

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

B E T W E E N:

LIQUID CAPITAL EXCHANGE CORP.

Applicant

and

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

Respondents

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

RESPONDING MOTION RECORD OF THE RESPONDENT, REUBEN BYRD

January 10, 2022

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Tab 1

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AFFIDAVIT OF REUBEN BYRD

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

1. I am the former consultant and acting CEO and COO of each of 1635536 Ontario Inc. o/a Versitec Marine & Industrial ("**Versitec Canada**") and Versitec Marine USA Inc. ("**Versitec USA**" and together with Versitec Canada, "**Versitec**"), and as such I have personal knowledge of the facts related herein. Where I do not have personal knowledge of such facts, I have indicated the source of my information, and I believe such facts to be true.
2. I am swearing this affidavit in response to a motion brought by the Applicant, Liquid Capital Exchange Corp. ("**LCX**") seeking judgment against me in respect of my

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

My Background

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

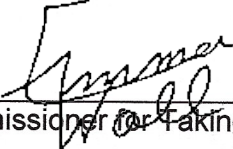
21. On Friday, November 19, 2021, I received a copy of the record for the pending motion seeking judgment on the debt against me personally only a couple of business days later, on Wednesday, November 24, 2021. I am advised by Mr. Jackson that his office was consulted about the scheduling of a motion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

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

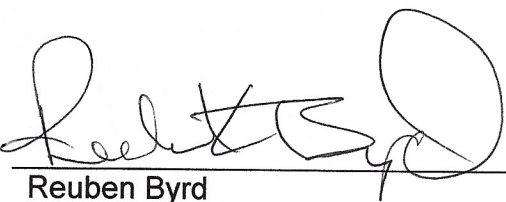
23. The record filed by LCX in support of its motion for judgment against me still does not provide an accounting in respect of the alleged debt, much less an accounting with supporting documentation that addresses LCX's failure to remit the Reserves or the Unfactored Receivable Payments.

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

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


 Commissioner for Taking Affidavits

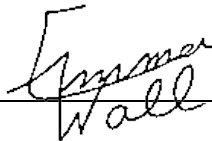
Emma Janine Wall, a Commissioner etc.,
 Province of Ontario, while a Student-At-Law.
 Expires July 14, 2023.


 Reuben Byrd

A

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

Affirmed before me on this 7th day of January 2022

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

Commissioner for Taking Affidavits (or as may be)

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



PURCHASE AND SALE AGREEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(j) The dissolution of Seller.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23. **Miscellaneous**.

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

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

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

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

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

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

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

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

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

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

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

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


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

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


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

SELLER

1635536 ONTARIO INC.

By: 
Name: David Taylor
Title: President

VERSITEC MARINE USA INC.

By: 
Name: David Taylor
Title: President

Executed June 21, 2017

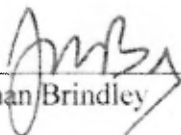
PROVINCE OF ONTARIO, CANADA

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

Notary Public

FACTOR

LIQUID CAPITAL EXCHANGE CORP.

By:  _____
Jonathan Brindley

Executed June 21, 2017



Discount Rate Schedule

Schedule 1

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

DT
MB

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

Attention: Accounts Payable Department

Subject: Payment of Account

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

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

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

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

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

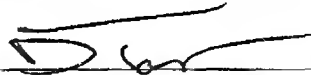
We appreciate our business relationship. Please be assured that the assignment to LCX of your accounts will not disrupt our continued relationship. If you have any questions concerning these matters, please call me directly at 905-834-5566 or Adam Flomen of LCX at 416-222-5599.

Sincerely,

Acknowledged this ___ day of _____, 201__.

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

per:



(authorized signing officer)

(authorized signing officer)

Name: David Taylor
Title: President

Name:
Title:
Telephone #:

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

Attention: Accounts Payable Department

Subject: Payment of Account

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

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

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

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

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

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

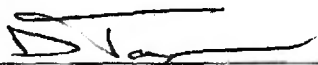
Sincerely,

Acknowledged this ___ day of _____, 201__.

Versitec Marine USA Inc.

per:

per:



(authorized signing officer)

(authorized signing officer)

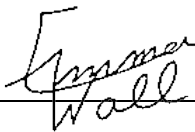
Name: David Taylor
Title: President

Name:
Title:
Telephone #:

B

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

Affirmed before me on this 7th day of January 2022

A handwritten signature in cursive script, reading "Emma Janine Wall". The signature is written in black ink and is positioned above a horizontal line.

Commissioner for Taking Affidavits (or as may be)

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

FORBEARANCE AGREEMENT

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

AMONG:

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

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

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

OF THE FIRST PART;

-and-

VERSITEC MARINE USA INC.

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

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

OF THE SECOND PART;

- and -

REUBEN KARY BYRD, of

Boca Raton, Florida

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

OF THE THIRD PART;

- and -

DAVID TAYLOR, of

Port Colborne, Ontario

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

OF THE FOURTH PART;

-and-

VERSITEC MARINE HOLDINGS INC.

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

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

OF THE FIFTH PART;

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-and -

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

(hereinafter called "Liquid Capital")

OF THE SIXTH PART

1. **INDEBTEDNESS OF THE BORROWER**

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

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

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

A. **FACILITY INDEBTEDNESS – CANADIAN DOLLARS**

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

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

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

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

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

C. **SECURITY GRANTED BY BORROWER**

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

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

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

E. **DEFAULT**

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

F. **FORBEARANCE**

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

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

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

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

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

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

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

3. **ACKNOWLEDGMENTS**

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

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

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

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

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

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

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

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

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

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5. COVENANTS

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

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

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

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

6. GUARANTOR ACKNOWLEDGEMENT

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

7. DELIVERY OF DOCUMENTS

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

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

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

Receiver Application

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

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

9. **EVENTS OF DEFAULT**

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

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

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

10. **TOLLING ARRANGEMENTS**

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

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11. **ENFORCEMENT**

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

12. **CREDIT ENQUIRIES**

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

13. **NO CLAIMS AGAINST LIQUID CAPITAL**

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

- 14 -

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

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

14. **SURVIVAL OF REPRESENTATIONS AND WARRANTIES**

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

15. **NOTICE**

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

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

Versitec Marine USA Inc.

- 15 -

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

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

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

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

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

16. TIME OF THE ESSENCE

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

17. FURTHER ASSURANCES

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

18. LAWS OF ONTARIO

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

- 16 -

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

19. GENERAL

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

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

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

20. LEGAL ADVICE

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

21. COUNTERPART

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

22. SUCCESSORS AND ASSIGNS

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

23. ENTIRE AGREEMENT

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

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

1635536 ONTARIO INC.

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

VERSITEC MARINE USA INC.

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

VERSITEC MARINE HOLDING INC.

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

[Signature]
Witness

[Signature]
DAVID TAYLOR

Witness

REUBEN BYRD

LIQUID CAPITAL EXCHANGE CORP.

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

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

1635536 ONTARIO INC.

Per: [Signature]
Name: Reuben K Byrd
Title: CEO
I have the authority to bind the corporation

VERSITEC MARINE USA INC.

Per: [Signature]
Name: Reuben K Byrd
Title: CEO
I have the authority to bind the corporation

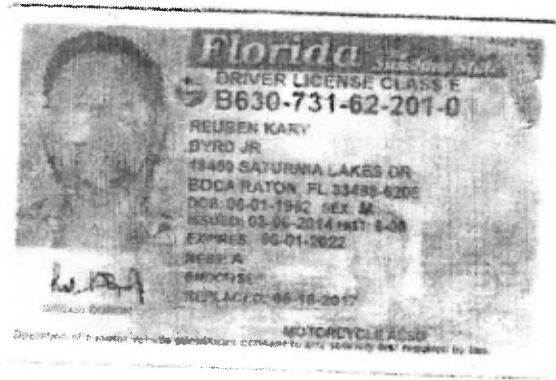
VERSITEC MARINE HOLDING INC.

Per: [Signature]
Name: Reuben K Byrd
Title: CEO
I have the authority to bind the corporation

Witness

Witness

DAVID TAYLOR
[Signature]
REUBEN BYRD



LIQUID CAPITAL EXCHANGE CORP.

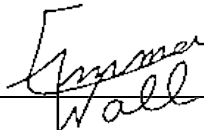
Per: [Signature]
Name: S. BAINBRUN
Title:
I have the authority to bind the corporation

[Signature]

C

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

Affirmed before me on this 7th day of January 2022

A handwritten signature in black ink, appearing to read "Emma Wall". The signature is written in a cursive style with a large initial "E".

Commissioner for Taking Affidavits (or as may be)

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

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

March 29, 2021

SENT VIA U.S. MAIL AND EMAIL

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

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

Dear Mr. Swergold:

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

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

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

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

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

Yours very truly,

Kevin R. Jackson, Esquire
For the Firm

cc: client

LIQUID CAPITAL EXCHANGE CORP.
Applicant

-and-
1635536 ONTARIO INC. et al
Respondents
Court File No. CV-20-00637427-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
Toronto

AFFIDAVIT OF JOHN HOWARD DEANE MORGAN

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

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

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

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

Lawyers for the Respondent, Reuben Byrd

Tab 2

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

BETWEEN:

LIQUID CAPITAL EXCHANGE CORP.

Applicant

and

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

Respondents

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

AFFIDAVIT OF JOHN HOWARD DEANE MORGAN

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

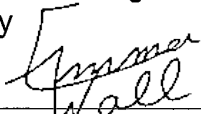
10. In or about February 2021, in light of a series of disagreements between MPI and LCX, MPI brought a motion seeking its substitution, and in connection with that motion it filed the First Report. The First Report expressly states that its purpose was “to summarize and seek approval of limited activities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

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

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

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

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



Commissioner for Taking Affidavits



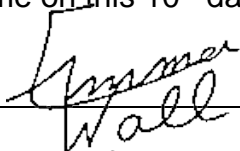
John Howard Deane Morgan

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

A

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

Affirmed before me on this 10th day of January 2022

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

Commissioner for Taking Affidavits (or as may be)

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

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

1. Brian Strutt a bankrupt solicitor

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

2. Allaird , a bankrupt

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

3. Czmerik bankruptcy/ McGregor Marine insolvency

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

4. Earl vs Earl matrimonial proceeding

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

5. Linda Belfry Economic loss award

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

6. R vs Therrein

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

7. Fontana, a bankrupt

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

8. Northern Overhead Doors, a bankrupt corporation

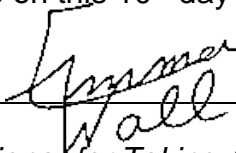
was qualified in June 2013 in Superior Court of Justice as an expert witness in both Insolvency and
accounting of a bankrupt company and its shareholders of defrauding a supplier of inventory exceeding
\$300,000.00
Court found the company and the sister company guilty of Fraud under the Criminal Code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

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

B

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

Affirmed before me on this 10th day of January 2022

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

Commissioner for Taking Affidavits (or as may be)

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

BETWEEN:

LIQUID CAPITAL EXCHANGE CORP

Applicant

-and-

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

Respondents

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

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

February 5, 2021

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

Tel: 705-739-7003

Fax: 705-739-7119

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

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INDEX OF EXHIBITS

1. Receivership Order dated March 9, 2020;
2. Form 87, Notice of Statement of the Receiver, s. 245(1), 246(1), BIA;
3. State of Delaware, Annual Franchise Tax Report;
4. Memorandum of Operations, dated March 31, 2020;
5. Management Consulting Agreement dated April 29, 2020;
6. Mold Inventory Listing, Procim Inc.
7. Letter to Customers, dated March 31, 2020;
8. Canada Revenue Agency online account statement, tax year balances;
9. First Vancouver v Canada (Minister of National Revenue – M.N.R.), [2002] 2 S.C.R. 720
10. Factored Receivables analysis;
11. Conneaut Creek Ship Repair, Inc. action – Amended Complaint;
12. Conneaut Creek Settlement Agreement;
13. Carpenter/Swindell Statements of Claim;
14. Receiver’s communications re: Pranab Dhar;

INTRODUCTION

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

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

RECEIVERSHIP ORDER

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

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

- a) demands and notices of intention to enforce security had been issued and delivered by LCX to Versitec;
- b) Versitec was in default of its obligations to LCX;
- c) Versitec had entered into a Forbearance Agreement with LCX, which agreement had expired without repayment to LCX in full as required;

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

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

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

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

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

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

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

STABILIZATION AND CONTROL OF OPERATIONS

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

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

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

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

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

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

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

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

PORT COLBORNE FACILITY/OPERATIONS

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

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

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

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

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

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

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

BANKING PROCESS

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

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

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

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

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

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

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

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

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

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

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

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

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

CANADA REVENUE AGENCY

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

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

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

GENERAL SECURED CREDITORS

37. Versitec's general secured creditors are:

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

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

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

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

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

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

OTHER SECURED CREDITORS

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

OUTSTANDING LITIGATION

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

CONNEAUT CREEK SHIP REPAIR, INC.

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

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

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

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

CARPENTER/SWINDELL LITIGATION

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

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

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

PRANAB DHAR

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

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

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

REVIEW OF AMOUNTS OWED TO LCX

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

COMPLIANCE WITH CRA OBLIGATIONS

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

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

CURRENT STATUS

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

APPROVAL OF RECEIVERSHIP ACTIVITIES; SUBSTITUTION OF RECEIVER

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

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

ALL OF WHICH IS RESPECTFULLY REPORTED

Date: February 5 , 2021

MORGAN & PARTNERS INC.

Per: 

Name John H. R. Morgan

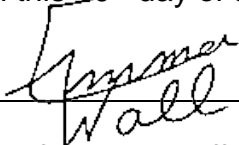
Title: President

I/We have the authority to bind the corporation

C

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

Affirmed before me on this 10th day of January 2022

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

Commissioner for Taking Affidavits (or as may be)

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

MORGAN & PARTNERS INC.

LICENSED INSOLVENCY TRUSTEE

January 8, 2022

Privileged and Confidential

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

Attention : Massimo(Max) Starinino ,Partner

Dear Mr. Mr. Starinino

Re : Byrd ats LCX

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

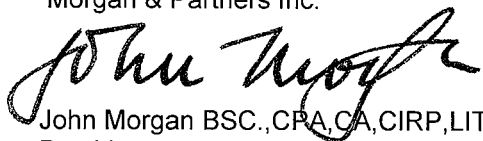
Based on my review as between Versitec and Liquid Capital Exchange (“LCX”) I have determined as stated in my report giving regards to the assumptions stated in my report that Versitec is not indebted to LCX. To the contrary ,LCX is indebted to Versitec on a net basis.

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

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

Yours sincerely

Morgan & Partners Inc.



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

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

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

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

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

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

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

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3.	B	Forebearance Agreement April 25, 2019
4.	C	E-Mail to Jonathan Brindley
5.	D	October 27, 2020 Flow Chart
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7	F	Analysis of 1635536 Ontario Inc CDN\$ A/C 4822
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9.	H	Versitec Marine USA Inc A/C 4820U

Report on the Versitec Group of Companies

Assignment

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

Summary Conclusion

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

Assumptions

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

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

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

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

Procedures followed by MPI

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

- Where necessary, MPI consulted Versitec's management (Mr. Brian Gunning former acting CFO Controller of Versitec) and obtained additional detail with respect to the information found in foregoing records.
 - MPI reviewed all files for factored invoices to ensure the invoice was supported by the appropriate documentation within the file (i.e., purchase orders, customer orders, expected delivery time, invoice creation, any specific design requirements, etc.)
 - MPI reviewed a copy of the Agreement of Purchase and Sale of Factored Accounts Receivable dated June 21, 2017, attached as **Appendix A** (the "APS"), and, subsequently, a Forbearance Agreement made April 25, 2019 attached as **Appendix B** (the "Forbearance Agreement"), which together governed the factoring relationship between Versitec and LCX.
 - MPI reviewed and verified Versitec's analysis of each of its accounts during the forbearance agreement time frame against source documentation (funding sheets, wire transfers and banking receipts).
2. MPI gathered information from LCX.
- In respect of each of the three Versitec accounts, MPI received the following information from LCX:
 - An executive summary of the account positions
 - A Charge Back summary
 - A detail of client activity
 - A summary of penalties for misdirected funds
 - A summary of each outstanding A/R factored in the denomination of funding
3. MPI reconciled Versitec's records with LCX's Information.
- Total Invoices / Total Receipts
- Compared the total of factored Accounts Receivable ("A/R") to the same amount in the MPI summary sheet.
 - Identified any differences and concluded if the differences were reasonable.
 - Compared all the receipts received both from factored invoices, non factored invoices and fund claw backs.
 - Reviewed escrow hold back calculation in total as between the two sources of information to identify if the calculations were in accordance with the APS and the Forbearance Agreement.
 - Completed a summary for each account.
4. MPI analyzed the Charge Backs applied by LCX to Versitec's accounts.
- From the LCX summaries and client activity MPI compared the Charge Back analysis by receivable factored to see if the invoice was paid or not.

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

Discussion and Analysis

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

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

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

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

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

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

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

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

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

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

Summary of Accounts Receivable and Reserve

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

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

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

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

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

APPENDIX A



PURCHASE AND SALE AGREEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(j) The dissolution of Seller.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23. **Miscellaneous.**

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

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

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

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

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

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

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

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

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

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

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

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

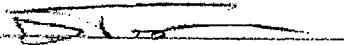
24. **Paragraph Headings.** The paragraph headings contained in this Agreement are for convenience only and shall in no way enlarge or limit the scope of meaning of the paragraphs hereof.

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

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

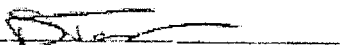
SELLER

1635536 ONTARIO INC.

By: 
Name: David Taylor
Title: President

Executed June 21, 2017

VERSITEC MARINE USA INC.

By: 
Name: David Taylor
Title: President

APPENDIX B

FORBEARANCE AGREEMENT

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

AMONG:

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

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

(a borrower hereinafter individually called "**Versitec Canada**")
OF THE FIRST PART;

-and-

VERSITEC MARINE USA INC.

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

(a guarantor hereinafter individually called "**Versitec USA**" and collectively with Versitec Canada as the "**Borrowers**")
OF THE SECOND PART;

- and -

REUBEN KARY BYRD, of
Boca Raton, Florida

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

OF THE THIRD PART;

- and -

DAVID TAYLOR, of
Port Colborne, Ontario

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

OF THE FOURTH PART;

-and-

VERSITEC MARINE HOLDINGS INC.

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

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

OF THE FIFTH PART;

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-and -

LIQUID CAPITAL EXCHANGE CORP.

5734 Yonge Street, Suite 400

Toronto, ON M2M 4E7

(hereinafter called "Liquid Capital")

OF THE SIXTH PART

1. **INDEBTEDNESS OF THE BORROWER**

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

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

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

A. **FACILITY INDEBTEDNESS – CANADIAN DOLLARS**

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

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

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

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

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

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C. **SECURITY GRANTED BY BORROWER**

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

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

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

E. **DEFAULT**

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

F. **FORBEARANCE**

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

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

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

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

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

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

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

3. **ACKNOWLEDGMENTS**

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

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

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

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

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

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

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

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

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

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5. COVENANTS

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

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

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

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

6. GUARANTOR ACKNOWLEDGEMENT

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

7. DELIVERY OF DOCUMENTS

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

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

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

Receiver Application

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

- 11 -

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

9. **EVENTS OF DEFAULT**

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

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

- 12 -

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

10. **TOLLING ARRANGEMENTS**

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

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11. ENFORCEMENT

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

12. CREDIT ENQUIRIES

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

13. NO CLAIMS AGAINST LIQUID CAPITAL

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

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

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

14. **SURVIVAL OF REPRESENTATIONS AND WARRANTIES**

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

15. **NOTICE**

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

163536 Ontario Inc.
4 Stonebridge Drive, Unit 4
Port Colborne, Ontario L3K 5V4
Attention: David Taylor

Versitec Marine USA Inc.

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

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

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

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

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

16. TIME OF THE ESSENCE

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

17. FURTHER ASSURANCES

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

18. LAWS OF ONTARIO

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

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

19. **GENERAL**

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

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

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

20. **LEGAL ADVICE**

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

21. **COUNTERPART**

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

22. **SUCCESSORS AND ASSIGNS**

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

23. **ENTIRE AGREEMENT**

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

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

1635536 ONTARIO INC.

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

VERSITEC MARINE USA INC.

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

VERSITEC MARINE HOLDING INC.

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

[Signature]
Witness

[Signature]
DAVID TAYLOR

Witness

REUBEN BYRD

LIQUID CAPITAL EXCHANGE CORP.

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

APPENDIX C

John Morgan

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

Good day Jonathan

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

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

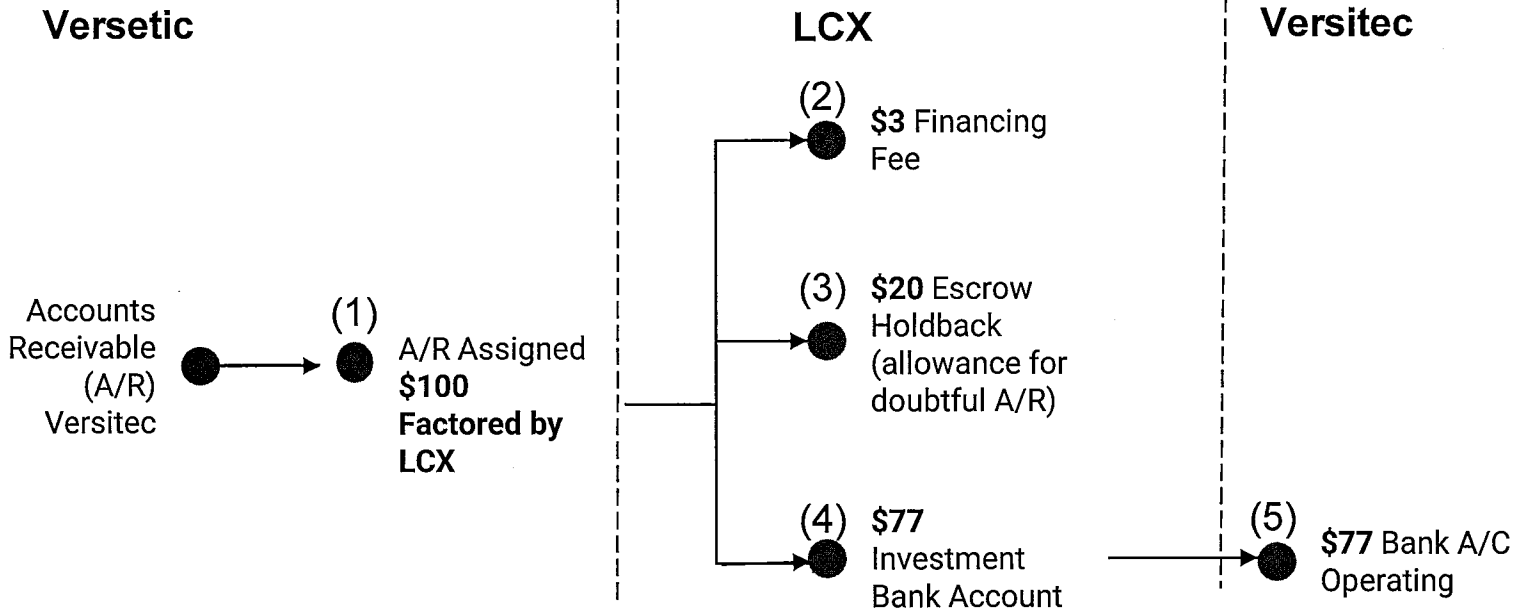
MORGAN & PARTNERS INC.

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

www.morgantrustees.com

APPENDIX D

I
Funding Under The Factoring Agreement

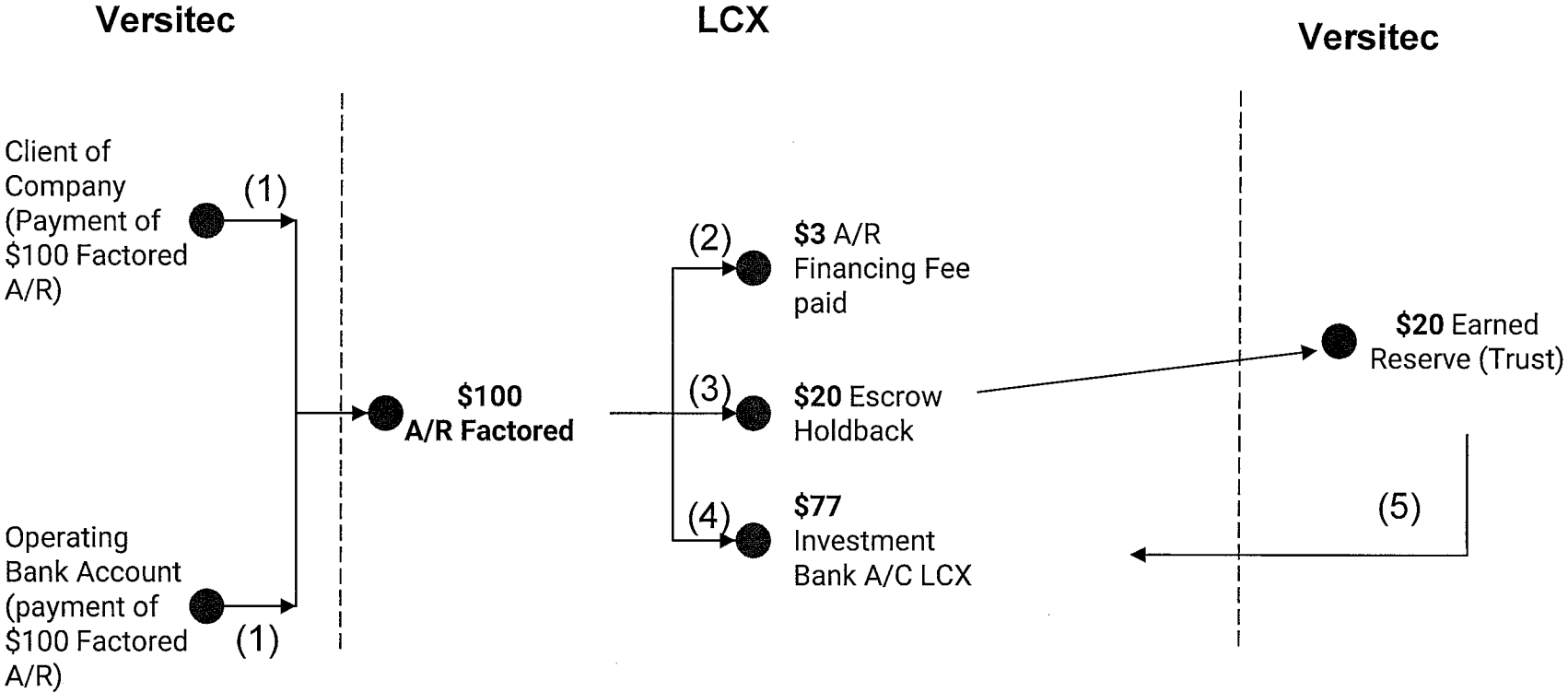


I
Funding Under The Factoring Agreement

Notes:

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

II
Payment of 100% Accounts Receivable



II
Payment of 100% Accounts Receivable

Notes:

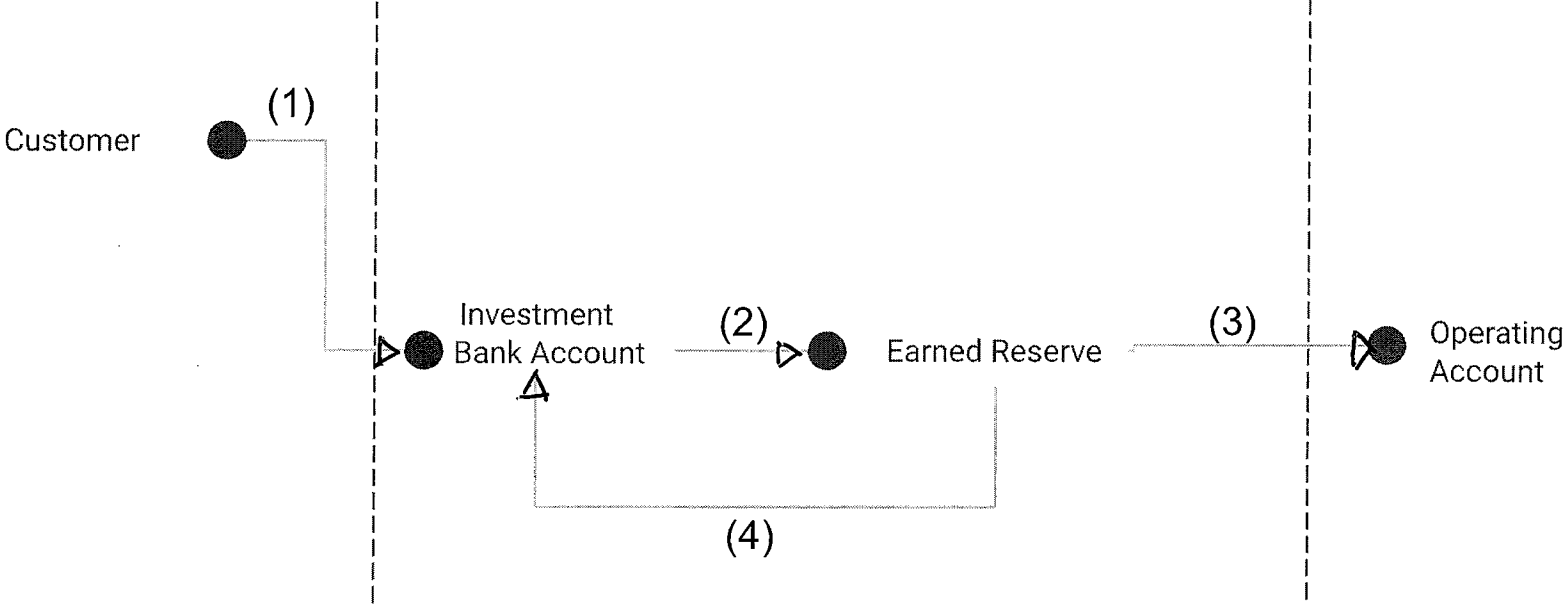
- (1) Received \$100 face value of assigned A/R
- (2) - (4) Records paid recovery of financing fee & establishes trust account for Versitec
- (4) LCX recovers initial payment of \$77
- (5) Earned Reserve held in Investment Bank a/c of LCX on behalf of Versitec

III
Receipts Paid to LCX not on Factored A/R

Versitec

LCX

Versitec



III
Receipts Paid to LCX not on Factored A/R

Notes:

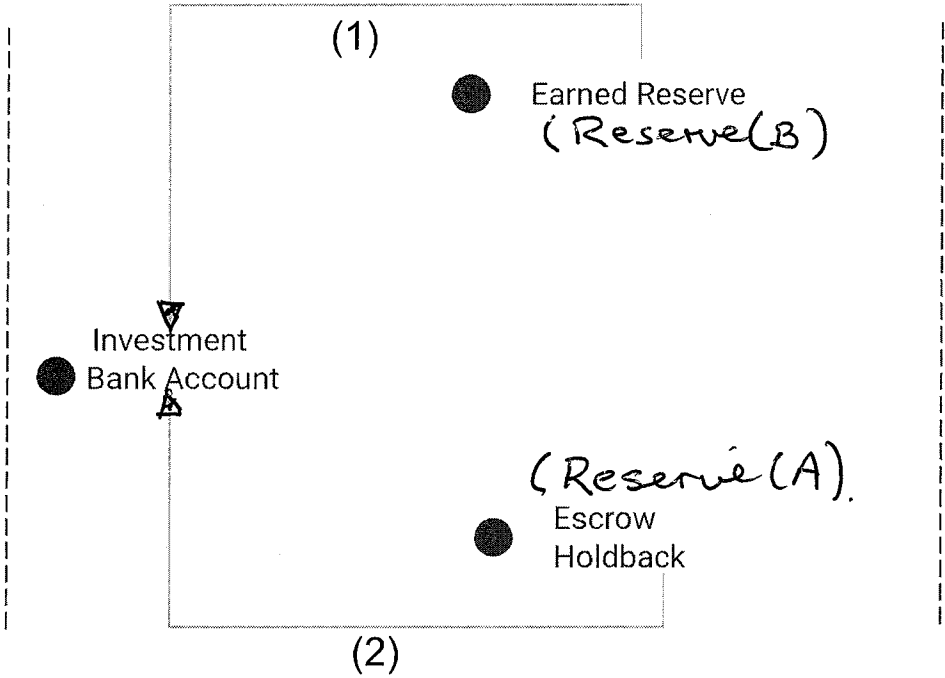
- (1) Customer directed by LCX to send funds directly per assignment agreement to LCX. Customer sends funds that are non factored in error.
- (2) - (4) Funds not returned to Versitec ^{but.} by kept by LCX in Investment Account

IV
Chargeback

Versitec

LCX

Versitec



IV
Chargeback

Notes:

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

APPENDIX E
SUMMARY

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

Conclusion.

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

Versitec during the forbearance period

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

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

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

Reasonable test of Reserve (B) in total

Receipts Received from non factored A/R not remitted back to Versitec

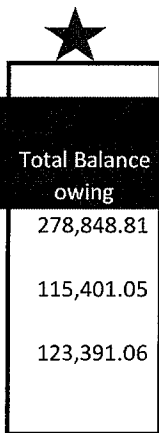
a/c 4822		-\$	221,167		
less claw back a/c 4822		\$	20,000		
A/c 4821		-	<u>31,745</u>	-\$	232,912

Claw back of funds from funding by LCX to Versitec

A/c 4820U	\$	85,000		
A/c 4822		<u>20,000</u>	-	105,000
				<u>-\$ 337,912</u>

as per above		<u>- \$ 300,764</u>
Difference		<u><u>- \$ 37,148</u></u>
Duplicate invoice 219015 for Adventura Patners inc dated April 30, 2019 noted in LCX analysis but in MPI analysis was funded by LCX Fund 34B on May 3, 2019 (a/c 4821)		6,880
Additional Factored Receivables not included in LCX reconciliation		
A/C 4822	14,788.00	
a/C 4821	13,994.00	<u>28,782.00</u>
Total identifiable differences		<u>35,662.00</u>
unreconcilable difference pass		<u>1,486.00</u>
difference immaterial		<u><u>\$ 37,148</u></u>

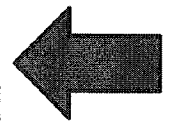
Versitec Payout
As at Oct 19 2020



AC #	Currency	AR Balance	Escrow Reserves (Memo only)	Net Funds Employed (NFE)	Accrued Fees	Total Balance owing	Per Diem	Per month
1635536 Ontario Inc. o/a Versitec Marine	4822 CDN	177,854.80	32,421.41	212,746.33	66,102.48	278,848.81	177.85	5,335.64 A
1635536 Ontario Inc. o/a Versitec Marine	4821 US	95,073.79	18,001.51	78,058.56	37,342.49	115,401.05	95.07	2,852.21 B
Versitec Marine USA Inc.	4820U US	75,614.67	14,679.02	93,854.50	29,536.56	123,391.06	75.61	2,268.44 B
	CDN	Torkins Legals				49,162.00		

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

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



Total Bal due * = includes Torkin Legals

Memo Total Per diem in CDN 408.28

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

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

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

MPI SUMMARY

	<u>A/R</u> <u>Factored</u>	<u>Earned</u> <u>Reserve (A)</u>	<u>Earned</u> <u>Reserve (B)</u>	<u>Total</u>
Opening	\$ 237,854.00	-\$ 104,674.02	-\$ 320,991.52	-\$ 187,811.54
Less Receiver payment	-\$ 60,000.00			-\$ 60,000.00
Adjusted A/R	<u>\$ 177,854.00</u>	<u>-\$ 104,674.02</u>	<u>-\$ 320,991.52</u>	<u>-\$ 247,811.54</u>
LCX adjustments				
Chargebacks (net)			212,391	212,391
Accrued Fees to October 10,2020			66,102	66,102
	<u>\$ 177,854.00</u>	<u>-\$ 104,674.02</u>	<u>-\$ 42,497.67</u>	<u>\$ 30,682.31</u>
<u>Corrections by MPI</u>				
1 apply Escrow holdback to A/R (allowance for doubtful accounts)	-\$ 104,674.02	\$ 104,674.02		
2 Charge backs not supported per analtysis because all were paid by Versitec			- 212,391.37	- 212,391.37
3 Chargebacks not tied back to invoice			-\$ 20,003.20	-\$ 20,003.20

paid as per analysis of chargebacks

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

Notes

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

in LCX investment account.

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

Conclusion

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

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

MPI CHARGEBACK SUMMARY

	Per LCX	Paid to LCX by Versitec				Reasons
		Amount	difference	Date		
CB 7 Chargeback opening old AR	57,149.08	\$ 66,000.00	-\$ 8,850.92	april 26,2019	charge back on fund 33	
CB 11 Chargeback Eastern Med invoices	121,190.54	141,663.79	- 20,473.25	per below	since no invoices provided by LCX	
CB 16 Chargeback Finbeta / Wallem	16,700.33	16,700.33	-	per below	since no invoices provided by LCX	
CB 24 Chargeback Bremer	29,895.28	29,895.28	-	per below	since no invoices provided by LCX	
CB 27 Chargeback Transmed invoices	9,320.97	34,358.55	- 25,037.58	per below	since no invoices provided by LCX	
CB30 Chargeback Bundesbeschaffung GMBH	17,504.01	-	17,504.01	per below	since no invoices provided by LCX	
CB 32 Chargeback Eastern Med invoices	15,820.57	15,820.57	-	per below	since no invoices provided by LCX	
Other misc chargebacks	13,965.01	86,258.82	- 72,293.81	no specifics provided by LCX		
Gross amount of Chargebacks	281,545.79	\$ 390,697.34	-\$ 109,151.55			
Less offset for OA payments	-69,154.42	-69,154.42	-			
Net Chargebacks per CAS	212,391.37	321,542.92	-\$ 109,151.55			

Conclusion

From the overall analysis the Chargebacks seem non supportable and that Versitec directly and indirectly have paid that amount plus more by \$109,151.55.

Analysis

1	Companies and Opening A/r		Finbeta Wallem		Bremer		Transmed		Bunesbeschaffung GMBH		Eastern Med Payments		Opening a/R		Total
	Eastern Med Payments	amount	Date paid	amount	Date paid	amount	Date paid	amount	Date paid	amount	Date paid	amount	Date paid	amount	
	July 19,2019	\$ 20,472.52	September 13,2019	\$ 7,939.91	22-Nov-19	\$ 29,895.28	Nov 19,2019	\$ 20,033.13		\$ -	October3,2019	15,820.57	26-Apr-19	66,000.00	
	July19,2019	20,859.23	September 13.2019	8,760.42		-	Nov 7,2019	14,325.42		-					
	Nov 272019	14,076.73		-		-		-		-					
	September 30,2019	22,055.93		-		-		-		-					
	October19,2019	13,453.10		-		-		-		-					
	October19,2019	11,424.55		-		-		-		-					
	Dec6 2019	19,602.15		-		-		-		-					
	Dec 6,2019	12,445.68		-		-		-		-					
	December 6,2019	7,273.90		-		-		-		-					
		<u>\$141,663.79</u>		<u>\$ 16,700.33</u>		<u>\$ 29,895.28</u>		<u>\$ 34,358.55</u>		<u>\$ -</u>		<u>\$ 15,820.57</u>		<u>\$ 66,000.00</u>	<u>\$ 304,438.52</u>
amount of charge back CB11	<u>121,190.54</u>	Amount of CB16	<u>16,700.33</u>	Amount of CB24	<u>29,895.28</u>	Amount of CB24	<u>9,320.97</u>	Amount of CB24	<u>34,358.55</u>	Amount of CB32	<u>15,820.57</u>	amount of CB7	<u>57,149.08</u>		<u>284,435.32</u>
Over payment	<u>\$ 20,473.25</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ 25,037.58</u>		<u>-\$ 34,358.55</u>		<u>\$ -</u>		<u>\$ 8,850.92</u>		<u>\$ 20,003.20</u>

Conclusion

The company charge backs have either all been paid or over paid by either reduction in original funding or payment by Versitec

\$ 20,003.20

Analysis of O/A(Other Advances from non Factored invoices) paid directly to LCX

Non factored invoices payments received

Date	amount	Inv#
June 4,2019	\$ 16,364.27	219042
July 17,2019	31,766.54	219064
Nov 27,2019	8,859.77	219144
Dec 4,2019	11,371.35	219181
Dec 11,2019	4,206.91	219,164,219,165
Feb28,2020	<u>13,689.98</u>	remitted by Bank of america for
	86,258.82	\$10,440.01 US with no invoice reference
per above	<u>-69,154.42</u>	
	<u>17,104.40</u>	

Conclusion

Not able to quantify definitively

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

MPI NON FACTORED INVOICE RECEIPTS
AND CLAWBACK

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

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

\$ 221,167.34

Factored unpaid a/r from LCX documentation	237,854.00
Payment by Receiver	<u>- 60,000.00</u>
	177,854.00

Net over payment - \$ 43,313.34

Reserve opening after chargebacks
 and fees were adjusted per LCX - \$ 42,497.67

difference

-\$ 815.67

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

	<u>RESERVE</u>	
	<u>Reserve (A)</u>	<u>Reserve (B)</u>
Original Escrow holdback		
20% X A/R factored		
20% X \$1022,491.51	\$ 204,498.20	
Add reserve from fund	<u>20,000.00</u>	
07-Nov-19		
	224,498.20	
add opening Reserve		
On A/R	<u>38,402.22</u>	
Total per analysis MPI	\$ 262,900.42	
20% of Receipts		
20% X \$691,132	-\$ 138,226.40	<u>138,226.40</u>
Unfactored receipts received		86,258.82
by LCX per charge back analysis		
Adjust opening Reserve paid		- 38,402.22
August 8, 2019 Transfer fromVMI (USA) in Batch 153		68,334.65
October 15,2019 NGM Energy Invoices		
21910,219110,219143 non factored funds		24,253.98
received by LCX		
October 1,2019 LCX batch #159 unknown		<u>22,004.96</u>
no invoice		162,450.19
		162,450.19
Claw back from Fund dated Nov 7, 2019	- 20,000.00	<u>20,000.00</u>
total of adjustmernts		<u>182,450.19</u>
July 24, 2019 misc adjustment by LCX		314.93
USA escrow account	<u>\$ 104,674.02</u>	<u>\$ 320,991.52</u>

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

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

TOTAL INVOICE AND RECEIPTS

<u>Invoices Factored</u>		<u>difference</u>	<u>Receipts</u>		<u>difference</u>
<u>Per LCX</u>	<u>Per MPI</u>		<u>Per LCX</u>	<u>Per MPI</u>	
<u>\$ 1,022,491.51</u>	<u>1,147,003.68</u>	<u>-\$ 124,512.17</u>	<u>\$ 689,173.53</u>	<u>\$ 871,853.11</u>	<u>-\$ 182,679.58</u>
A/R factored		1,147,003.00			
Deduct opening A/R purchased at start of forebearnce agreement		<u>-124,512.17</u>			
		1,022,490.83			
	Difference immaterial	- 0.68		per above	\$ 871,853.11
Invoices factored per LCX executive summary		<u>\$ 1,022,491.51</u>		less MPI recivers funds	<u>- 60,000.00</u>
					811,853.11
				deduct	
				opening a/R	- 54,721.06
				payment on o/s A/r	- 66,000.00
				Receipts per LCX	<u>\$ 691,132.05</u>
				less small difference	- 1,958.52
				Receopts per LCX Exec summary	<u>\$ 689,173.53</u>

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

MPI FACTORED INVOICE SUMMARY

FUNDING BY LIQUID CAPITAL												
Date Funded	Date of Invoice	Batch #	Invoice #	Customer Name	EURO	USD		Escrow Holdback	Net Advance by invoice	Net Advance by batch	Payment to LC	
						Gross Amount Invoice	Funded Customer Total				Batch Total	Amount
2018			carry forward		124,512.17			38,402.12	86,110.05	86,110.05	54,721.06	January 23, 2019
2019											66,000.00	April 26, 2019, withholding from Fund 33
26-Apr	20-Mar	33	219026	Eastern Mediterranean Maritime Ltd.	21,876.27			4,375.25	17,501.02			
	20-Mar		219029	Eastern Mediterranean Maritime Ltd.	20,472.52			4,094.50	16,378.02	ok	20,472.52	July 19, 2019 (1 of 2, \$41331.75)
	20-Mar		219030	Eastern Mediterranean Maritime Ltd.	20,966.57			4,193.31	16,773.26			
	26-Feb		219031	Eastern Mediterranean Maritime Ltd.	10,299.77			2,059.95	8,239.82			
	30-Mar		219034	Eastern Mediterranean Maritime Ltd.	20,966.57			4,193.31	16,773.26			
	20-Mar		219036	Eastern Mediterranean Maritime Ltd.	20,472.52			4,094.50	16,378.02	ok	20,859.23	July 19, 2019 (2 of 2, \$41331.75)
	20-Mar		219039	Eastern Mediterranean Maritime Ltd.	15,820.57			3,164.11	12,656.46	ok	15,820.57	October 3, 2019 (1 of 2, \$29538.97)
	20-Mar		219041	Eastern Mediterranean Maritime Ltd.	15,819.69			3,163.94	12,655.75			
	20-Mar		219043	Eastern Mediterranean Maritime Ltd.	15,819.69			3,163.94	12,655.75			
	20-Mar		219044	Eastern Mediterranean Maritime Ltd.	15,819.69	178,333.86		3,163.94	12,655.75			
	21-Mar		219045	Louis Dreyfus Amateurs S.A.S.	28,555.77			5,711.15	22,844.62	ok	28,555.77	July 3, 2019
	17-Jan		219010	Louis Dreyfus Amateurs S.A.S.	3,449.06	32,004.83		689.81	2,759.25			
	25-Mar		219055	Premuda S.p.a.	16,882.94			3,376.59	13,506.35			
	25-Mar		219056	Premuda S.p.a.	20,194.32	37,077.26		4,038.86	16,155.46			
	19-Feb		219014	Cruise Management International	10,038.66	10,038.66		2,007.73	8,030.93			
	10-Apr		218203	Jungbunzlauer Canada	24,279.75			4,855.95	19,423.80	ok	24,279.75	July 19, 2019 \$36,096.74, paid direct - LC Batch 146
	10-Apr		219046	Jungbunzlauer Canada	11,816.99	36,096.74		2,363.40	9,453.59	ok	11,816.99	July 19, 2019 \$36,096.74, paid direct - LC Batch 146
	29-Mar		219058	Spring Marine Management S.A.	25,380.08	25,380.08		5,076.02	20,304.06	ok	25,380.08	June 21, 2019
	04-Mar		219042	Titan Maritime	16,364.27	16,364.27		3,272.85	13,091.42			
	02-Apr		219040	Wallem Ship Management	7,939.91	7,939.91		1,587.98	6,351.93		274,588.49	7,939.91 September 13, 2019 - paid from additional holdback on Fund 40
					343,235.61	343,235.61	ok	68,647.12				
03-May	13-Mar	34	219053	Finbeta spa	8,760.42			1,752.08	7,008.34		8,760.42	September 13, 2019 - paid from additional holdback on Fund 40
	13-Mar		219075	Hammonia Reederel GmbH	46,825.17			9,365.03	37,460.14	ok	46,990.19	August 14, 2019
	08-Apr		219074	Hammonia Reederel GmbH	46,825.17			9,365.03	37,460.14	ok	46,825.17	May 10, 2019
	26-Feb		219080	Anglo Eastern Ship Management	32,796.82			6,559.36	26,237.46		108,166.06	
					135,207.58	135,207.58	ok	27,041.52				
28-May	17-May	35A	219086	Bremer Bereederungsgesellschaft mbH & Co. K.G.	29,895.28			5,979.06	23,916.22	ok	29,895.28	November 22, 2019 paid by LC from escrow, batch 162
	19-May		219092	Interscan Shipmanagement GmbH & Co. KG	5,061.53			1,012.31	4,049.22			
	14-May		219095	JR Schifffahrts GmbH & Co. KG	7,235.75			1,447.15	5,788.60		6,530.80	September 6, 2019
	07-May		219077	Meteor Management Bulgaria Ltd.	14,909.55			2,981.91	11,927.64		45,681.69	
					57,102.11	57,102.11	ok	11,420.42				

28-Jun	18-Jun 36A	219115 Bundesbeschaffung GMBH	30,063.58		6,012.72	24,050.86				
	13-Jun	219116 Bundesbeschaffung GMBH	29,150.35	59,213.93	5,830.07	23,320.28				
	10-May	219094 Dalomar Shipping S.A.	13,295.90		2,659.18	10,636.72				
	19-Mar	219068 Spring Marine Management S.A.	7,813.42		1,562.68	6,250.74	64,258.60	7,507.49	July 24, 2019	
			80,323.25	80,323.25 ok		<u>16,064.65</u>				
02-Aug	20-Jun-19 37A	219072 Rigel Shipping Canada Inc.	1,784.44		356.89	1,427.55		1,782.88	August 16, 2019	Paid directly to LC, LC Batch #152
	20-Jun-19	219085 Rigel Shipping Canada Inc.	1,945.41		389.08	1,556.33		1,946.97	August 16, 2019	Paid directly to LC, LC Batch #152
	10-Jun-19	219091 Rigel Shipping Canada Inc.	525.71	4,255.56	105.14	420.57		525.71	August 16, 2019	Paid directly to LC, LC Batch #152
	05-Jun-19	219102 Transmed Shipping Company Ltd.	29,354.41		5,870.88	23,483.53		20,033.13	November 19, 2019	Paid directly to LC, LC Batch #170
	27-Jun-19	219129 Transmed Shipping Company Ltd.	13,994.45	43,348.86	2,798.89	11,195.56	38,083.54	14,325.42	November 7, 2019	
			47,604.42	47,604.42 ok		<u>9,520.88</u>				
22-Aug	10-Jun-19 38A	219101 Fri Kamsund	13,898.32		2,779.66	11,118.66				
	05-Jul-19	219103 Wilson Ship Management AS	10,009.27		2,001.85	8,007.42				
	21-Jun-19	219124 Admiral Corporation	14,965.12		2,993.02	11,972.10				
	25-Jun-19	219126 Green Shipping AS	5,439.40		1,087.88	4,351.52				
	12-Jul-19	219131 Dynacom Tankers Management Ltd.	11,628.63		2,325.73	9,302.90		11,838.45	November 5, 2019	
	04-Jul-19	219152 MMI Europe Ltd.	10,091.17		2,018.23	8,072.94		7,618.51	December 16, 2019	
	18-Jul-19	219155 Ast Shipinvest AS	7,084.47		1,416.89	5,667.58	58,493.10			
			73,116.38	73,116.38 ok		<u>14,623.28</u>				
27-Aug	07-Aug-19 39A	219139 Blue Line Ship Management SA	13,035.13		2,607.03	10,428.10				paid from BOA and included in VMI Canada USD schedule
	30-Jul-19	219162 Thenamaris Ship Management Inc.	10,811.62		2,162.32	8,649.30				
	08-Aug-19	219166 Rigel Shipping Canada Inc.	4,547.34		909.47	3,637.87		3,194.48	December 9, 2019	Paid directly to LC, LC Batch #178
	12-Aug-19	219171 SIA RIX Shipmanagement	7,967.33		1,593.47	6,373.86		7,916.30	September 20, 2019 - wire from TD Euro a/c 5,572.90 euro	
	01-Aug-19	219175 UAB Promar	3,111.77		622.35	2,489.42				
	28-Jul-19	219178 Premuda SPA	10,313.26		2,062.65	8,250.61	39,829.16			
			49,786.45	49,786.45 ok		<u>9,957.29</u>				
13-Sep	14-Aug-19 40	219167 Avin International	13,647.29		2,729.46	10,917.83		13,943.20	September 19, 2019 - paid directly to LC 9,638.60 EUR	
	14-Aug-19	219033 Eastern Mediterranean Maritime Ltd.	13,890.98		2,778.20	11,112.78		14,076.73	November 27, 2019 (2 of 2, \$29538.97)	
	06-Aug-19	219035 Eastern Mediterranean Maritime Ltd.	22,307.79		4,461.56	17,846.23		22,055.93	September 30, 2019 - wire from TD Euro a/c 15,755.20 euro	
	15-Jun-19	219132 Eastern Mediterranean Maritime Ltd.	7,558.07		1,511.61	6,046.46				
	08-Jul-19	219137 Eastern Mediterranean Maritime Ltd.	9,284.23	53,041.07	1,856.85	7,427.38				
	16-Aug-19	219160 Hogil AS	4,852.99		970.60	3,882.39	57,233.08			
			71,541.35	71,319.66 diff		<u>14,308.27</u>				
20-Sep	09-Sep-19 41	219168 Eastern Mediterranean Maritime Ltd.	13,507.84		2,701.57	10,806.27		13,453.10	October 19, 2019	paid by customer to LC
	01-Sep-19	219200 Eastern Mediterranean Maritime Ltd.	13,131.77		2,626.35	10,505.42	21,311.69	11,424.55	October 19, 2019	paid by customer to LC
			26,639.61	26,639.61 ok		<u>5,327.92</u>				
26-Sep	09-Sep-19 42A	219138 Blue Line Ship Management S.A.	13,053.44		2,610.69	10,442.75				
	05-Sep-19	219189 Eastern Mediterranean Maritime Ltd.	4,739.35		947.87	3,791.48		4,873.45	October 19, 2019	paid by customer to LC

APPENDIX F - 1
ANALYSIS OF 1635536 ONTARIO INC
LCX RECONCILIATION

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

Reconcile AR @ 30-9-2020

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

Reconcile Funds Employed (NFE)

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

Key points

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

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

Liquid Capital Analysis

PER JOHN MORGAN ANALYSIS PREPARED BY JOHN MORGAN
 Note LCX Edits / corrections in red

Company	LC Account No	Currency	Per John Morgan			Per Liquid Capital			Total Payout per LCX
			A/R per Court Order	Earned reserve	Net Owing	Outstanding AR 30-9-2020	Net Funds employed (NFE)	Add Accrued Fees	
1635536 Ontario Inc. o/a Versitec Marine & Industrial	4822	CAD	\$ 237,856.73	\$ 322,255.88	-\$ 84,399.15	177,854.99	212,746.94	66,102.48	278,849.42
1635536 Ontario Inc. o/a Versitec Marine & Industrial	4821	USD	95,073.79	37,141.50	57,932.29	95,073.81	78,058.62	37,342.49	115,401.11
Versitec Marine USA Inc.	4820U	USD	75,614.67	139,857.43	- 64,242.76	75,614.70	93,854.56	29,536.56	123,391.12
Blended total (with no FX conversions)			<u>\$ 408,545.19</u>	<u>\$ 499,254.81</u>	<u>-\$ 90,709.62</u>	<u>348,543.50</u>	<u>384,660.12</u>	<u>132,981.53</u>	<u>517,641.65</u>

9.2.2020

Accrued Torkins Legals (Re Receivership) 49,162.00

1635536 Ontario Inc. o/a Versitec Marine & Industrial AC 4822 CDN \$
High Level Reconciliation of Funds owing per John Morgan vs Liquid Capital

Estimated Total owing per John Morgan	- 84,399.15	(Note -ve meaning J Morgan is claiming LCX owes Versitec money)
Total Payout Per LCX (including accrued Fees to 19-10-2020)	278,849.42	(Note +ve meaning Versitec owes LCX money)
Total Variance for AC 4822 between LCX vs John Morgan	<u>- 363,248.57</u>	

Key drivers for Variance

1) Fees omitted from John Morgan analysis (and many not reflected in Versitec records)		
Add initial fees on funding (per SOA)	46,268	
Add additional fees for late payment	46,750	
Add Fees on chargebacks	46,000	
Add Penalty for Fraud / Conversion	24,471	
Add Forebearance Fee	<u>10,000</u>	173,489
2) Monitoring fees per Forebearance Agreement		31,852
3) Wire fees @ \$30 per wire sent		510
4) Third party legals (Paid) - Excludes \$49K of legals re Receivership		7,688
5) Chargebacks for factored invoices collected by Versitec but not remitted to LCX		212,391
6) Accrued fees included in Payout (as at 19-10-2020)		66,102
7) Transfers out from 4822 to 4820U		83,000
8) Transfers in 4822 from 4820U		-120,750
Total Value of reconciled items		<u>454,283</u>

Memo Quick Rec on AR:

	Per Court order	Outstanding AR 30-9-2020	Var	
4822 CAD	237,857	177,855	60,002	Note 1
4821 USD	95,074	95,074	-	0
4820U USD	75,615	75,615	-	0
Blended total (with no FX conversions)	<u>408,545</u>	<u>348,544</u>	<u>60,002</u>	

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

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

Chargeback #	Date	Invoice #	Debtor	Reason		Amount	Penalty for Misdirected Customer Receipts
CB7	2019-05-10	218091	Avin International Ltd.	Debtor non payment	Old Factoring	21,176.99	2,118
CB7	2019-05-10	217289	Ocean Choice International	Debtor non payment	Old Factoring	19,522.72	1,952
CB7	2019-05-10	218016	Schiffahrtsgesellschaft mbH & Co.	Debtor non payment	Old Factoring	3,904.50	1,000
CB7	2019-05-10	218004	Unistorm Maine & Spares	Debtor non payment	Old Factoring	12,544.87	1,254
CB9	2019-07-03	219010	Louis Dreyfus Armateurs	Paid direct to client		3,449.06	1,000
CB11	2019-07-23	219026	Eastern Mediterranean	Debtor non payment		21,876.27	2,188
CB11	2019-07-23	219030	Eastern Mediterranean	Debtor non payment		20,966.57	2,097
CB11	2019-07-23	219031	Eastern Mediterranean	Debtor non payment		10,299.77	1,030
CB11	2019-07-23	219034	Eastern Mediterranean	Debtor non payment		20,966.57	2,097
CB11	2019-07-23	219041	Eastern Mediterranean	Debtor non payment		15,819.69	1,582
CB11	2019-07-23	219043	Eastern Mediterranean	Debtor non payment		15,819.69	1,582
CB11	2019-07-23	219044	Eastern Mediterranean	Debtor non payment		15,819.69	1,582
CB12	2019-08-22	219104	Cruise Management	Allocate OA pymt		10,038.66	
CB12	2019-08-22	219092	Interscan Shipmanagement	Allocate OA pymt		5,061.53	
CB12	2019-08-22	219077	Meteor Management	Allocate OA pymt		14,909.55	
CB12	2019-08-22	219055	Premuda S.p.a.	Allocate OA pymt		16,882.94	
CB12	2019-08-22	219056	Premuda S.p.a.	Allocate OA pymt		20,194.32	
CB16	2019-09-13	219053	Finbeta SPA	Debtor non payment		8,760.42	1,000
CB16	2019-09-13	219040	Wallem Ship Management	Debtor non payment		7,939.91	1,000
CB18	2019-10-04	219035	Eastern Mediterranean	Allocate OA-10022019		13,647.20	
CB23	2019-11-18	219129	Transmed Shipping Co. Ltd	Allocate OA pymt		13,994.46	
CB23	2019-11-18	219131	Dynacom Tanker Management Ltd.	Allocate OA pymt		11,628.63	
CB23	2019-11-18	219200	Eastern Mediterranean	Allocate OA pymt		13,556.70	
CB23	2019-11-18	219168	Eastern Mediterranean	Allocate OA pymt		13,082.91	
CB23	2019-11-18	219189	Eastern Mediterranean	Allocate OA pymt		4,739.35	
CB24	2019-11-22	219086	Bremer Bereederungs-gesellschaft	Debtor non payment		29,895.28	2,990
CB27	2019-12-04	219102	Transmed Shipping	Allocate OA-1119201922		29,354.10	
CB29	2019-12-13	219217	Eastern Mediterranean	Allocate OA-1212201921		7,273.90	
CB29	2019-12-13	219031A	Eastern Mediterranean	Allocate OA-1212201921		10,638.05	
CB29	2019-12-13	219151	Eastern Mediterranean	Allocate OA-1212201921		12,509.15	
CB29	2019-12-13	219099	Eastern Mediterranean	Allocate OA-1212201921		19,528.19	
CB30	2019-12-13	219116	Bundesbeschaffung GMBH	debtor non payment		28,875.05	
CB32	2019-12-16	219039	Eastern Mediterranean	Previously paid on Oct3		15,820.57	
CB33	2019-12-17	219166	Rigel Shipping	converted to Euros in error		1,361.86	
CB34	2020-01-03	219152	MMI Europe	Apply OA-1218201917		10,091.17	
						501,950.29	24,470.81

Total Misdirected fund CDN 171,612.92

NOTE: Per Factoring agreement dated June 21 2017, Clause 10 "Payments Received by Seller"

LCX can charge penalty for conversion / fraud ie customer receipts received and misdirected but not remitted to LCX
 Penalty is the greater of \$1000 or 10% of value of funds received and not remitted

Per CAS 24,470.82
 Var - 0

CLIENT ACTIVITY STATEMENT (CAS)

Prepared by LCX

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

Client: 1635536 Ontario Inc dba Versitec Marine - Factoring

Number: 4822

Type: LOEC CDN

Fees Fund 33
 Fee per SOA 10,297.07
 Posting per CAS 25,297.08
 Var -15,000.01 Holdback for Forebearance fees + legals posted as fees insteda on extra reserves

Discount: 3.00% Rates per Forebearance agreement - April 2019

Reserve: 20.00% Rates per Forebearance agreement - April 2019

Schedule Purpose: Detailed summary of all client activity per Liquid Capital. Includes funding, collections, fees and movements in AR + NFE

			Accounts Receivable				Disbursements and Charges				Balances			
Date	Batch	Type	Bought Invoices	Collected	Discounts	Chargebacks	Funding	Receipts	Fees	Adj.	Acc. Receiv.	Funding	Availability:	61,570.20
													Reserve	%
	Opening	Balances	580,859.54	494,174.60	225.00	29,535.75	463,906.42	510,228.25	44,463.84	51,415.95	57,149.19	49,557.96	7,591.23	13.28%
2019-04-30	4822-0033	Purchase	343,235.62	Fund # 33			183,141.42		25,297.08	150.00	400,384.81	258,146.46	142,238.35	35.53%
2019-05-03	4822-0034	Purchase	135,207.58	Fund # 34			104,079.84		4,056.22	30.00	535,592.39	366,312.52	169,279.87	31.61%
2019-05-10	4822-0138	Recpt Cust		46,825.17		9.00	Hammonia 219075		46,816.17		488,767.22	319,496.35	169,270.87	34.63%
2019-05-10	4822-0139	Chgback					CB7 Chargeback opening old AR		57,149.08		431,618.14	336,152.85	95,465.29	22.12%
2019-05-27	4822-0035	Purchase							16,856.50		431,618.14	346,152.85	85,465.29	19.80%
2019-05-31	4822-0036	Purchase							10,000.00		46,993.60	Res Release in advance of fund 3	38,441.69	8.91%
2019-05-31	4822-0037	Purchase	57,102.12	Fund # 35 full clawback					1,713.08	30.00	488,720.26	394,919.53	93,800.73	19.19%
2019-06-05	4822-0140	Recpt Cust		16,364.27		9.00	Tilan 219042		16,355.27	85.92	472,355.99	378,650.18	93,705.81	19.84%
2019-06-18	4822-0038	Purchase							774.94	Legals Dobbie RR#1	472,355.99	379,425.12	92,930.87	19.67%
2019-06-21	4822-0039	Purchase							9,746.26	Florain Fees RR # 2	472,355.99	389,171.38	83,184.61	17.61%
2019-06-24	4822-0141	Recpt Cust		25,380.08			Spring Marine 219058		494.91		446,975.91	364,275.21	82,700.70	18.50%
2019-06-28	4822-0040	Purchase	80,323.26	Fund # 36					25,391.08		527,299.17	428,533.81	98,765.36	18.73%
2019-07-03	4822-0142	Chgback								90.54	523,850.11	428,624.35	95,225.76	18.18%
2019-07-04	4822-0143	Recpt Cust		28,555.77		9.00	Louis Dreyfus 219045		28,546.77	771.00	495,294.34	400,848.58	94,445.76	19.07%
2019-07-08	4822-0144	Chgback								1,299.40	495,294.34	402,147.98	93,146.36	18.81%
2019-07-17	4822-0145	Recpt Cust		32,796.82		1,039.28	Anglo 219064		31,757.54	1,131.50	462,497.52	371,521.94	90,975.58	19.67%
2019-07-19	4822-0146	Recpt Cust		36,096.74			Jung 218203 219046		36,096.74	1,380.70	426,400.78	336,805.90	89,594.88	21.01%
2019-07-22	4822-0147	Recpt Cust		41,322.75			Eastern 219029 219036		41,322.75	1,658.28	385,078.03	297,141.43	87,936.60	22.84%
2019-07-23	4822-0148	Recpt Cust							120,750.00	Transfer 15 \$92K USD from 4820U	385,078.03	176,391.43	208,686.60	54.19%
2019-07-24	4822-0148	Chgback								5,105.88	263,887.49	181,497.31	82,390.18	31.22%
2019-07-25	4822-0149	Recpt Cust		7,813.42			CB11 - Eastern Med i		121,190.54		256,074.07	173,998.82	82,075.25	32.05%
2019-08-01	4822-0041	Purchase							314.93	Spring 219068	256,074.07	180,213.82	75,860.25	29.62%
2019-08-02	4822-0042	Purchase	47,604.44	Fund # 37A					7,498.49		303,678.51	218,297.38	85,381.13	28.12%
2019-08-14	4822-0150bot	Recpt Cust		46,990.19			OA Collections		46,990.19		256,688.32	171,307.19	85,381.13	33.28%
2019-08-15	4822-0151bot	Recpt Cust		165.02			apply OA - Hammonia 219075		2,633.92		256,853.34	173,941.11	82,912.23	32.28%
2019-08-16	4822-0152bot	Recpt Cust		4,255.56			Rigel 219072 219085 219091		4,255.56		252,597.78	169,685.55	82,912.23	32.82%
2019-08-21	4822-0153bot	Recpt Cust		68,334.65			OA Anglo Eastern		68,334.65		184,263.13	101,350.90	82,912.23	45.00%
2019-08-22	4822-0043	Purchase	73,116.38	Fund # 38A					2,193.50	30.00	257,379.51	159,844.00	97,535.51	37.90%
2019-08-22	4822-0154	Chgback					apply OA - Anglo CB		-1,247.65		258,627.16	163,656.47	94,970.69	36.72%
2019-08-28	4822-0044	Purchase	49,786.46	Fund # 39A					3,812.47	30.00	308,413.62	203,485.65	104,927.97	34.02%
2019-09-10	4822-0155bot	Recpt Cust		4,686.64			OA Collections		4,686.64		303,726.98	198,799.01	104,927.97	34.55%
2019-09-11	4822-0156	Chgback					CB14 Stone Marine non factored		-4,686.64		308,413.62	198,799.01	109,614.61	35.54%
2019-09-13	4822-0045	Purchase							4,308.14	Florain Fees RR # 4	308,413.62	203,107.15	105,306.47	34.14%
2019-09-13	4822-0046	Purchase	71,319.66	Fund # 40					2,139.60	30.00	379,733.28	248,149.19	131,584.09	34.65%
2019-09-13	4822-0157	Chgback					CB16 Finbeta 219053 Wollem 219040		176.07		383,032.95	248,325.26	114,707.69	31.60%
2019-09-16	4822-0047	Purchase							600.00	30.00	383,032.95	268,955.26	94,077.69	25.91%
2019-09-20	4822-0048	Purchase	26,639.62	Fund # 41A					799.20	30.00	389,672.57	290,266.96	99,405.61	25.51%
2019-09-23	4822-0158bot	Recpt Cust		7,235.75		704.95	JR Schiff 219095		6,530.80	62.22	382,436.82	283,798.38	98,638.44	25.79%
2019-09-27	4822-0049	Purchase	37,320.98	Fund # 42A					1,119.64	30.00	419,757.80	313,655.18	106,102.62	25.28%
2019-10-01	4822-0159bot	Recpt Cust		22,004.96			3/A RIA OA & 219171		22,004.96	3.98	397,752.84	291,654.20	106,098.64	26.67%

Accounts Receivable				Disbursements and Charges				Balances					
Date	Batch	Type	Bought Invoices	Collected Invo Discounts	Chargebacks	Funding	Receipts	Fees	Adj.	Acc. Receiv.	Funding	Availability: Reserve	%
2019-10-04	4822-0160	Chgback			CB18 8,270.16					389,482.68	291,654.20	97,828.48	25.12%
2019-10-07	4822-0050	Purchase				4,943.76	Florain Fees RR # 5			389,482.68	296,597.96	92,884.72	23.85%
2019-10-08	4822-0161bot	Recpt Cust					22,955.33	Eastern Med 219035 prev charged back		389,482.68	273,642.63	115,840.05	29.74%
2019-10-11	4822-0162bot	Recpt Cust		29,538.97				29,538.97	OA Collection	359,943.71	244,103.66	115,840.05	32.18%
2019-10-21	4822-0163bot	Recpt Cust		24,759.38				24,759.38	OA Collection	335,184.33	219,344.28	115,840.05	34.56%
2019-10-31	4822-0164	Chgback			CB 21 Non factored invoices -24,759.38					359,943.71	219,344.28	140,599.43	39.06%
2019-11-08	4822-0051	Purchase	100,614.58		Fund # 43 (\$20K holdback)	57,443.22		3,018.44	30.00	460,558.29	279,835.94	180,722.35	39.24%
2019-11-08	4822-0166	Chgback			CB 22 Non factored invoices -29,538.97					490,097.26	279,835.94	210,261.32	42.90%
2019-11-12	4822-0167bot	Recpt Cust		41,725.52			41,725.52	OA Collection		448,371.74	238,110.42	210,261.32	46.89%
2019-11-14	4822-0168bot	Recpt Cust		14,392.80			14,392.80	OA Collection		433,979.14	223,717.82	210,261.32	48.45%
2019-11-18	4822-0169	Chgback			CB 23 883.93			269.99		433,095.21	223,987.81	209,107.40	48.28%
2019-11-19	4822-0170bot	Recpt Cust		20,033.13			20,033.13	OA Collection		413,062.08	203,954.68	209,107.40	50.62%
2019-11-20	4822-0171bot	Recpt Cust		8,859.76			8,859.76	OA Collection		404,202.32	195,094.92	209,107.40	51.73%
2019-11-22	4822-0052	Purchase				83,000.00	Transfer 17 to 4820U			404,202.32	278,094.92	126,107.40	31.20%
2019-11-22	4822-0172	Chgback			CB24 Bremer 219086 29,895.28			436.47		374,307.04	278,531.39	95,775.65	25.59%
2019-11-22	4822-0173	Chgback			CB 25 Non factored invoices -8,859.76					383,166.80	278,531.39	104,635.41	27.31%
2019-11-25	4822-0053	Purchase				6,638.76	Florain Fees RR # 6			383,166.80	285,170.15	97,996.65	25.58%
2019-12-04	4822-0175	Chgback			CB27 Transmed 219102 (Oct19 OA collection) 9,320.97			278.86		373,845.83	285,449.01	88,396.82	23.65%
2019-12-06	4822-0177bot	Recpt Cust		11,371.35			11,371.35	OA Collection		362,474.48	274,077.66	88,396.82	24.39%
2019-12-06	4822-0176bot	Recpt Cust		13,035.13	35.34		12,999.79	92.55		349,439.35	261,170.42	88,268.93	25.26%
2019-12-11	4822-0178bot	Recpt Cust		3,185.48			3,185.48	24.21		346,253.87	258,009.15	88,244.72	25.49%
2019-12-12	4822-0179bot	Recpt Cust		51,615.10			51,615.10	OA Collection		294,638.77	206,394.05	88,244.72	29.95%
2019-12-13	4822-0181bot	Recpt Cust		-1,665.81				111.99		296,304.58	206,506.04	89,798.54	30.31%
2019-12-13	4822-0182	Chgback			CB30 17,504.01			401.36		278,800.57	206,907.40	71,893.17	25.79%
2019-12-16	4822-0183	Chgback			CB32 Eastern Med 219039 15,820.57			317.99		262,980.00	207,225.39	55,754.61	21.20%
2019-12-18	4822-0185bot	Recpt Cust		10,153.19			10,153.19	OA Collection (Premuda)		252,826.81	197,072.20	55,754.61	22.05%
2019-12-18	4822-0184	Chgback			CB33 conversion error Rigel 1,361.86			11.30		251,464.95	197,083.50	54,381.45	21.63%
2020-01-03	4822-0186	Chgback			CB34 -62.02			105.96		251,526.97	197,189.46	54,337.51	21.60%
2020-01-08	4822-0054	Purchase				700.72	Legals Torkins RRR#7			251,526.97	197,890.18	53,636.79	21.32%
2020-01-13	4822-0055	Purchase							2,500.00	251,526.97	200,390.18	51,136.79	20.33%
2020-01-13	4822-0056	Purchase								251,526.97	236,745.38	14,781.59	5.88%
2020-01-14	4822-0057	Purchase								251,526.97	261,216.20	-9,689.23	-3.85%
2020-03-02	4822-0188bot	Recpt Cust		13,689.98	9.00		13,680.98	1,943.98		237,836.99	249,479.20	-11,642.21	-4.90%
2020-06-03	4822-0058	Purchase				6,212.60	Legals Torkins RRR#16			237,836.99	255,691.80	-17,854.81	-7.51%
2020-06-26	4822-0189bot	Recpt Cust		49,991.00			49,991.00			187,845.99	205,700.80	-17,854.81	-9.51%
2020-06-29	4822-0190bot	Recpt Cust						13,280.52		187,845.99	218,981.32	-31,135.33	-16.57%
2020-08-05	4822-0191bot	Recpt Cust		9,991.00			9,991.00			177,854.99	208,990.32	-31,135.33	-17.51%
2020-08-06	4822-0192	Chgback						3,756.62		177,854.99	212,746.94	-34,891.95	-19.62%
Totals			1,603,130.24	1,183,348.13	2,355.50	241,927.12	1,283,186.28	1,342,818.44	217,953.15	54,425.95			
Current Totals			1,022,270.70	689,173.53	2,130.50	242,391.37	819,279.86	832,590.19	173,489.31	3,010.00			
				59,982.00			7,688.26			2,500.00			
				118,180.65			20,000.00			510.00			
				511,010.88			31,851.92			0.00			
				689,173.53			676,739.68						
Reconcile AR @ 23-9-2020													
Total AR purchased			1,022,270.70	0.00			83,000.00			676,739.68			
Factor Collections	511,010.88									676,739.68			
Receiver Receipt	59,982.00									20,000.00			
O/A	118,180.65									83,000.00			
Net collections			-689,173.53							7,688.26			
										819,279.86			
Less Chargeback			-212,391.37							20,000.00			
Add Opening AR			57,149.19							83,000.00			
			177,854.99							7,688.26			
										31,851.92			
Closing AR per CAS			177,854.99							819,279.86			
Var			0.00							819,279.86			
										-711,840.19			
										-120,750.00			
										173,489.31			
										3,010.00			
										49,557.96			
										820,956.32			
										49,557.96			
										212,746.94			

			Accounts Receivable			Disbursements and Charges				Balances					
Date	Batch	Type	Bought Invoices	Collected Invoice Discounts	Chargebacks	Funding	Receipts	Fees	Adj.	Acc. Receiv.	Funding	Availability: Reserve	%	61,570.20	
			Summary of Key Chargebacks												
										Closing NFE per CAS		212,746.94			
										Var		0.00			
		CB 7			Chargeback opening old AR			57,149.08							
		CB 11			Chargeback Eastern Med invoices			121,190.54							
		CB 16			Chargeback Finbeta / Wallem			16,700.33							
		CB 24			Chargeback Bremer			29,895.28							
		CB 27			Chargeback Transmed invoices			9,320.97							
		CB30			Chargeback Bundesbeschaffung GmbH			17,504.01							
		CB 32			Chargeback Eastern Med invoices			15,820.57							
					Other misc chargebacks			13,965.01							
					Gross amount of Chargebacks			281,545.79							
					Less offset for OA payments			-69,154.42							
					Net Chargebacks per CAS			212,391.37							
										0.00					

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

DebtorName	Balance	Current	1-30	31-60	61-90	91-Up	Estimated - Accrued fees	Per Diem Fees
Blue Line Ship Management SA	16,602.10	--	--	--	--	16,602.10		
Invoice# Invoice Date Funded D: Batch# Invoice Amount				Balance	Invoice Days	Over Due Days Age		
219222 10/21/2019 11/8/2019 10053 8,732.86				7,492.18	365	335	2,925.51	8.73
219223 11/1/2019 11/8/2019 10053 9,109.92				9,109.92	354	324	2,951.61	9.11
Bundesbeschaffung GMBH	30,338.88	--	--	--	--	30,338.88		
Invoice# Invoice Date Funded D: Batch# Invoice Amount				Balance	Invoice Days	Over Due Days Age		
219115 6/18/2019 6/28/2019 10040 30,338.88				30,338.88	490	460	13,955.88	30.34
Dalomar Shipping S.A.	3,304.90	--	--	--	--	3,304.90		
Invoice# Invoice Date Funded D: Batch# Invoice Amount				Balance	Invoice Days	Over Due Days Age		
219094 6/4/2019 6/28/2019 10040 13,295.90				3,304.90	504	474	6,302.26	13.30
Eastern Mediterranean Maritime Ltd.	28,452.89	--	--	--	--	28,452.89		
Invoice# Invoice Date Funded D: Batch# Invoice Amount				Balance	Invoice Days	Over Due Days Age		
219132 6/15/2019 9/13/2019 10048 7,558.07				7,558.07	493	463	3,499.39	7.56
219137 7/8/2019 9/13/2019 10048 9,264.23				9,264.23	470	440	4,076.26	9.26
219216 10/24/2019 11/8/2019 10053 11,630.59				11,630.59	362	332	3,861.36	11.63
FRI KARMSUND AS	13,898.32	--	--	--	--	13,898.32		
Invoice# Invoice Date Funded D: Batch# Invoice Amount				Balance	Invoice Days	Over Due Days Age		
219101 6/10/2019 8/22/2019 10044 13,898.32				13,898.32	498	468	6,504.41	13.90
GREEN SHIPPING AS	5,439.40	--	--	--	--	5,439.40		
Invoice# Invoice Date Funded D: Batch# Invoice Amount				Balance	Invoice Days	Over Due Days Age		
219126 6/25/2019 8/22/2019 10044 5,439.40				5,439.40	483	453	2,464.05	5.44
HIGLI AS	4,852.29	--	--	--	--	4,852.29		
Invoice# Invoice Date Funded D: Batch# Invoice Amount				Balance	Invoice Days	Over Due Days Age		
219160 8/16/2019 9/13/2019 10048 4,852.29				4,852.29	431	401	1,945.77	4.85
Premuda S.p.a.	10,313.26	--	--	--	--	10,313.26		
Invoice# Invoice Date Funded D: Batch# Invoice Amount				Balance	Invoice Days	Over Due Days Age		
219178 7/28/2019 8/28/2019 10045 10,313.26				10,313.26	450	420	4,331.57	10.31
Thenamari (Ship Management) Inc.	37,456.51	--	--	--	--	37,456.51		
Invoice# Invoice Date Funded D: Batch# Invoice Amount				Balance	Invoice Days	Over Due Days Age		
219162 7/30/2019 8/28/2019 10045 10,811.62				10,811.62	448	418	4,519.26	10.81
219194 10/29/2019 11/8/2019 10053 8,146.66				8,146.66	357	327	2,663.96	8.15
219204 10/1/2019 11/8/2019 10053 11,113.34				11,113.34	385	355	3,945.24	11.11
219225 10/25/2019 11/8/2019 10053 7,384.89				7,384.89	361	331	2,444.40	7.38
Transmed Shipping Co. Ltd.	14,075.21	--	--	--	--	14,075.21		
Invoice# Invoice Date Funded D: Batch# Invoice Amount				Balance	Invoice Days	Over Due Days Age		
219163 10/22/2019 11/8/2019 10053 14,075.21				14,075.21	364	334	4,701.12	14.08
UAB Promar	3,111.77	--	--	--	--	3,111.77		
Invoice# Invoice Date Funded D: Batch# Invoice Amount				Balance	Invoice Days	Over Due Days Age		
219175 8/2/2019 8/28/2019 10045 3,111.77				3,111.77	445	415	1,291.38	3.11
WILSON SHIP MANAGEMENT AS	10,009.27	--	--	--	--	10,009.27		
Invoice# Invoice Date Funded D: Batch# Invoice Amount				Balance	Invoice Days	Over Due Days Age		
219103 7/5/2019 8/22/2019 10044 10,009.27				10,009.27	473	443	4,434.11	10.01
TOTAL	177,854.80	0	0	0	0	177,854.80		

Sanity Check on 4822 CDN AR Recovery

	Per CAS	Check	Reserves Reconciliation
Total AR Factored + unpaid	A 177,854.80	177,854.99	0
Less Escrow reserve	- 32,421.41		
Net Advance balance	145,433.39		
Add -ve cash reserves	67,312.94		
Net Funds Employed	212,746.33	212,746.94	-1
Add Accrued fees (to 19-10-2020)	66,102.48		
Total due inc accrued fees	B 278,848.81		
Shortfall if invoices paid in ful	A-B -100,994.01		

LCX Payout amount

Conclusion: Given that invoices are so old, there is insufficient funds to repay funds advanced + accrued fees, even when invoices are paid in full
 LC Rec for J Morgan Apr 2019-Sept 2020 AC 4822

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

Chargeback #	Date	Invoice #	Debtor	Reason		Amount	Penalty for Misdirected Customer Receipts
CB7	2019-05-10	218091	Avin International Ltd.	Debtor non payment	Old Factoring	21,176.99	2,118
CB7	2019-05-10	217289	Ocean Choice International	Debtor non payment	Old Factoring	19,522.72	1,952
CB7	2019-05-10	218016	Schiffahrtsgesellschaft mbH & Co.	Debtor non payment	Old Factoring	3,904.50	1,000
CB7	2019-05-10	218004	Unistorm Maine & Spares	Debtor non payment	Old Factoring	12,544.87	1,254
CB9	2019-07-03	219010	Louis Dreyfus Armateurs	Paid direct to client		3,449.06	1,000
CB11	2019-07-23	219026	Eastern Mediterranean	Debtor non payment		21,876.27	2,188
CB11	2019-07-23	219030	Eastern Mediterranean	Debtor non payment		20,966.57	2,097
CB11	2019-07-23	219031	Eastern Mediterranean	Debtor non payment		10,299.77	1,030
CB11	2019-07-23	219034	Eastern Mediterranean	Debtor non payment		20,966.57	2,097
CB11	2019-07-23	219041	Eastern Mediterranean	Debtor non payment		15,819.69	1,582
CB11	2019-07-23	219043	Eastern Mediterranean	Debtor non payment		15,819.69	1,582
CB11	2019-07-23	219044	Eastern Mediterranean	Debtor non payment		15,819.69	1,582
CB12	2019-08-22	219104	Cruise Management	Allocate OA pymt		10,038.66	
CB12	2019-08-22	219092	Interscan Shipmanagement	Allocate OA pymt		5,061.53	
CB12	2019-08-22	219077	Meteor Management	Allocate OA pymt		14,909.55	
CB12	2019-08-22	219055	Premuda S.p.a.	Allocate OA pymt		16,882.94	
CB12	2019-08-22	219056	Premuda S.p.a.	Allocate OA pymt		20,194.32	
CB16	2019-09-13	219053	Finbeta SPA	Debtor non payment		8,760.42	1,000
CB16	2019-09-13	219040	Wallem Ship Management	Debtor non payment		7,939.91	1,000
CB18	2019-10-04	219035	Eastern Mediterranean	Allocate OA-10022019		13,647.20	
CB23	2019-11-18	219129	Transmed Shipping Co. Ltd	Allocate OA pymt		13,994.46	
CB23	2019-11-18	219131	Dynacom Tanker Management Ltd.	Allocate OA pymt		11,628.63	
CB23	2019-11-18	219200	Eastern Mediterranean	Allocate OA pymt		13,556.70	
CB23	2019-11-18	219168	Eastern Mediterranean	Allocate OA pymt		13,082.91	
CB23	2019-11-18	219189	Eastern Mediterranean	Allocate OA pymt		4,739.35	
CB24	2019-11-22	219086	Bremer Bereederungsgesellschaft	Debtor non payment		29,895.28	2,990
CB27	2019-12-04	219102	Transmed Shipping	Allocate OA-1119201922		29,354.10	
CB29	2019-12-13	219217	Eastern Mediterranean	Allocate OA-1212201921		7,273.90	
CB29	2019-12-13	219031A	Eastern Mediterranean	Allocate OA-1212201921		10,638.05	
CB29	2019-12-13	219151	Eastern Mediterranean	Allocate OA-1212201921		12,509.15	
CB29	2019-12-13	219099	Eastern Mediterranean	Allocate OA-1212201921		19,528.19	
CB30	2019-12-13	219116	Bundesbeschaffung GMBH	debtor non payment		28,875.05	
CB32	2019-12-16	219039	Eastern Mediterranean	Previously paid on Oct3		15,820.57	
CB33	2019-12-17	219166	Rigel Shipping	converted to Euros in error		1,361.86	
CB34	2020-01-03	219152	MMI Europe	Apply OA-1218201917		10,091.17	
						501,950.29	24,470.81
Total Misdirected fund CDN						<u>171,612.92</u>	

NOTE: Per Factoring agreement dated June 21 2017, Clause 10 "Payments Received by Seller"

LCX can charge penalty for conversion / fraud ie customer receipts received and misdirected but not remitted to LCX
 Penalty is the greater of \$1000 or 10% of value of funds received and not remitted

Per CAS 24,470.81
 Var - 0

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

FUNDING BY LIQUID CAPITAL

Date Funded	Date of Invoice	Batch #	Invoice #	Customer Name	EURO Gross Amount Invoice	CDN Funded Customer Total	Escrow Holdback	Net Advance by invoice	Net Advance by batch	AR Purchased	Acual Holdback	Initial Fees	Additional Expenses	Actual Net Fund	Payment to LC Date
2018				carry forward	124,512.17		38,402.12	86,110.05	86,110.05						54,721.06 January 23, 2019 66,000.00 April 26, 2019, withholding from Fund 33
2019													1,483.69		
10-Jan				Legal Fees											
25-Jan															
26-Apr	20-Mar	33	219026	Eastern Mediterranean Maritime Ltd.	21,876.27		4,375.25	17,501.02		21,876.27	4,375.25	656.29			
	20-Mar		219029	Eastern Mediterranean Maritime Ltd.	20,472.52		4,094.50	16,378.02		20,472.52	4,094.50	614.18			20,472.52 July 19, 2019 (1 of 2, \$41331.75)
	20-Mar		219030	Eastern Mediterranean Maritime Ltd.	20,966.57		4,193.31	16,773.26		20,966.57	4,193.31	629.00			
	26-Feb		219031	Eastern Mediterranean Maritime Ltd.	10,299.77		2,059.95	8,239.82		10,299.77	2,059.95	308.99			
	30-Mar		219034	Eastern Mediterranean Maritime Ltd.	20,966.57		4,193.31	16,773.26		20,966.57	4,193.31	629.00			
	20-Mar		219036	Eastern Mediterranean Maritime Ltd.	20,472.52		4,094.50	16,378.02		20,472.52	4,094.50	614.18			20,859.23 July 19, 2019 (2 of 2, \$41331.75) overpyrmt of \$377.71 directed to reserves
	20-Mar		219039	Eastern Mediterranean Maritime Ltd.	15,820.57		3,164.11	12,656.46		15,820.57	3,164.11	474.62			15,820.57 October 3, 2019 (1 of 2, \$29538.97) CB batch 183
	20-Mar		219041	Eastern Mediterranean Maritime Ltd.	15,819.69		3,163.94	12,655.75		15,819.69	3,163.94	474.59			
	20-Mar		219043	Eastern Mediterranean Maritime Ltd.	15,819.69		3,163.94	12,655.75		15,819.69	3,163.94	474.59			
	20-Mar		219044	Eastern Mediterranean Maritime Ltd.	15,819.69	178,333.86	3,163.94	12,655.75		15,819.69	3,163.94	474.59			
	21-Mar		219045	Louis Dreyfus Amateurs S.A.S.	28,555.77		5,711.15	22,844.62		28,555.77	5,711.15	856.67			28,555.77 July 3, 2019
	17-Jan		219010	Louis Dreyfus Amateurs S.A.S.	3,449.06	32,004.83	689.81	2,759.25		3,449.06	689.81	103.47			2019-07-03
	25-Mar		219055	Premuda S.p.a.	16,882.94		3,376.59	13,506.35		16,882.94	3,376.59	506.49			Chargedback
	25-Mar		219056	Premuda S.p.a.	20,194.32	37,077.26	4,038.86	16,155.46		20,194.32	4,038.86	605.88			Chargedback batch 154
	19-Feb		219014	Cruise Management International	10,038.66	10,038.66	2,007.73	8,030.93		10,038.66	2,007.73	301.16			Chargedback batch 154
	10-Apr		218203	Jungbunzlauer Canada	24,279.75		4,855.95	19,423.80		24,279.75	4,855.95	728.39			24,279.75 July 19, 2019 \$36,096.74, paid direct - LC Batch 146
	10-Apr		219046	Jungbunzlauer Canada	11,816.99	36,096.74	2,363.40	9,453.59		11,816.99	2,363.40	354.51			11,816.99 July 19, 2019 \$36,096.74, paid direct - LC Batch 146
	29-Mar		219058	Spring Marine Management S.A.	25,380.08		5,076.02	20,304.06		25,380.08	5,076.02	761.40	150.00		25,380.08 June 21, 2019
	04-Mar		219042	Titan Maritime	16,364.27	16,364.27	3,272.85	13,091.42		16,364.27	3,272.85	490.93	15,000.00	legal fees	16,355.27 Forwarded by Versitec
	02-Apr		219040	Wallem Ship Management	7,939.91	7,939.91	1,587.98	6,351.93	274,588.49	7,939.91	1,587.98	238.20	66,000.00	ciawback	7,939.91 September 13, 2019 - paid from additional holdback on Fund 4 Chargedback batch 157
					343,235.61	343,235.61	68,647.12			343,235.61	68,647.12	10,297.07	81,150.00	183,141.42	
03-May	13-Mar	34	219053	Finbeta spa	8,760.42		1,752.08	7,008.34		8,760.42	1,752.08	262.81			8,760.42 September 13, 2019 - paid from additional holdback on Fund 4 Chargedback batch 157
	13-Mar		219075	Hammonia Reederel GmbH	46,825.17		9,365.03	37,460.14		46,825.17	9,365.03	1,404.76			46,816.17 May 10, 2019
	08-Apr		219074	Hammonia Reederel GmbH	46,825.17		9,365.03	37,460.14		46,825.17	9,365.03	1,404.76			46,825.17 May 10, 2019
	26-Feb		219064	Anglo Eastern Ship Management	32,796.82		6,559.36	26,237.46	108,166.06	32,796.82	6,559.36	983.90	30.00		31,757.54 7/17/2019 Forwarded by Versitec
					135,207.58		27,041.52			135,207.58	27,041.52	4,056.23	30.00	104,079.84	
28-May	17-May	35A	219086	Bremer Bereederungsgesellschaft mbH & Co. K.G.	29,895.28		5,979.06	23,916.22		29,895.28	5,979.06	896.86			29,895.28 November 22, 2019
	19-May		219092	Interscan Shipmanagement GmbH & Co. KG	5,061.53		1,012.31	4,049.22		5,061.53	1,012.31	151.85			paid by LC from escrow, batch 172 Chargedback batch 154
	14-May		219095	JR Schiffahrts GmbH & Co. KG	7,235.75		1,447.15	5,788.60		7,235.75	1,447.15	217.07			6,530.80 September 6, 2019
	07-May		219077	Meteor Management Bulgaria Ltd.	14,909.55		2,981.91	11,927.64	45,681.69	14,909.55	2,981.91	447.29	30.00		short pymt - balance CB Chargedback batch 154
					57,102.11		11,420.42			57,102.11	11,420.42	1,713.06	30.00	43,938.62	
28-Jun	18-Jun	36A	219115	Bundesbeschaffung GMBH	30,063.58		6,012.72	24,050.86		30,063.58	6,012.72	901.91			
	13-Jun		219116	Bundesbeschaffung GMBH	29,150.35	59,213.93	5,830.07	23,320.28		29,150.35	5,830.07	874.51			
	10-May		219094	Dalomar Shipping S.A.	13,295.90		2,659.18	10,636.72		13,295.90	2,659.18	398.88			Batch 192
	19-Mar		219068	Spring Marine Management S.A.	7,813.42		1,562.68	6,250.74	64,258.60	7,813.42	1,562.68	234.40	30.00		7,507.49 July 24, 2019
					80,323.25		16,064.65			80,323.25	16,064.65	2,409.70	30.00	61,818.90	
02-Aug	20-Jun-19	37A	219072	Rigel Shipping Canada Inc.	1,784.44		356.89	1,427.55		1,784.44	356.89	53.53			1,782.88 August 16, 2019
	20-Jun-19		219085	Rigel Shipping Canada Inc.	1,945.41		389.08	1,556.33		1,945.41	389.08	58.36			1,946.97 August 16, 2019
	10-Jun-19		219091	Rigel Shipping Canada Inc.	525.71	4,255.56	105.14	420.57		525.71	105.14	15.77			525.71 August 16, 2019
	05-Jun-19		219102	Transmed Shipping Company Ltd.	29,354.41		5,870.88	23,483.53		29,354.41	5,870.88	880.63			20,033.13 November 19, 2019
	27-Jun-19		219129	Transmed Shipping Company Ltd.	13,994.45	43,348.86	2,798.89	11,195.56	38,083.54	13,994.45	2,798.89	419.83	30.00		14,325.42 November 7, 2019 CB batch 169
					47,604.42		9,520.88			47,604.42	9,520.88	1,428.13	30.00	36,625.40	
22-Aug	10-Jun-19	38A	219101	Fri Kamsund	13,898.32		2,779.66	11,118.66		13,898.32	2,779.66	416.95			
	05-Jul-19		219103	Wilson Ship Management AS	10,009.27		2,001.85	8,007.42		10,009.27	2,001.85	300.28			
	21-Jun-19		219124	Admiral Corporation	14,965.12		2,993.02	11,972.10		14,965.12	2,993.02	448.95			2020-06-29
	25-Jun-19		219126	Green Shipping AS	5,439.40		1,087.88	4,351.52		5,439.40	1,087.88	163.18			batch 190
	12-Jul-19		219131	Dynacom Tankers Management Ltd.	11,628.63		2,325.73	9,302.90		11,628.63	2,325.73	348.86			11,838.45 November 5, 2019 Chargeback batch 169

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

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

MPI SUMMARY

	<u>A/R</u>	<u>Reserve(A)</u>	<u>Reserve (B)</u>	<u>Total</u>
Opening balances	\$ 95,073.79	-\$ 22,464.20	-\$ 37,926.75	\$ 34,682.84
Adjustments per LCX				
adjustments			78,058.62	78,058.62
Fees to October 10, 2019			37,342.49	37,342.49
	<u>\$ 95,073.79</u>	<u>-\$ 22,464.20</u>	<u>\$ 77,474.36</u>	<u>\$ 150,083.95</u>
Corrections per MPI				
1 Adjust for Reserve(A) (allowance for Doutful accounts not paid)	-\$ 22,464.20	\$ 22,464.20		\$ -
2 Add back A/R not on Original LCX list re Cruise management	13,994.19			\$ 13,994.19
3 Blue line receipt not part of factored invoices and kept by LCX			- 9,825.25	-\$ 9,825.25

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

Notes

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

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

MPI CHARGEBACKS

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

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

RESERVE

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

Proof

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

1635536 OntarioInc.O/A Versitec Matine & Industrial
 Analysis of Account with Liquid Capital
 LC Account 4821(US \$)

MPI SUMMARY OF FACTORED RECEIPTS AND RECEIPTS

<u>Invoices</u>			<u>Receipts</u>		
<u>Per LCX</u>	<u>Per MPI</u>	<u>Diff</u>	<u>Per LCx</u>	<u>Per Analysis</u>	<u>Diff</u>
\$ 129,232.18	\$ 143,226.37	-\$ 13,994.19	\$ 50,058.95	\$ 62,650.75	-\$ 12,591.80
Cruise Management Inv 219015		<u>\$ 13,994.19</u>			
ot on LCX A/R			factored A/R receipts	\$ 30,905.00	
			payment made in error re Blue Line	9,825.25	
			non factored receipts paid	<u>21,920.50</u>	
			direct by client	62,650.75	
			less receipts per LCX	<u>50,058.95</u>	
			Diff	<u>12,591.80</u>	

Note

In LCX's executive summary they deducted the funds received from non factored invoices. As a result in order to reconcile to the receipts that supported the A/R factored it was deducted but it was actually received by LCX but never effected their Reserve in total. This amount of money was never paid to Versitec during the forbearance period by LCX . Hence it increased the earned reserve owing to Versitec by LCX

The extra factored invoice which was stated to be a duplicate by LCX may have been misunderstood as distinct from the Adventura Partners Ltd invoice 219078 dated April 10,2019 in the amount of \$13,945.00 and formed part of fund 34 B with funding date from LCX of May 3, 2019 . The Cruise Management Invoice 219015 of \$13,994.19 was funded on 35B dated May 28, 2019 and had an invoice date of May 9, 2019. The duplication of invoice no's may have been an error but they were separate invoice undertakings when MPI reviewed the separate invoice files. The duplicate invoice number 219015 may have been for Adventura Partners in the amount of \$6880.00 which also formed part of Fund 34 B. Again this was a separate invoice with a separate purchase order when reviewed by MPI.(See MPI detail analysis)

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

MPI FACTORED INVOICE SUMMARY

FUNDING BY LIQUID CAPITAL											PAYMENT TO LIQUID CAPITAL				Unearned	contra	Paid	Earned	unpaid				
Date Funded	Date of Invoice	Batch #	Invoice #	Customer Name	EURO			USD			Escrow Holdback	Net Advance by invoice	Net Advance by batch	Date of Payment Received	Amount Payment	Payment to LC		Reserve	Reserve	Non Factored Invoices	Reserve	A/R	
					Gross Invoice	Funded Customer Total	Batch Total	Gross Invoice	Funded Customer Total	Batch Total						Amount	Date						
03-May-19	06-Apr-19	34B	219080	Tan Cang Shipping		5,200.00				1,040.00	4,160.00				5,200.00	22-May-19			1,040.00				
	10-Apr-19		219078	Adventura Partners Ltd		13,945.00				2,789.00	11,156.00										13,945.00		
	30-Apr-19		219015	Adventura Partners Ltd		6,880.00	26,025.00			1,376.00	5,504.00				6,880.00	10-Oct-19			1,376.00				
28-May-19	06-May-19	35B	219015	Cruise Management		13,994.23	13,994.23			2,798.85	11,195.38								2,798.85				
28-May-19	15-Apr-19	36B	219073	Meteor Management		6,320.00	6,320.00			1,264.00	5,056.00								1,264.00		6,320.00		
27-Aug-19	02-Aug-19		219127	Wallem Management		19,532.00	19,532.00			3,906.40	15,625.60								3,906.40				
	08-Aug-19		219164	Rigel shipping Canada		1,922.80				384.56	1,538.24								384.56		19,532.00		
	08-Aug-19		219165	Rigel shipping Canada		1,330.55	3,253.35	22785.35		266.11	1,064.44								266.11				
20-Sep-09	18-Sep-19		219183	Eastern shipping Mnmt		12,805.00	12,805.00	12,805.00		2,561.00	10,244.00				12,805.00	05-Dec-19			2,561.00		2,561.00		
26-Sep-19	25-Aug-19	42B	219213	Great Lakes Dredging and Dock		48,921.79	48,921.79			9,784.36	39,137.43								9,784.36		48,921.79		
	16-Sep-19		219214	Wallem ship Management		6,355.00	6,355.00			1,271.00	5,084.00								1,271.00		6,355.00		
	19-Sep-19		219205	BNA Marine Services		6,020.00	6,020.00	61,296.79		1,204.00	4,816.00				6,020.00	Internal transfer from LC			1,204.00		1,204.00		
			219139	Blue Line	NOT FACTORED										9,825.25	05-Dec-19			9,825.25		9,825.25		
			218209	Cape Fear	NOT FACTORED										5,865.50	21-Jun-19 PAID DIRECT BY CUSTOMER			5,865.50		5,865.50		
			218209	Cape Fear	NOT FACTORED										16,055.00	08-Jul-19 PAID DIRECT BY CUSTOMER			16,055.00		16,055.00		
						<u>143,226.37</u>	<u>\$ 143,226.37</u>			<u>\$ 28,645.27</u>	<u>\$ 114,581.10</u>	<u>\$ 114,581.10</u>			<u>\$ 62,650.75</u>				<u>\$ 28,645.27</u>		<u>\$ 31,745.75</u>	<u>\$ 37,926.75</u>	<u>\$ 95,073.79</u>

factored A/R receipts	\$ 30,905.00
payment made in error re Blue Line	9,825.25
non factored receipts paid direc by client	21,920.50
	<u>62,650.75</u>
less receipts per LCX	<u>50,058.95</u>
Diff	<u>12,591.80</u>

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

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

Reconcile AR @ 30-9-2020

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

Reconcile Funds Employed (NFE)

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

Key points

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

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

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

0.001 Per Diem rate

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

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

Sanity Check on 4821 US\$ AR Recovery

	Per CAS	Check	Reserves Reconciliation
Total AR Factored + unpaid	A 95,073.79	95,073.84	0
Less Escrow reserve	- 18,001.51		
Net Advance balance	77,072.28		
Add -ve cash reserves	986.28		
Net Funds Employed	78,058.56	78,058.60	0
Add Accrued fees (to 19-10-2020)	37,342.49		
Total due inc accrued fees	B 115,401.05		
Shortfall if invoices paid in full	A-B -20,327.26		

LCX Payout amount

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

CLIENT ACTIVITY STATEMENT (CAS)

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

Client: 1635536 Ontario Inc dba Versitec Marine - Factoring

Number: 4821

Type: LCEC US

Discount: 3% Rates per Forebearance agreement - April 2019

Reserve: 20.00% Rates per Forebearance agreement - April 2019

		Accounts Receivable				Disbursements and Charges				Balances				
Date	Batch	Type	Bought Invoice:	Collected Invoic	Discounts	Chargebacks	Funding	Receipts	Fees	Adj.	Acc. Receiv.	Funding	Availability:	-2,754.16
2019-04-18	Opening	Balances	426,007.96	301,732.11	147.00	124,275.82	352,870.38	373,125.69	40,038.63	-19,783.34	0.03	-0.02	0.05	166.67%
2019-05-03	4821-0025	Purchase					2,000.00	Legal fee retainer		30.00	0.03	2,029.98	-2,029.95	-6,766,500.00%
2019-05-21	4821-0026	Purchase	26,025.00	Fund # 34B			20,009.26		780.76	30.00	26,025.03	22,850.00	3,175.03	12.20%
2019-05-23	4821-0027	Purchase					846.16	Legal fee balance		30.00	26,025.03	23,726.16	2,298.87	8.83%
2019-05-29	4821-0028	Recpt Cust		5,200.00		23.50		5,176.50			20,825.03	18,549.66	2,275.37	10.93%
2019-06-20	4821-0028	Purchase					10,745.56	Fund 35B (CMI) processed as RR (see note)		30.00	20,825.03	29,325.22	-8,500.19	-40.82%
2019-06-21	4821-0029	Recpt Cust		5,865.60				5,865.60			14,959.43	23,459.62	-8,500.19	-56.82%
2019-06-21	4821-0029	Chgback				-5,865.60					20,825.03	23,459.62	-2,634.59	-12.65%
2019-06-28	4821-0029	Purchase	6,320.00	Fund # 36B			4,836.40		189.60	30.00	27,145.03	28,515.62	-1,370.59	-5.05%
2019-07-04	4821-0030	Recpt Cust		16,055.00				16,055.00			11,090.03	12,460.62	-1,370.59	-12.36%
2019-07-08	4821-0031	Chgback				-16,055.00					27,145.03	12,460.62	14,684.41	54.10%
2019-08-28	4821-0030	Purchase	22,785.36	Fund # 39B			17,514.72		683.56	30.00	49,930.39	30,688.90	19,241.49	38.54%
2019-09-11	4821-0031	Purchase							T16 to 4820U (cover CB15)	6,000.00	49,930.39	36,688.90	13,241.49	26.52%
2019-09-20	4821-0032	Purchase	12,805.00	Fund # 41B			9,829.86		384.16	30.00	62,735.39	46,932.92	15,802.47	25.19%
2019-09-27	4821-0033	Purchase	61,296.80	Fund # 42B			47,168.54		1,838.90	30.00	124,032.19	95,970.36	28,061.83	22.62%
2019-10-10	4821-0133bot	Recpt Cust		6,880.00		6.00		6,874.00		90.13	117,152.19	89,186.49	27,965.70	23.87%
2019-12-06	4821-0135bot	Recpt Cust		12,805.00		6.00		12,799.00		61.46	104,347.19	76,448.95	27,898.24	26.74%
2019-12-12	4821-0136bot	Recpt Cust		3,253.35		6.00		3,247.35		25.06	101,093.84	73,226.66	27,867.18	27.57%
2019-12-13	4821-0137	Chgback				6,020.00				28.90	95,073.84	73,255.56	21,818.28	22.95%
2020-01-13	4821-0034	Purchase							Fee adj	1,849.84	95,073.84	75,105.40	19,968.44	21.00%
2020-01-14	4821-0035	Purchase							Penalty adj	2,953.20	95,073.84	78,058.60	17,015.24	17.90%
Totals			555,240.12	351,791.06	188.50	108,375.22	465,820.88	423,143.14	48,924.20	-13,543.34				
Current Totals			129,232.16	50,058.95	41.50	-15,900.60	112,950.50	50,017.45	8,885.57	6,240.00				

		21,920.60	OA Collections	10,745.56	Res Rel Duplicate Inv	240.00	Wire fees
		28,138.35	Factored Ar Collections	99,358.78	Client Fundings		
		<u>50,058.95</u>		<u>112,950.50</u>			
Reconcile AR @ 23-9-2020							
Total AR purchased	129,232.16				99,358.78		
Total Collections	50,058.95				10,745.56		
Less O/A	-21,920.60				2,846.16		
Net collections	-28,138.35				112,950.50		
					Less Collections	-50,017.45	
Less Chargeback	-6,020.00				Add fees	8,885.57	
					Add Adj	6,240.00	
						<u>78,058.62</u>	
Closing AR per CAS	95,073.84				Closing NFE per CAS	78,058.60	
Var	0				Var	0	

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

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

Chargeback #	Date	Invoice #	Debtor	Reason	Amount	Penalty for Misdirected Customer Receipts
CB31	2019-12-13	219205	BNA Marine Services LLC	Paid direct to debtor	6,020.00	1,000
					6,020.00	
CB Pending		219127	Wallem	Paid direct to debtor	19,532.00	1,953
				Total Misdirected fund US	25,552.00	2,953

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

APPENDIX H
VMI USA
US\$ ACCOUNT 4820U

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

MPI SUMMARY

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

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

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

Notes

1 Opening Reserve is calculated by the following:

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

Proof

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

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

- 3 All MPI adjustments made as per analysis of all funding and made by LCX during forbearance agreement time frame and no adjustments for interest has been made to November 27,2021 Court date before Justice Penny.
- 4 The Chargeback schedule did not include the \$85,000 chargeback which was deducted from fund 35C this represented the Escrow holdback in total as per LCX reconciliatio. It was calculated as follows:

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

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

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

Conclusion

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

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

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

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

Versitec Marine USA Inc.

Analysis of Account with Liquid Capital

LC account 4820U Chargeback Reconciliation

MPI CHARGEBACK

CB #	Invoice	Amount	<u>A/R add</u>	<u>Paid LCX amount</u>	<u>Paid Versitec/not LCX Date</u>	<u>Amount</u>	<u>Date</u>	<u>never factored</u>	<u>Contra Escrow Holdback</u>	<u>Total</u>
CB13	U19033A	\$ 8,758.00		\$ 7,882.00	04-Sep					
CB13	U19033A	1,975.80						1,975.80		
CB15	219062	10,498.80							10,498.80	
CB15	219065	8,802.60							8,802.60	
CB15	219066	3,415.20							3,415.20	
CB20	U19050	4,745.00	4,745.00							
CB25	U19002	17,440.65		17,440.65	30-Aug					
CB25	U19028	9,780.00				9,780.00	21-Oct			
CB25	U19016	3,655.86	3,655.86							
CB25	U19038	3,425.00				3,425.00	21-Oct			
CB25	219016	38,864.00		38,864.00	23-Aug					
CB28	U19018	6,387.17	6,387.17							
Total		<u>117,748.08</u>	<u>\$ 14,788.03</u>	<u>\$ 64,186.65</u>		<u>\$ 13,205.00</u>		<u>\$ 1,975.80</u>	<u>\$ 22,716.60</u>	<u>\$ 116,872.08</u>
Diff on U19033A										876.00
			<u>\$ 14,788.03</u>	<u>\$ 64,186.65</u>		<u>\$ 13,205.00</u>		<u>\$ 1,975.80</u>	<u>\$ 22,716.60</u>	<u>\$ 117,748.08</u>
non factored per LCX		- 3,154.13								- 3,154.13
		<u>\$ 114,593.95</u>	<u>\$ 14,788.03</u>	<u>\$ 64,186.65</u>		<u>\$ 13,205.00</u>		<u>\$ 1,975.80</u>	<u>\$ 22,716.60</u>	<u>\$ 114,593.95</u>

Note

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

Versitec Marine USA Inc.

Analysis of Account with Liquid Capital

LC account 4820U Chargeback Reconciliation

RESERVE

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

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

MPI ANALYSIS OF INTER FUND TRANSFER

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

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

MPI FACTORED INVOICES AND RECEIPTS

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

Could not indentify difference between LCX and MPI summaries

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

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

Reconcile AR @ 30-9-2020

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

Reconcile Funds Employed (NFE)

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

Key points

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

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

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

0.001 Per Diem rate

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

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

Sanity Check on 4820U AR Recovery

Total AR Factored + unpaid	A	75,614.67	Per CAS	75,614.73	Check	0	<u>Reserves Reconciliation</u>	
Less Escrow reserve		- 14,679.02					Escrow Reserves	14,679.02
Net Advance balance		60,935.65					Cash Reserves -ve	(32,918.85)
Add -ve cash reserves		32,918.85						- 18,239.83
Net Funds Employed		93,854.50		93,854.66	0		Total reserves per CAS	-18,239.93
Add Accrued fees (to 19-10-2020)		29,536.56					Var	0
Total due inc accrued fees	B	123,391.06						
Shortfall if invoices paid in full	A-B	-47,776.39						

LCX Payout amount

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

Closing AR per CAS 75,614.73
Var -0.03

Check 252,395.29
3,559.99 Closing NFE per CAS 93,854.66
Var -0.10

Gross Collected 248,162.39
Less shortpay / disc -5,478.50
Net Customer Receipts 242,683.89

Transfer fro 4822 re chargeback 62,341.30 for Anglo Eastern
Total Receipts 305,025.19
Var 0.00

Check on Collections
Gross Collected 248,162.39
Less shortpay / disc -5,478.50
Net Collected per Column E+F 242,683.89
Collected per Receipts (Column I) 242,683.89
Var 0.00

Versitec Marine USA INC

Chargeback #	Date	Invoice # Debtor	Reason	Amount
CB13	2019-08-23	U19033A Wallem Ship Management	Duplicate invoice factored	8,758.00
CB13	2019-08-23	U19033A Wallem Ship Management	Invoice revised - copy attached	1,975.80
CB15	2019-09-11	219062 Chesters Technoservices PTE	Debtor non payment	10,498.80
CB15	2019-09-11	219065 Chesters Technoservices PTE	Debtor non payment	8,802.60
CB15	2019-09-11	219066 CHesters Technoservices PTE	Debtor non payment	3,415.20
CB20	2019-10-30	U19050 Tan Binh Co. Ltd.	Paid direct to Versitec	4,745.00
CB25	2019-11-22	U19002 Anglo Eastern Ship Management	Paid direct to Versitec	17,440.65
CB25	2019-11-22	U19028 Anglo Eastern Ship Management	Paid direct to Versitec	9,780.00
CB25	2019-11-22	U19016 Anglo Eastern Ship Management	Paid direct to Versitec	3,655.86
CB25	2019-11-22	U19038 Anglo Eastern Ship Management	Paid direct to Versitec	3,425.00
CB25	2019-11-22	219016 Anglo Eastern Ship Management	Paid direct to Versitec	38,864.40
CB28	2019-12-06	U19018 Americas Marine Management	Paid direct to debtor	6,387.17
Total Chargeback for factored invoices				117,748.48
CB17	Less Chargeback for O/A for Non factored AR collected			(2,144.00)
	Thome + Wallem Payment			(1,011.03)
Total Chargeback - CREDIT for non factored invoices				<u>(3,155.03)</u>
GRAND TOTAL for Chargebacks				<u>114,593.45</u>
Total net chargebacks per CAS				114,593.45
Var				0.00

22,716.60

79,553.08

NOTE amount collected on NON Factored invoices is (1,011.03) relatively small compared to funds collected by Versitec ie misappropriated funds

Versitec Marine USA INC

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

Chargeback #	Date	Invoice # Debtor	Reason	Amount		Penalty for Misdirected Customer Receipts
CB13	2019-08-23	U19033A Wallem Ship Management	Duplicate invoice factored	8,758.00		
CB13	2019-08-23	U19033A Wallem Ship Management	Invoice revised - copy attached	1,975.80		
CB15	2019-09-11	219062 Chesters Technoservices PTE	Debtor non payment	10,498.80		
CB15	2019-09-11	219065 Chesters Technoservices PTE	Debtor non payment	8,802.60		
CB15	2019-09-11	219066 Chesters Technoservices PTE	Debtor non payment	3,415.20		
CB20	2019-10-30	U19050 Tan Binh Co. Ltd.	Paid direct to Versitec	4,745.00		1,000
CB25	2019-11-22	U19002 Anglo Eastern Ship Management	Paid direct to Versitec	17,440.65		1,744
CB25	2019-11-22	U19028 Anglo Eastern Ship Management	Paid direct to Versitec	9,780.00		1,000
CB25	2019-11-22	U19016 Anglo Eastern Ship Management	Paid direct to Versitec	3,655.86	84,298.08	1,000
CB25	2019-11-22	U19038 Anglo Eastern Ship Management	Paid direct to Versitec	3,425.00		1,000
CB25	2019-11-22	219016 Anglo Eastern Ship Management	Paid direct to Versitec	38,864.40		3,886
CB28	2019-12-06	U19018 Americas Marine Management	Paid direct to debtor	6,387.17		1,000
				117,748.48		
CB Pending		U19027 Wallem	Paid direct to debtor	23,079.94	38,186.29	2,308
CB Pending		U19044 Wallem	Paid direct to debtor	15,106.35		1,511
				Total Misdirected fund US	122,484.37	14,449.13

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

B E T W E E N:

LIQUID CAPITAL EXCHANGE CORP.

Applicant

and

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

Respondents

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

ACKNOWLEDGEMENT OF EXPERT'S DUTY

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

Date: January 10, 2022


John Howard Deane Morgan

LIQUID CAPITAL EXCHANGE CORP.
Applicant

-and-

1635536 ONTARIO INC. et al
Respondents

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

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PROCEEDING COMMENCED AT
Toronto

AFFIDAVIT OF JOHN HOWARD DEANE MORGAN

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Lawyers for the Respondent, Reuben Byrd

LIQUID CAPITAL EXCHANGE CORP.
Applicant

-and-

1635536 ONTARIO INC. et al
Respondents

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

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**RESPONDING MOTION RECORD OF THE
RESPONDENT, REUBEN BYRD**

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