. On September 6, 2017, the Proposal Trustee was advised by counsel for the Debtor that one or more of the DIP Lenders (BDC and BMO) required, as a condition of approving the contemplated DIP Loans, that the Administration Charge be reduced to

\$150,000.000. Counsel for the Debtor further advised that certain professionals whose fees were to be secured by the Administration Charge required that, in light of a reduced Administration Charge, they required that the Debtor bring current their outstanding accounts in the week of September 11, 2017 and that increased amounts be paid on a weekly basis out of current cash flow going forward, and that the Debtor was prepared to agree.

14. The Proposal Trustee therefore prepared a further updated cash-flow projection to account for the increased professional fees to be paid in the week of September 11, and thereafter, and this cash-flow projection was provided to the Court at the hearing of the Extension Motion. A copy of the further updated cash-flow projection is attached hereto as **Appendix "A"**. Further information about this projection is provided below.

B. Update as to typographical error.

15. At the Extension Motion, counsel for the Debtor alerted the Court to a material typographical error in the BMO DIP Letter of Agreement, being Exhibit 3 to the DIP Loan Affidavit, at page 4, line 5 under the section heading "**Security**".

16. In particular, the sentence misstated that the security to be provided to BMO to secure advances under the DIP Loan to be granted by BMO included, "\$14000,000.00 Personal Guarantee from DOUGLAS DOERKSEN, TIM KLASSEN & JONATHAN DOERKSEN", when the sentence should have stated, "\$1,400,000.00 Personal Guarantee from DOUGLAS DOERKSEN, TIM KLASSEN & JONATHAN DOERKSEN". A copy of the corrected BMO DIP Letter of Agreement, stating the correct amount of the personal guarantee, is attached hereto as **Appendix "B"**.

Recommendations

17. As set out in the further updated cash-flow projection (Appendix "A" hereto), significantly increased professional fees are payable by the Debtor in the week of September 11-15, 2017, and increased amounts are projected to be paid on account of Professional fees in each successive week through to the week of October 23-27, as compared with the updated cash-flow projection attached as Exhibit 32 to the Doerksen Affidavit.

18. Further, the increased payments for Professional fees results in less cash projected to be available to the Debtor for it to acquire trailer parts over the period of the extension, with a corresponding reduction in sales and projected cash receipts.

19. Moreover, the Proposal Trustee notes that the further updated cash-flow projection projects that the Debtor will exceed its \$3,500,000.00 authorized line of credit with the Bank of Montreal in or about the week of October 23-27, 2017, and that it will therefore

be out of money absent further accommodation from its lender or a fresh injection of working capital.

20. The Proposal Trustee is concerned about the impact of the increased payments of professional fees and the corresponding decrease in the Debtor's ability to use the proceeds of the DIP Loan to fund purchases for production during the extension period. The Proposal Trustee is also concerned with the projection that the Debtor will effectively run out of cash by the end of the extension, which could compromise the Debtor's ability to make a viable proposal at that time. That said, the Proposal Trustee continued to support the relief sought by the Debtor in the Extension Motion, and so advised the Court at the hearing of the Extension Motion. In continuing to make this recommendation, the Proposal Trustee has considered the following factors:

- a) the Proposal Trustee believes it to be reasonably likely that, prior to the week of October 23-27, 2017, the Sale Process will have either resulted in a concluded sale of Blenheim, or the execution of an agreement to sell Blenheim. In that regard, the Proposal Trustee believes it be likely that:
 - i. a concluded sale of Blenheim, would materially affect the Debtor's cash disbursements and receipts as compared with the further updated cash-flow projection, and may result in the Debtor's receipt of additional working capital, thus fundamentally altering (for the better) both the actual net cash flows for the week of October 23-27, 2017 and the projected cash position of the Debtor; or
 - ii. alternatively, the execution of an agreement to sell Blenheim, with a closing date to follow should create conditions whereby the DIP Lenders are prepared to further accommodate the Debtor pending the closing of a transaction to sell Blenheim.

In either case, the Proposal Trustee believes it to be reasonably likely that the extension will allow for conditions to arise whereby the Debtor does not run out of cash and is able to make a viable proposal to its creditors;

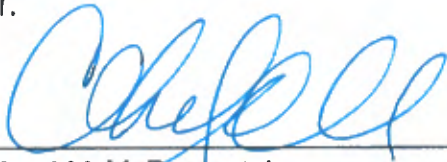
- b) in any event, while the further updated cash-flow projection is a reasonable projection of the Debtor's cash flow based on the reduced Administration Charge and the corresponding requirements for increased payments to professionals, the cash-flow projections are nonetheless a work in progress and the Proposal Trustee intends to work with the Debtor to seek ways to avoid the projected cash short-falls by the week of October 23-27, 2017, regardless of progress in the Blenheim Sale Process;

- c) the DIP Lenders remained prepared to advance the DIP Loans despite the further updated cash-flow projections and the DIP Lenders remained confident in the viability of the Sale Process; and
- d) the Proposal Trustee remains confident that the Debtor's ability to make a meaningful proposal to its creditors largely depends upon a reasonable conclusion to the Sale Process and that the creditors stand to materially benefit from a proposal following the sale of Blenheim.

DATED at the City of Winnipeg, in the Province of Manitoba, this 13th day of September, 2017.

LAZER GRANT INC. – Licensed Insolvency Trustee

Per:



300 – 309 McDermot Avenue
Winnipeg, MB R3A 1T3
Phone: 204-942-0300

A

5274398 MANITOBA LTD. O/A
 CROSS COUNTRY MANUFACTURING
 Statement of Projected Cashflow for the
 period of Sept 4, 2017 - Oct 27, 2017

	Notes	Sep 4-8	Sep 11-15	Sept 18-22	Sep 25-29	Oct 2-6	Oct 9-13	Oct 16-20	Oct 23-27
BMO LINE OF CREDIT	1	3,474,485	3,044,933	3,087,398	3,060,898	3,259,863	3,309,994	3,449,459	3,496,776
Cash Receipts									
Sales	3	503,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Rental, GST refunds and Scrap metal					25,000	5,000			5,000
BMO & BDC Additional Financing	2	250,000	250,000						
Total Cash Receipts		753,000	750,000	500,000	525,000	505,000	500,000	500,000	505,000
Cash Disbursements									
Old Account - SNC									
New Account - SNC				4,000				4,000	
Bank Fees									
BDC - interest only	4	22,500	22,500				22,500		
Plant Payroll Morden	5		100,000		100,000		100,000		100,000
Plant Payroll Blenheim	5		100,000		100,000		100,000		100,000
Office payroll Morden	5	18,000		18,000		18,000		18,000	
Office payroll Blenheim	5	10,000		10,000		10,000		10,000	
Health & Education Tax			7,000				7,000		
Source deductions current payroll	5		70,000		85,000	85,000		85,000	
Freight & Warehouse Expenses	6	15,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Suppliers - trailer parts	6	200,000	335,000	335,000	335,000	335,000	335,000	335,000	335,000
Vehicle lease payments			1,465		1,465		1,465		1,465
Insurance IFS & Intact		22,817						22,817	
Workers Compensation MB					15,000				
Provincial sales tax MB				4,000					4,000
Employee Benefits				15,000				15,000	
Hydro & Gas - Morden		10,000	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Hydro & Gas - Blenheim		10,000			15,000				20,000
Ontario Workers Compensation							16,000		
Telephone, internet and cells		2,700				2,700			2,700
Water & Sewage		500				500			500
RCAP - equipment lease		671				671			671
Blue Chip Server lease		760				760			760
Professional fees	7	10,500	113,000	60,000	60,000	60,000	30,000	30,000	30,000
Total Cash Disbursements		323,448	792,465	473,500	723,965	555,131	639,465	547,317	622,596
BANK OF MONTREAL - LINE OF CREDIT		3,044,933	3,087,398	3,060,898	3,259,863	3,309,994	3,449,459	3,496,776	3,614,372

Notes to the Statement of Projected Cashflow

- 1 The Bank of Montreal ("BMO") line of credit limit is \$3,500,000.
- 2 We have assumed BMO and BDC have each agreed to finance \$250,000 in new loans to assist the company during the restructuring.
- 3 Sales are based on management's best estimates of the quantity of units that can be produced with current inventory levels and the line of credit available. Trailers are completed and payment is generally received within 2-3 days of delivery.

Cross Country has been unable to source product from its premium suppliers due to insufficient cashflow. The NOI combined with the additional funding provided by BMO & BDC will permit Cross Country to return to buying from premium suppliers.
- 4 During the NOI period, the Business Development Bank of Canada will only receive interest payments on its loans.
- 5 Payroll has been calculated based on management's best estimate of the current staff complement and the hours being worked to complete production orders.
- 6 Suppliers - trailer parts & Freight costs are based on management's best estimates of the product needs of production, the ability to source from premium suppliers and the related additional freight costs to complete the transfer.

All purchases post NOI are being made on a COD basis including any purchases from related parties.
- 7 Professional fees of MLT Aikins, PWC and Lazer Grant Inc. are estimated based on the fees expected during the reporting period.

B

Letter of Agreement

BMO  Bank of Montreal

APPENDIX "B"

335 Main Street
Winnipeg, Manitoba
R3C 1G2

September 01, 2017

5274398 MANITOBA LTD.
2-418 SOUTH RAILWAY ST,
MORDEN, MANITOBA R6M 2G2

Attention: Jonathan Doerksen and Douglas Doerksen

LETTER OF AGREEMENT

Bank of Montreal ("BMO") is pleased to advise that it has authorized the following credit Facilities for **5274398 MANITOBA LTD.** (each, a "Facility" and collectively, the "Facilities") on the terms and conditions outlined in this Letter of Agreement. The Schedules listed below and attached form part of this Letter of Agreement.

Notwithstanding any other provision of this Letter of Agreement or in any applicable agreements, any Advance under any Facility hereunder will be made at BMO's sole discretion. Any unutilized portion of any Facility hereunder may be cancelled by BMO at any time without prior notice.

In this Letter of Agreement, certain capitalized terms are defined in Schedule A hereto. Please refer to Schedule A for the meaning of such terms.

Borrower(s): 5274398 MANITOBA LTD.
(the "Borrower")

Guarantor(s): DOUGLAS P. DOERKSEN, JONATHAN DOERKSEN, TIM KLASSEN,
(the "Guarantor(s)")

Total Facility Limit: The total approved amount of all facilities shall not exceed \$3,950,000.00 at any time.

Facility # 1	
Facility Authorization:	\$250,000.00
Type of Loan:	Demand Loan Non-Revolving
Purpose:	Working Capital
Interest Rate:	<p>Prime Rate plus 4%. Interest is calculated monthly in arrears, and payable monthly, on the last day of each month. The Prime Rate in effect as of September 01, 2017 is [2.95]%. Note: interest on Advances subject to the Prime Rate shall be calculated on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be.</p>
Repayments:	<p>Repayable on demand, provided that until demand is made by BMO: Interest paid monthly. Principle due in full on or before November 15, 2017 Any payments to be paid on a non-business day may, at BMO's discretion, be deemed to have been received on the next succeeding business day for purposes of calculating interest thereon.</p>
Currency:	CAD
Maximum Amortization:	3 months
Facility # 2	
Facility Authorization:	\$3,500,000.00
Type of Loan:	Operating Demand Loan
Purpose:	Operating Financing
Interest Rate:	<p>Prime Rate plus 2%. Interest is calculated monthly in arrears, and payable monthly on the last day of each month. The Prime Rate in effect as of September 01, 2017 is 2.95%. Note: interest on Advances subject to the Prime Rate shall be calculated on the basis of the actual number of days elapsed over a</p>

	year of 365 or 366 days, as the case may be.
Repayments:	Repayable on demand
Currency:	CAD
Facility Fee:	\$300.00 per month
Other Costs:	BMO is not obliged to permit the Advances under this Facility to exceed the Facility Authorization. In the event the Advances under this Facility exceeds the Facility Authorization, the excess will bear interest at the Overdraft Rate, which is currently 21% per annum. BMO shall also be entitled to charge the Borrower a fee of 1% calculated on the amount of excess over the Facility Authorization or \$100, whichever is greater and a \$5 overdraft handling charge per item that creates or increases the excess.
	Facility # 3
Type of Loan:	Settlement Risk Product
Purpose:	To facilitate the utilization of hedge, wire or electronic funds transfer products.
Availability:	Through BMO's Capital Market Treasury Desk
Terms, Conditions and Fees:	Subject to specific agreements. Subject to availability.

Conditions Precedent to Advances:

BMO will not be required to make any advance to the Borrower unless and until each of the conditions set out below and in Schedule C has been completed to BMO's satisfaction

1. Receipt of satisfactory legal opinions relating to all matters considered relevant by BMO including, without limitation, the due authorization, execution, delivery and enforceability of the Loan and Security documentation by and against the Borrower and each Guarantor, if any.
2. Receipt of all documents and legal opinions required by BMO with respect to the beneficial (true) owner of the Mortgaged Property and the charge of such interest delivered by such owner to BMO.
3. Receipt of satisfactory Environmental Review, Compliance Certificate and Indemnity for Mortgaged Property executed by the Borrower in favour of BMO [on file].
4. Receipt of satisfactory evidence of compliance with all applicable building and zoning by-laws and building and fire codes with regard to the use, occupancy and construction of Mortgaged Property.
5. Receipt of Municipal tax certificate confirming all property taxes have been paid to date on Mortgaged Property.
6. Receipt of satisfactory appraisal of 1 Solvay Drive, Blenheim, ON and 418 Railway Street, Morden, MB from an appraiser or agrologist satisfactory to BMO confirming a minimum market value of \$5,400,000 [ON FILE], together with a letter by the appraiser or agrologist addressed to BMO confirming that BMO may rely on the appraisal for financing purpose .

Covenants:

As long as any Advance remains outstanding under or in connection with this Letter of Agreement, or so long as this Letter of Agreement remains in effect, the Borrower and any Guarantor will perform and comply with the covenants set out in Schedule D.

Financial Covenants:

In addition, the Borrower and each Guarantor, as applicable, will perform and comply with the following financial covenants, based on financial statements of the Borrower or applicable Guarantor:

Maintain a Debt to Tangible Net Worth less than or equal to 2.5:1

$$\text{Debt to Tangible Net Worth} = \frac{\text{Debt}}{\text{TNW}}$$

Debt = (Long Term Debt + Short Term Debt + Current Maturities + Off Balance Sheet Liabilities)

TNW = Book Value of the shareholder's equity + loans from shareholders subordinated in favour of BMO - Intangibles

Intangibles = (goodwill + amounts due from officers and non-arm's-length entities + long term investments + leasehold improvements + future income tax + patents + other such assets classified as "Intangible" by BMO)

Maintain a Debt Service Coverage (DSC) ratio greater than or equal to 1.25:1

$$\text{DSC} = \frac{(\text{Net Income} + \text{Interest} + \text{Depreciation} + \text{Amortization})}{(\text{Current Portion of Long Term Debt} + \text{Interest} + \text{Non-Discretionary Dividend})}$$

Maintain a Current ratio greater than or equal to 1.25:1

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

1) D/TNW IS NO GREATER THAN 2.5:1 AS TESTED ANNUALLY AT YEAR END.

2) CURRENT RATIO TO REMAIN AT OR ABOVE 1.25:1 AS TESTED ANNUALLY AT YEAR END.

3) DEBT SERVICE COVERAGE IS TO REMAIN AT OR ABOVE 1.25X, AS TESTED ANNUALLY AT YEAR END.

Security:

Each of the following documents, instruments, agreements and other assurances (collectively, the "Security") shall be delivered to BMO prior to any advance of funds, in form and substance acceptable to BMO and its solicitors, acting reasonably:

1. Insurance on a "Fire and Extended Coverage" or "All Risks" basis must be arranged (with satisfactory evidence thereof delivered to BMO) satisfactory to BMO for the full insurable or replacement value with loss payable to BMO. The policy is to contain the Standard Mortgage Clause. A copy of the policy is to be provided
2. Assignment of all Inventory via Section 427 of the Bank Act
3. General Assignment of Book Debts over all Canadian and US domiciled receivables
4. \$1,000,000.00 Personal guarantee from DOUGLAS DOERKSEN, TIM KLASSEN & JONATHAN DOERKSEN
5. \$1,400,000.00 Personal guarantee from DOUGLAS DOERKSEN, TIM KLASSEN & JONATHAN DOERKSEN
6. Registered first-ranking [All Indebtedness/Collateral Mortgage,] in the amount of \$4,000,000.00 registered over [1 Solvay Drive, Blenheim, ON and 418 Railway Street, Morden, MB] (the "Mortgaged Property") with appropriate enabling resolutions and documentation
7. Title Insurance from [FCT Mortgage Loan Insurance] in respect of [1 Solvay Drive, Blenheim, ON and 418 Railway Street, Morden, MB] (the "Mortgaged Property") naming BMO as beneficiary
8. Registered General Security Agreement ("GSA")/Moveable Hypothec ("Hypothec") providing BMO with a security interest/hypothec over all present and after-acquired personal/movable property of the

Borrower with a First ranking for Inventory/Warehouse Receipts, Machinery and Equipment

Any other documents, instruments or agreements as may be required by BMO, acting reasonably

Reporting Requirements:

Annual	(MINIMUM REVIEW ENGAGEMENT) ACCOUNTANT PREPARED FINANCIAL STATEMENTS NO LATER THAN 120 DAYS POST YEAR-END. UPDATED PERSONAL FINANCIAL STATEMENTS FROM EACH OF THE GUARANTORS AT ANNUAL REVIEW.
Monthly	AGED ACCOUNTS RECEIVABLE AND PAYABLE LISTS, AS OF THE 25TH OF EVERY MONTH INVENTORY LIST ALONG WITH SIGNED LF151 IN HOUSE BALANCE SHEET, INCOME AND EXPENSE STATEMENT reflecting month over month and Year to Date values.

A \$50 per month fee will be applied for non compliance with reporting requirements. The application of this fee does not waive the default condition.

Prompt notification of management letters, default notices, litigation, and any other material events

Satisfactory evidence that all taxes (including, without limitation, GST, HST, sales tax, withholdings, etc.) have been paid to date

Representations and Warranties:

The Borrower and each Guarantor, as applicable, makes the representations and warranties set out in Schedule E. All representations and warranties of the Borrower and any Guarantor, in addition to any representation or warranty provided in any document executed in connection with a Facility or any Security, shall be true and correct on the date of this Letter of Agreement and on the date of any Advance under a Facility.

Events of Default:

Each of the events set out in Schedule F shall constitute an event of default in respect of this letter of agreement and each of the facilities. The inclusion of these events of default shall not in any way affect the right of BMO to make demand for payment at any time under any facility that is stated to be a demand facility.

Upon the occurrence of any Event of Default, in addition to any remedies available to BMO pursuant to the Security (i) BMO may accelerate the payment of principal and interest under, and cancel any undrawn portion of, any Facility, (ii) the ability of the Borrower to obtain further Advances under any Facility under this Letter of Agreement shall immediately terminate, (iii) BMO may, by written notice to the Borrower, declare the Advances outstanding under any Facility to be immediately due and payable, and (iv) BMO may review the pricing of any Facility. The rights of BMO on the occurrence of an Event of Default shall not limit any of its other rights under or in connection with this Letter of Agreement or any of the Facilities to terminate or demand payment of, or cancel or restrict the availability of any unutilized portion of, any demand or other discretionary Facility made available under this Letter of Agreement.

Other Fees:

A one-time fee ("Fee") of \$ 2500 is payable by the Borrower to BMO upon acceptance of this Letter of Agreement. This fee is deemed to be earned by BMO upon acceptance of this Letter of Agreement, to compensate for time, effort and expense incurred by BMO in authorizing these Facilities.

Credit renewal fees will be payable as advised by BMO annually

All fees payable under this Letter of Agreement shall be paid on the dates due, in immediately available funds, to BMO. Fees paid shall not be refundable except in the case of manifest error in the calculation of any fee payment.

Banking Services:

The Borrower shall maintain its bank accounts, solely with BMO.

Cash Management Services:

BMO will provide Non-Credit and Cash Management Banking Services to the Borrower. BMO's commercial On-Line Banking for Business platform (OLBB) will be implemented at a cost of \$20.00 per month upon opening of Current Account(s). BMO's Cash Management Specialist will contact the Borrower at the time of account opening to discuss optional Cash Management features such as Electronic Funds Transfer (EFT), Electronic Wire Payments and Deposit Edge Service. The BMO's objective is to provide a package of services that are tailored to meet both the current and future needs of the Borrower and that are provided in a cost efficient operating environment.

Governing Law:

Province or Territory of Manitoba and the federal laws of Canada applicable therein.

Schedules:

The following Schedules are attached to and form part of this letter of agreement:

- Schedule A – Definitions
- Schedule B – General Terms & Conditions
- Schedule C – Conditions Precedent to Advances
- Schedule D – Covenants
- Schedule E – Representations and Warranties
- Schedule F – Events of Default

BMO's Legal Counsel: [Pitblado LLP]

In accepting this Letter of Agreement you acknowledge that if, in the opinion of BMO, a material adverse change in risk occurs including, without limitation, any material adverse change in the financial condition, business, property or prospects of the Borrower or any Guarantor, the rights and remedies of BMO, or the ability of the Borrower or any Guarantor to perform its obligations to BMO, any obligation to advance some or all of the above Facilities may be withdrawn or cancelled.

Please indicate your acceptance of the terms and conditions hereof by signing and returning one copy of this Letter of Agreement (and making payment of the above noted fee, if applicable) to BMO no later than [12:00] p.m. (Central Standard) time) on September 7, 2017]. If your acceptance of this Letter of Agreement is not received by BMO by that date, BMO shall not be required to proceed with any of the Facilities.

Yours truly,
BANK OF MONTREAL

By: [Signature]
Name: RICK DONALD
Title: SAMU Account Manager

Accepted and agreed to this 6th day of September, 2017

BORROWER(S)

If signed by corporation or other entity (e.g. partnership):
5274398 MANITOBA LTD.
(Name of Entity)

By: [Signature]
Name: JONATHAN DOERKSEN
Title: PRESIDENT

By: [Signature]
Name: Douglas Doerksen
Title: TREASURER

GUARANTOR(S)

Witness [Signature]
Name BRUCE TAYLOR

[Signature]
Name: DOUGLAS P. DOERKSEN

Witness [Signature]
Name BRUCE TAYLOR

[Signature]
Name: JONATHAN DOERKSEN

Witness [Signature]
Name JO BURNELL

[Signature]
Name: TIM KLASSEN

SCHEDULE A - DEFINITIONS

Advances:	Each borrowing by the Borrower and any reference to the amount of Advances shall mean the aggregate principal amount of all outstanding Advances
Bankers' Acceptances	An instrument denominated in Canadian dollars, reflecting a discounted obligation to pay the face amount of such instrument at maturity. Bankers' Acceptances are drawn by the Borrower and accepted by BMO in accordance with this Letter of Agreement, and includes a "depository bill" within the meaning of the Depository Bills and Notes Act (Canada) and a bill of exchange within the meaning of the Bills of Exchange Act (Canada).
Business Day:	Any day that is not a Saturday, Sunday or other day on which BMO is authorized or required by applicable law in the applicable Province or Territory to remain closed.
Mortgaged Property	Includes the real/immovable property described in this Letter of Agreement and in any Mortgages/Hypothec, all appurtenances thereto and all estates and interests therein, and includes all buildings, plant, machinery, crops, erections and improvements, fixed or otherwise, present or future, built, grown, placed or put thereon including all fences, heating equipment, plumbing equipment, antennae, radiators, mirrors, air-conditioning equipment, ventilating equipment, fire alarm and protective systems, lighting and lighting fixtures, hay racks, barn fixtures, milking machine equipment, water tanks, pumps and windmills, water bows and pipes, feed boxes, litter carriers and tracks, mobile homes affixed to the real property, furnaces, boilers, oil burners, stokers, water heating equipment, cooking and refrigeration equipment, window blinds, floor coverings, storm windows, storm doors, window screens, door screens, shutters and awnings, all apparatus and equipment appurtenant thereto, and all other fixtures and accessions of any kind or nature.
Overdraft Rate	The annual rate of interest established from time to time by BMO as the interest rate it will use to calculate the interest payable on overdrawn accounts and designated by BMO as the "Overdraft Rate".
Prime Rate:	On any day, the annual rate of interest established by BMO and in effect on such day as the reference rate used to determine the rate of interest charged on Canadian dollar loans to commercial customers in Canada, and designated by BMO as its "Prime Rate".
US Base Rate	On any day, the annual rate of interest established by BMO and in effect on such day as the reference rate used to determine the rate of interest charged on U.S. dollar loans to commercial customers in Canada, and designated by BMO as its "US Base Rate".

SCHEDULE B - GENERAL TERMS AND CONDITIONS

Assignment:	This Letter of Agreement shall be binding upon and enure to the benefit of the parties and their respective successors and permitted assigns. The Borrower shall not assign any of its rights or obligations hereunder without the prior written consent of BMO. BMO may assign all or part of its rights or obligations under this Letter of Agreement or in respect of any Facility or any Security to any person.
Confidentiality:	The Borrower and each Guarantor agrees that, without the prior written consent of BMO, it shall not provide this Letter of Agreement to, nor discuss the terms and structure of this offering with, any party other than its employees, lawyers and financial advisors (but not commercial lenders). The Borrower and each Guarantor consents to the release of information provided to BMO in connection with this Letter of Agreement and the Facilities to BMO Financial Group business groups, affiliates and subsidiaries for the purpose of assisting BMO in supporting the Borrower with its strategic plans.
Conflicts:	All terms and conditions of BMO's usual and customary security documents and supporting documents shall be deemed to be incorporated in and form part of this commitment. In the event of any conflict or inconsistency between this Letter of Agreement and the terms of any security or supporting document given in connection with this Letter of Agreement, any Facility or the Security, the terms of the Security shall prevail.
Entire Agreement; Waivers; Severability; Amendments:	This Letter of Agreement supersedes and replaces all prior discussions, letters and agreements (if any) describing the terms and conditions of the facilities contained in this Letter of Agreement. This Letter of Agreement does not, however, serve to operate as a novation. To the extent necessary, BMO reserves all of its rights in respect of any security that has previously been granted to secure the obligations with respect to the Facilities. The failure of BMO to require performance by the Borrower or any Guarantor of any provision of this Letter of Agreement shall in no way affect the right thereafter to enforce such provision; nor shall the waiver by BMO of any breach of any covenant, condition or proviso of this Letter of Agreement be taken or held to be a waiver of any further breach of the same covenant, condition or proviso. If any provision of this Letter of Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision and the remainder of this Letter of Agreement shall continue in full force and effect. No change or modification of this Letter of Agreement is binding upon the parties unless it is in writing and signed by all parties.
Evidence of Debt:	The Borrower acknowledges that the actual recording of the amount of any advance or repayment under the Facilities, and interest, fees and other amounts due in connection with the Facilities, in the accounts of the Borrower maintained by BMO, shall constitute prima facie evidence of the Borrower's indebtedness and liability from time to time under this Letter of Agreement; provided that the obligation of the Borrower to pay or repay any indebtedness and liability in accordance with this Letter of Agreement shall not be affected by the failure of BMO to make such recording
Expenses:	All costs and expenses incurred by BMO in establishing, documenting and operating the Facilities (including, but not limited to, legal, appraisal and consulting fees and costs) and in connection with the enforcement of the loan documentation are for the account of the Borrower and the Borrower agrees to pay the same in full whether or not this transaction is completed as contemplated herein.
Increased Costs, Taxes, Risks, etc.	The Borrower will reimburse any costs BMO incurs in performing its obligations under the Facilities resulting from any change in law, including any reserve or special deposit requirement or any tax or capital requirement or any change in the compliance of BMO therewith, that has the effect of increasing the cost of funding to BMO or reducing the effective return on its capital. All loan repayments shall be

Indemnification	made free and clear of any present and future taxes, withholdings or any other deductions. Upon the occurrence of any event which is deemed, in BMO's sole discretion, to increase risk to BMO in respect of any Facility, BMO may review the pricing of any Facility. The Borrower and each Guarantor jointly and severally (solidarily) agree to indemnify BMO from and against any and all losses, claims, damages and liabilities arising from activities under or contemplated under this Letter of Agreement, any Facility or the Security other than those arising solely as a result of BMO's gross negligence or wilful misconduct.
Joint and Several:	Where more than one person is liable as Borrower or Guarantor for any obligation under or in connection with this Letter of Agreement, then the liability of each such person for such obligation is joint and several (solidary) with each other such person.
Judgment Currency:	If, for the purposes of obtaining judgment in any court in any jurisdiction with respect to this Letter of Agreement, it becomes necessary to convert into a particular currency (the "Judgment Currency") any amount due under this Letter of Agreement in any currency other than the Judgment Currency (the "Currency Due"), then conversion shall be made at the rate of exchange prevailing on the Business Day before the day on which judgment is given. For this purpose "rate of exchange" means the rate at which BMO is able, on the relevant date, to purchase the Currency Due with the Judgment Currency in accordance with its normal practice at its principal office in Toronto, Ontario. In the event that there is a change in the rate of exchange prevailing between the Business Day before the day on which the judgment is given and the date of receipt by BMO of the amount due, the Borrower will, on the date of receipt by BMO, pay such additional amounts, if any, or be entitled to receive reimbursement of such amount, if any, as may be necessary to ensure that the amount received by BMO on such date is the amount in the Judgment Currency which when converted at the rate of exchange prevailing on the date of receipt by BMO is the amount then due under this Letter of Agreement in the Currency Due. If the amount of the Currency Due which BMO is so able to purchase is less than the amount of the Currency Due originally due to it, the Borrower and each Guarantor jointly and severally (solidarily) agree to indemnify BMO from and against any and all loss or damage arising as a result of such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in this Letter of Agreement, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by BMO from time to time and shall continue in full force and effect notwithstanding any judgment or order in respect of an amount due under this Letter of Agreement or under any judgment or order.
Language:	It is the express wish of the parties that this agreement and any related documents be drawn up and executed in English. Les parties conviennent que la présente convention et tous les documents s'y rattachant soient rédigés et signés en anglais.
Notice provision:	Any notice or other communication required or permitted to be given to a party under this Letter of Agreement shall be in writing and may be delivered personally or sent by mail to (i) the address for BMO provided on the first page of this Letter of Agreement, if sent to BMO, (ii) the address for the Borrower provided on the first page of this Letter of Agreement, if sent to the Borrower, and (iii) the address for a Guarantor contained in BMO's records, if sent to a Guarantor. A notice or other communication delivered personally shall be deemed received when delivered to the receiving party, if delivered on a Business Day, and on the next Business Day following otherwise, and a notice or other communication delivered by mail shall be deemed received on the fifth Business Day after sending.
Review:	BMO retains the right to review the Facilities at any time and at least annually.

SCHEDULE C - CONDITIONS PRECEDENT TO ADVANCES

1. Evidence of corporate (or other) status and authority
2. Completion and registration (as applicable) of all Security (defined herein) and other supporting documents
3. Completion of all facility documentation and account agreements and authorities, as applicable
4. Compliance with all representations and warranties contained herein
5. Compliance with all covenants (financial and non financial) contained herein
6. No Event of Default (defined herein) shall have occurred and be continuing
7. Compliance with all laws (including environmental)
8. Payment of all fees and expenses
9. Receipt of all necessary material governmental, regulatory and other third party approvals including environmental approvals and certificates
10. Satisfactory due diligence (including, without limitation, anti-money laundering, proceeds of crime and "know your customer" requirements and procedures, environmental and insurance due diligence)
11. Repayment of all existing indebtedness (excluding permitted indebtedness), as applicable
12. Satisfactory review by BMO (or, at BMO's option and the Borrower's expense, an insurance consultant) of insurance policies issued to the Borrower(s) and/or the Guarantor(s) and compliance with any changes required to satisfy BMO's insurance requirements
13. Disclosure of all material contingent obligations
14. Confirmation that no shares of the Borrower held by the principal shareholders have been pledged as security for any financial or other indebtedness
15. Corporate taxes of the Borrower and corporate/personal taxes of the Guarantor(s) are to be confirmed current and up-to-date
16. Satisfactory evidence that all other taxes payable by the Borrower and Guarantor(s) (including, without limitation, GST, HST, sales tax, and withholdings) have been paid to date
17. No material judgments or material legal action initiated against the Borrower and/or any Guarantor(s)
18. Any other document or action which BMO may reasonably require

SCHEDULE D - COVENANTS

1. Payment of all indebtedness due in connection with this Letter of Agreement or any Facility
2. Maintenance of corporate existence and status, if applicable
3. Payment of all taxes when due (including, without limitation, corporate, GST, HST, sales tax and withholdings)
4. Compliance with all laws, regulations and applicable permits or approvals (including health, safety and employment standards, labour codes and environmental laws)
5. Compliance with all material agreements
6. Maintenance of property and assets in good working condition
7. Use of proceeds to be consistent with the approved purpose
8. Notices of death of Borrower or Guarantor, default, material litigation, and regulatory proceedings to be provided to BMO on a timely basis
9. Access by BMO to books and records; BMO to have right to inspect property to which its security applies
10. No assumption of additional indebtedness or guarantee obligations by Borrower without prior written consent of BMO
11. No liens or encumbrances on any assets except with the prior written consent of BMO
12. No change of control or ownership without the prior written consent of BMO
13. No disposition of property or assets (except in the ordinary course of business) without the prior written consent of BMO
14. No material acquisitions, hostile takeovers, mergers or amalgamations without BMO's prior written approval
15. The Borrower will not, without the BMO's prior written consent, enter into any material lease or amend any material lease.
16. The Borrower will not, without the BMO's prior written consent, request or accept any prepayments of rent pursuant to any Lease except for the last month's rent

SCHEDULE E - REPRESENTATIONS AND WARRANTIES

1. It has the corporate status, power and authority to enter into this Letter of Agreement and any agreement executed in connection with a Facility or any Security to which it is a party, and to perform its obligations hereunder and thereunder
2. It is in compliance with all applicable laws (including environmental laws) and its existing agreements
3. Except as otherwise disclosed to BMO in writing, no consent or approval of, registration or filing with, or any other action by, any governmental authority is required in connection with the execution, delivery and performance by it of this Letter of Agreement and any agreement executed in connection with a Facility or any Security to which it is a party
4. All factual information that has been provided to BMO for purposes of or in connection with this Letter of Agreement or any transaction contemplated herein is true and complete in all material respects on the date as of which such information is dated or certified
5. No event, development or circumstance has occurred that has had or could reasonably be expected to have a material adverse effect on the business, assets, operations or condition, financial or otherwise, of the Borrower or any Guarantor
6. There is no material litigation pending against it or, to its knowledge, threatened against or affecting it
7. It has timely filed or caused to be filed all required tax returns and reports and has paid or caused to be paid all required taxes
8. It has good and marketable title to its properties and assets including ownership of and/or sufficient rights in any material intellectual property.
9. It has complied with all obligations in connection with any pension plan which it has sponsored, administered or contributed to, or is required to contribute to including, without limitation, registration in accordance with applicable laws, timely payment of all required contributions or premiums, and performance of all fiduciary and administration obligations
10. It maintains insurance policies and coverage that provides sufficient insurance coverage in at least such amounts and against at least such risks as are usually insured against in the same general area by persons in the same or a similar business
11. It is not in default nor has any event or circumstance occurred which, but for the passage of time or the giving of notice, or both, would constitute a default under any loan, credit or security agreement, or under any material instrument or agreement, to which it is a party

SCHEDULE F - EVENTS OF DEFAULT

1. Failure to pay any interest, principal, fees or other amounts due in connection with this Letter of Agreement or any of the Facilities
2. Breach by the Borrower or any Guarantor of any covenant or agreement under or in connection with this Letter of Agreement or any of the Facilities
3. The occurrence of an event of default under any document executed in connection with a Facility or any of the Security
4. Inaccurate or false representations or warranties made by the Borrower or any Guarantor under or in connection with this Letter of Agreement
5. The Letter of Agreement or any document executed in connection therewith or in connection with a Facility or the Security is repudiated by the Borrower or any Guarantor or is no longer in force and effect
6. The Borrower or any Guarantor (i) becomes insolvent, (ii) is unable generally to pay its debts as they become due, (iii) makes a proposal in bankruptcy or files a notice of intention to make such a proposal, (iv) makes an assignment in bankruptcy, (v) brings a court action to have itself declared insolvent or bankrupt, or another person brings an action for such a declaration, or (vi) defaults under any payment obligation to another creditor or breaches any agreement with another creditor in respect of a payment obligation
7. A material adverse change occurs in the financial condition, business, property or prospects of the Borrower or any Guarantor, as determined by BMO
8. Death of Borrower or any Guarantor, if such Borrower or Guarantor is an individual.
9. Change of ownership or control occurs without BMO's prior consent
10. A material judgment is made against the Borrower or any Guarantor by any court of competent jurisdiction and such judgment is not either (i) actively and diligently appealed and execution thereof stayed, or (ii) paid or otherwise satisfied, in each case within 30 days of the rendering of such judgment

Date

C0003 WINNIPEG MAIN OFFICE MAN 335 MAIN ST WINNIPEG, MB R3C1C2
Branch

On demand I promise to pay to the order of Bank of Montreal the sum of Two hundred fifty thousand 00/100 Dollars and to pay interest Monthly at a rate of 4.00 per cent per annum above the Bank of Montreal's prime interest rate per annum in effect from time to time, up to and after maturity, compounded monthly from the due date of such interest until actual payment at the above mentioned branch of the Bank of Montreal. At the date of this note such prime interest rate per annum is 2.95 per cent. Value received.

FOR INTERNAL BANK USE ONLY

Credit Deposit Account No.	Loan Account No.	Initials
2610-1028-518		

5274398 MANITOBA LTD.

Jonathan Doerksen
Authorized Signatory

Douglas Doerksen
Authorized Signatory