

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE RECEIVERSHIP OF  
GREENCORE COMPOSITES INC.  
OF THE CITY OF SARNIA, IN THE PROVINCE OF  
ONTARIO**

**MOTION UNDER SECTION 100 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, C.  
C.43, AS AMENDED, SECTIONS 243 AND 249 OF THE *BANKRUPTCY AND  
INSOLVENCY ACT*, R.S.C. 1985, C. B-5, AS AMENDED, AND SECTION 67 OF THE  
*PERSONAL PROPERTY SECURITY ACT* (ONTARIO) R.S.O. 1990, C. P-10, AS  
AMENDED**

**MOTION RECORD**

**(Returnable January 29, 2019)**

January 19, 2019

**PALLET VALO LLP**  
Lawyers & Trade-Mark Agents  
77 City Centre Drive, West Tower  
Suite 300  
Mississauga, Ontario  
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Lawyers for the Receiver,  
Dodick Landau Inc.

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# TAB 1

**ONTARIO  
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**NOTICE OF MOTION**

Dodick Landau Inc. the Privately-Appointed Receiver of Grencore Composites Inc. (the “Receiver”), will make a Motion to the Court on Tuesday, January 29th, 2018, at 10:00 a.m., or as soon after that time as the Motion can be heard at the Court House, 80 Dundas St, London, Ontario.

**PROPOSED METHOD OF HEARING:** The Motion is to be heard:

- in writing under subrule 37.12.1(1) because it is;
- in writing as an opposed motion under subrule 37.12.1(4);
- orally.

**THE MOTION IS FOR:**

- (a) An Order abridging and validating the time for service, filing and confirming of the Notice of Motion and the Motion Record of the Receiver so that this motion is properly returnable on January 29, 2019 and dispensing with further service and confirmation thereof.
- (b) An Approval and Vesting Order substantially in accordance with the draft order attached as Tab 3 to the Receiver’s Motion Record approving the sale transaction contemplated by an agreement of purchase and sale (the “APS”) between the Receiver and Domtar Inc. (the “Purchaser”), dated December 14, 2018 and vesting off encumbrances over the purchased assets; and
- (c) Such further and other Relief as to this Honourable Court may seem just.

**THE GROUNDS FOR THE MOTION ARE:**

- (a) On April 25, 2018 the Receiver was appointed privately by the secured creditors of Greencore Composites Inc., as a “Receiver” as defined in s. 243(2)(b)(i) of the *Bankruptcy and Insolvency Act* (the “BIA”) over all of the personal property assets and undertaking of Greencore and as Agent of the Secured Creditors (as defined below) pursuant to the terms of an Appointment Letter and Indemnity Agreement, each dated April 16, 2018;
- (b) Greencore was a clean technology manufacturer of natural fibre reinforced thermoplastic compounded resins used by injection molders, profile extruders, and other plastic processes in automotive, consumer and other industrial products.

Greencore operated a manufacturing facility in Sarnia, Ontario, for product development and eventually production of commercial quantities of its compounds. Greencore ceased operations in November 2016 and its facility, and the assets secured under the Security located at the facility, have since remained dormant.

- (c) Wayne Maddever (“**Maddever**”), Ian Inch (“**Inch**”) and Growthworks Commercialization Fund Ltd. (“**Growthworks**”) are secured creditors with security over all of the property, assets and undertaking of Greencore in the form of General Security Agreements in favour of each of the Secured Creditors over all of the assets and undertaking of Greencore (hereinafter referred to as the “**Security**”)(collectively Growthworks, Inch and Maddever being the “**Secured Creditors**”);
- (d) The Secured Creditors have executed a Priorities Agreement, along with the subordinate secured creditors Sustainable Chemistry Alliance (now known as “Bioindustrial Innovation Canada”)(“**SCA**”) and Sarnia-Lambton Business Development Corporation (“**SLBDC**”) which determines priorities between the Secured Creditors.
- (e) Under the terms of the Priority Agreement the Secured Creditors have first priority over SCA and SLBDC with respect to the property being sold by the Receiver, and the sale proceeds available under the Transaction sought to be approved by the Receiver are not sufficient to pay any creditor other than to make partial repayment of the Indebtedness owing to the Secured Creditors.

- (f) The Secured Creditors have acted cooperatively through the Receiver to market the assets of Greencore in order to complete the winding up of the Greencore business and to achieve some realization from the assets despite the ceasing of operations in 2016.
- (g) Collectively, the Secured Creditors are owed in excess of \$320,000 which far exceeds the value of the remaining assets of Greencore, and it is not anticipated that there will be any distribution to unsecured creditors.
- (h) On April 25th, 2018 the Receiver was appointed as Privately-Appointed Receiver of the property and assets of Greencore by the Secured Creditors, and has preserved and maintained the assets pending their sale.
- (i) The County of Lambton Community Development Corporation is the Landlord (the "**Landlord**") of the premises occupied by Greencore at 1086 Modeland Road, Sarnia Ontario, Canada (hereinafter referred to as the "**Premises**") under the Lease for Premises dated April 1, 2016 (the "**Lease**") and is a sister corporation to SLBDC.
- (j) The Receiver was entitled to enter into possession of the assets of Greencore located at the Premises and to occupy the Premises in order to maximize the realization of the property, assets and undertaking of Greencore, and has entered into an occupation agreement for the Premises with the Landlord, with whom the Receiver and the Secured Creditors are acting cooperatively to find a purchaser of Greencore's assets.



- (k) The Receiver marketed the Property by:
  - (i) obtaining liquidation proposals for the sale of the M&E from two liquidators
  - (ii) providing a Confidential Information Memorandum to potential purchasers;
  - (iii) receiving enquiries from two potential purchasers and providing them with access to additional information about the Assets;
  - (iv) obtaining letters of intent from two potential purchasers; and
  - (v) having telephone calls to discuss the letters of intent submitted by both potential purchasers.
  
- (l) The Receiver received one conforming agreement of purchase and sale (the “APS”) from Domtar Inc. as Purchaser of the assets of Greencore.
  
- (m) The Receiver accepted the APS, subject to the conditions in the APS, which include the Receiver obtaining a Sale Approval and Vesting Order, in a form acceptable to the Purchaser, due to the nature, security structure and location of the assets being sold.
  
- (n) The Court has the ability to grant a Vesting Order on the Request of any “Receiver” as defined under s.243 of the *Bankruptcy and Insolvency Act*, R.S.C, 1985 to complete the sale of assets, including a receiver appointed by creditors privately under the terms of the Loan and Security documentation.

- (o) Section 100 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended, s. 243 and 249 of the *Bankruptcy and Insolvency Act*, R.S.C, 1985, c. B-5, and s. 6 of the Ontario *Personal Property Security Act* (Ontario) R.S.O. 1990, C. P-10, as amended, which permit the granting of a vesting order, and allow Privately-Appointed Receivers to seek direction from the Court.
- (p) Rule 6 of the *Bankruptcy and Insolvency General Rules*, Can. Reg. 368 regarding service of notices and materials under the *Bankruptcy and Insolvency Act*.
- (q) Such further and other grounds as the lawyers may advise.

**THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the Motion:

- (a) The First Report of the Receiver dated January 18, 2019;
- (b) Such further and other evidence as the lawyers may advise and this Honourable Court may permit.

January 19, 2019

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Lawyers for the Receiver,  
Dodick Landau Inc.

## SERVICE LIST

|                |  |   |
|----------------|--|---|
| <b>TO:</b>     | <b>This Honourable Court</b>   |   |
| <b>AND TO:</b> | <p><b>Wayne Maddever<br/>Ian Inch<br/>Growthworks Commercialization Fund Limited</b></p> <p><b>Attention: Wayne Maddever – collateral agent for secured creditors</b></p> <p>Secured Creditors having appointed Dodick Landau Inc. as their Privately-Appointed Receiver</p> | <p>Emails:</p> <p><a href="mailto:wayne.maddever@bbpconsulting.ca">wayne.maddever@bbpconsulting.ca</a></p>          |
| <b>AND TO:</b> | <p><b>Sarnia-Lambton Business Development Corporation</b><br/>109 Durand Street, Sarnia, Ontario N7T 5A1</p> <p><b>Attention: Don Anderson, General Manager</b></p> <p>Tel: (519) 383-1371</p> <p>Secured Creditor</p>   | <p>Email:</p> <p><a href="mailto:don@slbdc.com">don@slbdc.com</a></p>   |
| <b>AND TO:</b> | <p><b>The County of Lambton Community Development Corporation</b><br/>1086 Modeland Road<br/>Sarnia, Ontario<br/>N7S 6L2</p> <p><b>Attention: Katherine Albion</b></p> <p>Fax: 905-273-6920</p> <p>Landlord</p>  | <p>Email:</p> <p><a href="mailto:kalbion@sarnialambtonresearchpark.ca">kalbion@sarnialambtonresearchpark.ca</a></p> |

|                |  |  |
|----------------|--|--|
| <b>AND TO:</b> | <b>Ministry of Finance</b><br>Legal Services Branch<br>777 Bay Street, 11 <sup>th</sup> Floor<br>Toronto, Ontario M5G2C8<br><br><b>Attention: Kevin O'Hara</b><br><br>Tel: 905-433-6934<br>Fax: 905-436-4510   | E-mail: <a href="mailto:kevin.ohara@ontario.ca">kevin.ohara@ontario.ca</a>           |
| <b>AND TO:</b> | <b>Department of Justice</b><br>Ontario Regional Office<br>The Exchange Tower<br>130 King Street West, Suite 3400<br>Toronto, Ontario M5X 1K6<br><br><b>Attention: Diane Winters</b><br><br>Tel: 416-973-3172<br>Fax: 416-973-0810   | E-mail: <a href="mailto:diane.winters@justice.gc.ca">diane.winters@justice.gc.ca</a> |
| <b>AND TO:</b> | <b>Bioindustrial Innovation Canada</b><br>1086 Modeland Rd.<br>Sarnia, ON,<br>N7S 6L2<br><br><b>Attention: Steve Persichetti, CPA, CA<br/> Controller</b><br><br>Tel: 226.778.0020. Ext. 239<br><br>Formerly "Sustainable Chemical Alliance",<br>Signatory to Priority Agreement | Email: <a href="mailto:stevep@bincanada.ca">stevep@bincanada.ca</a>                  |
| <b>AND TO:</b> | <b>University of Toronto – Faculty of<br/> Forestry</b><br>33 Willcocks St., Toronto, Ontario, M5S<br>3B3<br><br><b>Attention: Dr. Mohini Sain</b><br><br>Director, Centre for Biocomposites and<br>Biomaterials Processing  | Email:<br><br><a href="mailto:m.sain@utoronto.ca">m.sain@utoronto.ca</a>             |

**IN THE MATTER OF the Receivership of Greencore Composites Inc.  
of the City of Sarnia, in the Province of Ontario**

Court File No. 35-124471

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

**NOTICE OF MOTION**

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Lawyers for the Receiver,  
Dodick Landau, Inc.

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TAB 2

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE RECEIVERSHIP OF  
GREENCORE COMPOSITES INC.  
OF THE CITY OF SARNIA, IN THE PROVINCE OF  
ONTARIO**

**MOTION UNDER SECTIONS 100 AND 101 OF THE *COURTS OF JUSTICE ACT*,  
R.S.O. 1990, C. C.43, AS AMENDED, SECTIONS 243 AND 249 OF THE *BANKRUPTCY  
AND INSOLVENCY ACT*, R.S.C. 1985, C. B-5, AS AMENDED, AND SECTION 67 OF  
THE *PERSONAL PROPERTY SECURITY ACT* (ONTARIO) R.S.O. 1990, C. P-10, AS  
AMENDED**

**FIRST REPORT TO COURT OF DODICK LANDAU INC. AS RECEIVER OF  
GREENCORE COMPOSITES INC.**

**January 18, 2019**

**INTRODUCTION**

1. Greencore Composites Inc. (the “**Greencore**” or the “**Debtor**”) is indebted to Wayne Maddever, Ian Inch and Growthworks Commercialization Fund Ltd. (collectively, the “**Secured Creditors**”) in the amounts of approximately \$110,000, \$176,000 and \$35,000, respectively, (the “**Indebtedness**”). In support of the Indebtedness, the Secured Creditors each hold a General Security Agreement (collectively the “**GSA’s**”), and are parties to a Third Amended and Restated Subordination agreement (the “**Priority Agreement**”), along with Sustainable Chemistry Alliance (now known as “**Bioindustrial Innovation Canada**”)(“**SCA**”) and Sarnia-Lambton Business Development Corporation (“**SLBDC**”).
2. Under the terms of the Priority Agreement, the Secured Creditors have a first priority security interest over all of the Debtor’s present and after acquired personal property, assets and undertakings and all proceeds thereof (collectively, the GSA’s and the Priority Agreement being the “**Security**”), to which SCA and SLBDC have subordinated their security interests. Attached as **Appendix “A”** are copies of the Security.

3. Events of default under the Security had occurred and the security interest provided in the Security to the Secured Creditors had become enforceable. The Secured Creditors delivered to the Debtor on April 16, 2018 and April 20, 2018, a Demand for payment, Notice of default and a Notice of Intention to Enforce Security pursuant to Section 244 of the *Bankruptcy and Insolvency Act*, copies of which are attached as **Appendix "B"**. The Debtor agreed to waive the notice period to enforce the Security and consented to early enforcement by the Secured Creditors.
4. On April 25, 2018 ("**Date of Receivership**"), the Secured Parties (upon the Debtor consenting to enforcement under s.244 of the BIA) appointed Dodick Landau Inc. ("**DLI**") as private-Receiver (the "**Receiver**") pursuant to the Security and s. 243(2)(b)(i) of the *Bankruptcy and Insolvency Act* over all of the personal property, assets and undertakings of the Debtor and as Agent of the Secured Creditors pursuant to the terms of the Receiver's appointment letter (the "**Appointment Letter**") and with all the power and authority granted to the Secured Parties by the Security. Attached as **Appendices "C" and "D"** are copies of the Appointment Letter and the Certificate of Filing of Receivership issued by the Office of the Superintendent of Bankruptcy Canada, respectively.

#### **PURPOSE OF REPORT**

5. The purpose of this report (the "**Report**") is to provide this Court with:
  - a. background information on Greencore and its operations;
  - b. a summary of the assets of Greencore ("**Assets**") and their estimated realizable value;
  - c. the evidentiary basis for the Receiver's application to this Court requesting:
    - i) the Approval and Vesting Order which will, among other things:
      - a) authorize the Receiver to sell substantially all of the Assets of Greencore to Domtar Inc. (the "**Purchaser**"), in accordance with the Agreement of Purchase and Sale ("**APS**"), as described later in this Report; and



- b) vest the Assets to be purchased by the Purchaser in the Purchaser, free and clear of all claims; and
- d. to recommend the relief sought be granted.

**DISCLAIMER**

- 6. In preparing this Report, the Receiver has relied upon certain unaudited, draft and/or internal financial information, the Debtor’s books and records, discussions with the management of the Company (“**Management**”) and information from other third-party sources (collectively, the “**Information**”). Except as described in this Report:
  - a. the Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of the Information;
  - b. some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants handbook, has not been performed; and
  - c. the Receiver has prepared this Report in its capacity as a Privately-Appointed Receiver and has made a copy of this Report available on the Receiver’s website at [www.dodick.ca](http://www.dodick.ca) for purposes of this motion. Parties using this Report, other than for the purpose of this motion, are cautioned that it may not be appropriate for their purposes.
- 7. All references in this Report to dollars are in Canadian currency unless otherwise noted.

## BACKGROUND

### Operations

8. Greencore is an Ontario corporation whose production facility was located in Sarnia, Ontario, Canada. Greencore's ownership group was composed of eleven individuals and corporations at the time it ceased operations in November 2016.
9. Greencore was a clean technology manufacturer of natural fibre reinforced thermoplastic compounded resins used by injection molders, profile extruders, and other plastic processes in automotive, consumer and other industrial products. Greencore operated a manufacturing facility in Sarnia, Ontario, for product development and eventually production of commercial quantities of its compounds. Greencore ceased operations in November 2016 and its facility, and the assets secured under the Security located at the facility, have since remained dormant.
10. Greencore's operations were located at a leased pilot plant at 1086 Modeland Road, Sarnia, Ontario which is part of the Western Sarnia Lambton Research Park (the "**Premises**") The County of Lambton Community Development Corporation is the Landlord (the "**Landlord**") of the Premises under a Lease for Premises dated April 1, 2016 (the "**Lease**") and is a sister corporation to SLBDC. The Landlord will be served with a copy of the Receiver's Motion Record.

### Secured Creditors

11. The Secured Creditors have security over all of the property, assets and undertaking of Greencore in the form of General Security Agreements in favour of each of the Secured Creditors, which are attached at Appendix "A" to this Report. Counsel for the Receiver has reviewed the Security and has found that it is enforceable in accordance with its terms.
12. The Secured Creditors have executed a Priority Agreement which determines priorities between the Secured Creditors and have acted cooperatively through the Receiver to market the assets of Greencore in order to complete the winding up of the Greencore

business and to achieve some realization, despite the cessation of the operations of Greencore in 2016.

13. Collectively, the Secured Creditors are owed approximately \$320,000, which far exceeds the value of the remaining assets of Greencore, and it is not anticipated that there will be any distribution to unsecured creditors.
14. Since April 2018 the Receiver took possession of the property and assets of Greencore on behalf of the Secured Creditors and has preserved and maintained the assets pending their sale. The Receiver entered into an occupation agreement for the Premises with the landlord, with whom the Receiver and the Secured Creditors are acting cooperatively to find a purchaser of Greencore's assets that could re-let the premises.
15. The only registered secured parties under the PPSA are the Secured Parties that have appointed the Receiver bringing this motion and SLBDC which will be served with this motion. Attached at **Appendix "E"** to this Report is a copy of the PPSA search for the Debtor current to January 18, 2019.

#### **University of Toronto ("UT")**

16. In 2007 Greencore received from the Centre for Biocomposites and Biomaterials Processing at the Faculty of Forestry at UT, a hot melt granulation system which was comprised of a granulator, blower, cyclone and other related equipment ("**UT Equipment**"). As the Faculty of Forestry of UT agreed to collaborate with Greencore in its research, UT agreed to provide the UT Equipment to Greencore on loan to Greencore, but not as a result of any kind of financing transaction.
17. On the Date of the Receivership, the UT Equipment remained at Greencore's facility and, according to Management, UT had not requested the return of the equipment, notwithstanding the cessation of operations by the Greencore in November 2016. However, the Purchaser required the UT Equipment if it was to purchase Greencore's assets.

- 18. The Purchaser entered into discussions with UT about obtaining the equipment in December 2018 and UT has agreed to dispose of the equipment at no cost, thereby, releasing the equipment to Greencore and allowing Greencore to include the UT Equipment in the Assets sold to the Purchaser.
- 19. Therefore, title to the UT Equipment will also vest in, and to, the Purchaser should the Court grant the Approval and Vesting Order sought by the Receiver. Attached as **Appendix "F"** is a copy of the UT disposal form evidencing this disposal. Notwithstanding its consent to this disposal of this asset, UT will be served with a copy of this motion by the Receiver.

**SALE OF ASSETS**

- 20. The assets of Greencore are comprised primarily of machinery and equipment ("**M&E**") and intellectual property ("**IP**", and together with M&E, the "**Assets**"). According to Management, prior to the appointment of the Receiver, certain IP had expired and only a portion of the Greencore IP remains available for sale.
- 21. The Receiver obtained liquidation proposals for the sale of the M&E from two liquidators who offered net minimum guarantees of \$35,000 and \$36,500 should they receive the contract to sell the M&E, and after payment of certain costs of the liquidator, each liquidator is prepared to share in net proceeds, if available, with the Receiver whereby the Receiver would receive 85% and the liquidator retains 15% of the net proceeds. Based on the Receiver's discussions with the liquidators, the Liquidators' estimate the gross sales value of the M&E in an auction to be in the range of \$50,000 to \$60,000 before their costs.
- 22. In addition to seeking liquidation proposals, the Receiver marketed the Property for sale by:
  - i. providing a Confidential Information Memorandum to potential purchasers;
  - ii. receiving enquiries from two potential purchasers and providing them with access to additional information about the Assets;

- iii. obtaining letters of intent from two potential purchasers; and
- iv. having telephone calls to discuss the letters of intent submitted by both potential purchasers.

23. Through its sale process The Receiver received one conforming agreement of purchase and sale (the "APS") from Domtar Inc. (the "Purchaser") for the purchase of the assets of Greencore.

**APS**

24. The Receiver negotiated a form of Agreement of Purchase and Sale with the Purchaser wherein the Purchaser agreed to purchase from the Receiver, and the Receiver agreed to sell to the Purchaser, Greencore's and the Receiver's right, title and interest in the Assets. A redacted copy of the APS is attached as **Appendix "G"** and a Confidential Appendix containing the un-redacted purchase price and the amount of the deposit will be filed with the Court, pending approval and closing of the transaction.

25. The purchaser in the circumstances of this case required that as a condition of closing that the Receiver obtain an Approval and Vesting Order. The APS, if executed by the Receiver, is conditional only on an Approval and Vesting Order being granted by this Court. The transaction contemplated by the APS is scheduled to close within several days of the granting of the Approval and Vesting Order.

26. As the APS is estimated to generate net realizations less than the Secured Creditors Indebtedness, the Secured Creditors appear to be the only parties with an economic interest in the Assets. The Receiver understands the Secured Creditors are in support of the sale of the Assets to the Purchaser. The Receiver and the Secured Creditors have also stayed in contact with the Landlord, SCA and SLBDC and they are aware of the Receiver's efforts to sell the assets. All parties with an interest in the Assets will be served by the Receiver.

27. It is the Receiver's view that, based on the foregoing, the approval of the APS by this Court would result in the highest and best realization for the Assets and the best result for the stakeholders.

**RECEIVER'S RECOMMENDATION**

28. In view of the foregoing, the Receiver respectfully recommends that this Court grant an order, pursuant to the terms of the APS, to issue an Approval and Vesting Order vesting the Assets in the Purchaser free and clear of all claims.

All of which is respectfully submitted this 18<sup>th</sup> day of January, 2019.

**DODICK LANDAU INC., solely in its capacity as  
Privately-Appointed Receiver of Greencore Composites Inc.  
and not in its personal or corporate capacity.**

Per:



Rahn Dodick  
President

# APPENDIX A

**GENERAL SECURITY AGREEMENT**

THIS AGREEMENT made the \_\_\_ day of October, 2014.

**BETWEEN:**

**WAYNE MADDEVER**

(hereinafter referred to as the "Secured Party"),

**OF THE FIRST PART,**

**-AND-**

**GREENCORE COMPOSITES INC.**

(hereinafter referred to as the "Debtor"),

**OF THE SECOND PART.**

**WHEREAS** the Debtor is now or will hereafter be indebted to the Secured Party pursuant to the Note (as hereinafter defined);

**AND WHEREAS** the Debtor has agreed to provide the Secured Party with security for such indebtedness;

**NOW THEREFORE THIS AGREEMENT WITNESSES** that, for and in consideration of the premises, mutual covenants and conditions herein contained and such other lawful and valuable consideration the receipt of sufficiency of which are hereby acknowledged, the Parties (as hereinafter defined) hereby agree as follows:

**1. INTERPRETATION**

**1.1 Defined Terms**

In this Agreement, unless there is something in the context or subject matter inconsistent therewith,

- (a) "Business Day" means any day other than a Saturday or a Sunday on which banks generally are open for business in Toronto, Ontario;
- (b) "Chattel Paper" means all present and future agreements made between the Debtor as secured party and others which evidence both a monetary obligation and a security interest in or a lease of specific goods;
- (c) "Collateral" means all undertaking, property and assets of the Debtor, now owned or hereafter acquired and any proceeds from the sale or other disposition thereof, all of which is further described, including without limitation, all Accounts, Inventory, Equipment, Intangibles, Financial Assets, Documents of Title, Money, Chattel Paper, Instruments, Intellectual Property, Securities, Investment Property, Certificated Securities, Documents, Proceeds, and Leaseholds;



- (d) "Documents" means all documents, including, without limitation, all books, invoices, letters, papers and other records, in any form evidencing or relating to the Collateral, all of which are herein called the "Documents";
- (e) "Documents of Title" means any writing now or hereafter owned by the Debtor that purports to be issued by or addressed to a bailee and purports to cover such goods and chattels in the bailee's possession as are identified or fungible portions of an identified mass, whether such goods and chattels are Inventory or Equipment, and which writing is treated in the ordinary course of business as establishing that the person in possession of such writing is entitled to receive, hold and dispose of the said writing and the goods and chattels it covers, and further, whether such writing is negotiable in form or otherwise, including bills of lading and warehouse receipts;
- (f) "Equipment" means all equipment now owned or hereafter acquired by the Debtor, including, without limitation, all computer equipment including hardware and software, machinery, fixtures, plant, tools, furniture, chattels, vehicles of any kind or description, parts, accessories installed in or affixed or attached to any of the foregoing, all drawings, specifications, plans and manuals relating thereto, and any other tangible personal property which is not Inventory;
- (g) "Events of Default" shall have the meaning attributed to such term in Section 6.1 of this Agreement;
- (h) "Intellectual Property" means, the collective reference to all rights, priorities and privileges of the Debtor relating to intellectual property whether arising under Canadian, multinational or foreign laws and otherwise including without limitation, all patents, patent rights, designs, copyrights, topographies, trade-marks, trade-mark rights, trade names, trade-name rights, service marks, service mark rights, industrial designs, plant breeders' rights, rights in confidential information and know-how, and any associated or similar rights (in each case whether registered or unregistered and including any related licenses and sub-licenses of the same and any applications and rights to apply for same) and all rights to same at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom;
- (i) "Inventory" means all goods or chattels now or hereafter forming the inventory of the Debtor including, without limitation, the goods, merchandise, raw materials, work in process, finished goods, goods held for sale or resale or lease or that have been leased or that are to be, or have been, furnished under a contract of service, and goods used in or procured for packing or packaging;
- (j) "Leaseholds" subject to Section 2.3, all leases, now owned or hereafter acquired by the Debtor as tenant (whether oral or written) or any agreement therefor;
- (k) "Money" means all money now or hereafter owned by the Debtor, whether such money is authorized or adopted by the Parliament of Canada as part of its currency or by any foreign government as part of its currency;
- (l) "Note" means the grid promissory note issued by the Debtor in favour of the Secured Party on the date hereof;

- (m) "Obligations" means the aggregate of all indebtedness, obligations and liabilities of the Debtor to the Secured Party in accordance with the terms of the Note;
- (n) "Parties" means the Secured Party and the Debtor;
- (o) "PPSA" means the *Personal Property Security Act* (Ontario), as amended from time to time, and any regulations thereto;
- (p) "Proceeds" means all property in any form derived directly or indirectly from any dealing with the Collateral including, without limitation, property that indemnifies or compensates for the expropriation, destruction or damage of the Collateral or the proceeds therefrom and all proceeds of proceeds;
- (q) "Receiver" shall have the meaning attributed to such term in Section 6.2 of this Agreement; and
- (r) The following terms shall have the meanings given to them in the PPSA: Account, Certificated Security, Financial Assets, Instruments, Intangible, Investment Property, Security, Securities Account, Securities Intermediary, and Security Entitlement.

**1.2 Other Usages**

References to "this Agreement", "hereof", "herein", "hereto" and like references refer to this General Security Agreement and not to any particular Article, Section or other subdivision of this Agreement.

**1.3 Plural and Singular**

Where the context so requires, the words importing the singular number shall include the plural and vice versa.

**1.4 Headings**

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

**1.5 Currency**

Unless otherwise specified herein, all statements of or references to dollar amounts in this Agreement shall mean lawful money of the Canada.

**1.6 Applicable Law**

This Agreement and all documents delivered pursuant hereto shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and the parties hereto do hereby attorn to the exclusive jurisdiction of the courts of the Province of Ontario.

**1.7 Prohibited Provisions**

In the event that any provision or any part of any provision hereof is deemed to be invalid by reason of the operation of any law or by reason of the interpretation placed thereon by a court, this Agreement shall be construed as not containing such provision or such part of such provision and the invalidity of such provision or such part shall not affect the validity of any other provision or the remainder of such provision hereof, and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect.

**1.8 Time of the Essence**

Time shall in all respects be of the essence of this Agreement.

**1.9 Recitals and Schedules**

Each and every one of the recitals and schedules which are referred to in this Agreement and attached to this Agreement shall form an integral part of this Agreement.

**2. SECURITY INTEREST**

**2.1 Grant of Security Interest**

As general and continuing security for the payment and performance of all Obligations, the Debtor hereby:

- (a) charges, pledges, mortgages, hypothecates, transfers and sets over to the Secured Party and grants to the Secured Party a security interest in the Collateral excluding the Accounts; and
- (b) assigns, transfers and sets over to the Secured Party all Accounts.

Whenever used elsewhere in this Agreement, the expression "security interest" refers to the security interest created in this Section 2.1.

**2.2 Attachment of Security Interest**

The security interest created by this Agreement will attach when this Agreement is signed by the Debtor with respect to all items of Collateral in which the Debtor has rights at that moment, and will attach to all other Collateral immediately upon the Debtor acquiring any rights therein and the Parties do not intend to postpone the attachment of any security interest granted under this Agreement. The Debtor acknowledges that value has been given.

**2.3 Exception re: Leaseholds and Contractual Rights**

The last day of the term of any lease, sublease or agreement therefor is specifically excepted from the security interest created by this Agreement, but the Debtor agrees to stand possessed of such last day in trust for such person as the Secured Party may direct and the Debtor shall assign and dispose thereof in accordance with such direction. To the extent that the security interest created by this Agreement in any contractual rights (other than Accounts) would constitute a breach or cause the acceleration of such contract, to which the Debtor is a party, said security interest shall not be granted hereunder but the Debtor shall hold its interest therein in trust for the Secured Party, and shall grant a security interest in such contractual rights to the

Secured Party forthwith upon obtaining the appropriate consents to the attachment of said security interest.

### **3. COVENANTS OF THE DEBTOR**

#### **3.1 Covenants**

The Debtor hereby covenants and agrees with the Secured Party as follows:

- (a) the Debtor agrees to promptly notify the Secured Party in writing of the acquisition by the Debtor of any personal property which is not of the nature or type described by the definition of Collateral, and the Debtor agrees to execute and deliver at its own expense from time to time amendments to this Agreement or additional security agreements as may be reasonably required by the Secured Party in order that a security interest shall be granted and shall attach to such personal property;
- (b) the Debtor shall prevent the Collateral from becoming an accession to any personal property not subject to the security interest created by this Agreement, or becoming affixed to any real property; and
- (c) the Debtor shall deliver to the Secured Party from time to time as the same are acquired by the Debtor all items of Collateral comprising Investment Property, Chattel Paper, Instruments, Securities, Certificated Securities and those Documents of Title which are negotiable.

#### **3.2 Performance of Covenants by the Secured Party**

The Secured Party may, in its sole discretion acting reasonably and upon notice to the Debtor, perform any covenant of the Debtor under this Agreement that the Debtor fails to perform and that the Secured Party is capable of performing, including any covenant the performance of which requires the payment of money, provided that the Secured Party will not be obligated to perform any such covenant on behalf of the Debtor and no such performance by the Secured Party will require the Secured Party further to perform the Debtor's covenants nor operate as a derogation of the rights and remedies of the Secured Party under this Agreement.

### **4. DEALING WITH COLLATERAL**

#### **4.1 Debtor's Rights before Default**

Until the occurrence of an Event of Default and subject to the terms hereof, the Debtor shall be entitled to deal with the Collateral in the ordinary course of business, provided however, that no such action shall be taken which would materially impair the effectiveness of the security interests created hereby or the value of the Collateral or which would be inconsistent with or violate the provisions of this Agreement or any other written agreement between the Secured Party and the Debtor.

#### **4.2 General Restrictions**

The Debtor shall not, without the prior written consent of the Secured Party:

- (a) sell, lease or otherwise dispose of the Collateral or any part thereof except in the ordinary course of business (sales, leases and transfers to related parties are not in the ordinary course of business);
- (b) release, surrender or abandon possession of the Collateral or any part thereof;
- (c) move or transfer the Collateral or any part thereof from its present location as specified in Schedule "A" hereto;
- (d) enter into or grant, create, assume or suffer to exist any mortgage, charge, hypothec, assignment, pledge, lien or other security interest or encumbrance affecting any of the Collateral except as accepted by the Secured Party prior to the creation of such encumbrance, which acceptance shall not be unreasonably withheld or delayed; or
- (e) change ownership of the Debtor's business operations.

#### **4.3 Release by the Secured Party**

The Secured Party may, at its discretion, at any time release from the security interest created by this Agreement any part or parts of the Collateral or any other security or any surety for the Obligations either with or without sufficient consideration therefor without thereby releasing any other part of the Collateral or any person from this Agreement.

#### **4.4 Proceeds Held in Trust**

All Proceeds that are monies collected or received by the Debtor will be received by the Debtor in trust for the Secured Party. The Debtor's trust obligations under this Section must be complied with, with full accounting to the Secured Party.

### **5. REPRESENTATIONS AND WARRANTIES**

#### **5.1 Representations and Warranties**

The Debtor hereby represents and warrants to the Secured Party, the matters set out below:

- (a) **Incorporation, Licenses and Qualifications** - The Debtor is a corporation incorporated, properly organized and validly existing under the federal laws of Canada and is registered and qualified to do business under such laws and the laws of each other jurisdiction in which the character of the properties owned by it or the nature of the activities conducted by it make such registration or qualification advisable or necessary.
- (b) **Corporate Authority and Power** - The Debtor has full power and lawful authority, corporate and other, to enter into and to perform its obligations under this Agreement.
- (c) **No Other Business Names or Styles** - The Debtor does not carry on business under or use any name or style other than the name(s) specified in Schedule "B" to this Agreement including, without limitation, any names in the French language.

- (d) **Non-Conflict** - Neither the execution nor the performance of this Agreement requires the approval of any regulatory agency having jurisdiction over the Debtor nor is this Agreement in contravention of or in conflict with the articles, by-laws or resolutions of the directors or shareholders of the Debtor or of the provisions of any agreement to which the Debtor is a party or by which any of its property may be bound or of any statute, regulation, by-law, ordinance or other law, or to the best of its knowledge of any judgement, decree, award, ruling or order to which the Debtor or any of its property may be subject.
- (e) **Ownership of Collateral Free of Charges** - Subject to the prior claims of prior ranking secured creditors as permitted by the Secured Party, the Debtor is the owner of or has rights in the Collateral free and clear of any liens.
- (f) **Debtor Information** - Schedule "B" sets forth (a) the Debtor's jurisdiction of incorporation, (b) the location of the Debtor's registered office and the Debtor's chief executive office, and (c) the Debtor's exact legal name as it appears on its constating documents as amended from time to time, and all trade names used by the Debtor.
- (g) **Enforceability** - This Agreement constitutes a valid and legally binding obligation of the Debtor enforceable against it in accordance with its terms, subject to general equitable principles, including the fact that the availability of equitable remedies, such as injunctive relief and specific performance, is in the discretion of the court.

## 5.2 Reliance and Survival

All representations and warranties of the Debtor made in this Agreement or in any certificate or other document delivered by or on behalf of the Debtor to or for the benefit of the Secured Party are material, shall survive the execution and delivery of this Agreement and shall continue in full force and effect without time limit. The Secured Party shall be deemed to have relied upon each such representation and warranty notwithstanding any investigation made by or on behalf of the Secured Party at any time.

## 6. DEFAULT AND ENFORCEMENT

### 6.1 Enforceability of Security

The Debtor shall be in default under this Agreement and the security hereby constituted shall become enforceable upon the occurrence of any of the following events (each, an "Event of Default"):

- (a) the Debtor shall fail to pay any amounts due and payable under the Note or shall otherwise default under any of the Obligations;
- (b) the Debtor shall default in the due observance or performance of any covenant, undertaking or agreement heretofore or hereafter given to the Lender, whether contained herein or not;
- (c) the bankruptcy or insolvency of the Debtor, the filing against the Debtor of a petition in bankruptcy, the making of an authorized assignment for the benefit of creditors by the Debtor, the appointment of a receiver or trustee for the Debtor for

the assets of the Debtor, or the institution by or against the Debtor of any other type of insolvency proceeding under the *Bankruptcy and Insolvency Act* (Canada) or otherwise, unless in any such case the petition, proceeding or process is bona fide disputed and stayed, withdrawn, dismissed or vacated, as the case may be, within thirty (30) days;

- (d) an execution or other process of any court shall become enforceable against the Debtor or a distress or analogous process shall be levied upon the property of the Debtor or any part thereof; or
- (e) the Debtor shall cease or threaten to cease operations.

## 6.2 Remedies

At any time after the happening of any Event of Default, the Secured Party shall have the following rights, powers and remedies:

- (a) to appoint any person to be an agent or any person to be a receiver, manager or receiver and manager (herein called the "Receiver") of the Collateral and to remove any Receiver so appointed and to appoint another if the Secured Party so desires; it being agreed that any Receiver appointed pursuant to the provisions of this Agreement shall have all of the powers of the Secured Party hereunder, and in addition, shall have the power to carry on the business of the Debtor;
- (b) to make payments to parties having prior charges or encumbrances on the Collateral;
- (c) to enter onto any premises where the Collateral may be located;
- (d) to take possession of all or any part of the Collateral and any premises where such Collateral is located with power to exclude the Debtor, its agents and its servants from such Collateral and such premises;
- (e) to preserve, protect and maintain the Collateral and make such repairs to, replacements thereof and additions thereto as the Secured Party shall deem advisable;
- (f) to enjoy and exercise all powers necessary or incidental to the performance of all functions provided for in this Agreement including, without limitation, the power to purchase on credit, the power to borrow in the Debtor's name or in the name of the Receiver and to advance its own money to the Debtor at such rates of interest as it may deem reasonable, provided that the Receiver shall borrow money only with the prior consent of the Secured Party, and to grant security interests in the Collateral in priority to the security interest created by this Agreement, as security for the money so borrowed;
- (g) to sell, lease or dispose of all or any part of the Collateral whether by public or private sale or lease or otherwise and on any terms so long as every aspect of the disposition is commercially reasonable, including without limitation, terms that provide time for payment on credit; provided that:

- (i) the Secured Party or the Receiver will not be required to sell, lease or dispose of the Collateral, but may peaceably and quietly take, hold, use, occupy, possess and enjoy the Collateral without molestation, eviction, hindrance or interruption by the Debtor or any other person or persons whomever, for such period of time as is commercially reasonable;
  - (ii) the Secured Party or the Receiver may convey, transfer and assign to a purchaser or purchasers the title to any of the Collateral so sold; and
  - (iii) subject to Section 6.8 of this Agreement, the Debtor will be entitled to be credited with the actual proceeds of any such sale, lease or other disposition only when such proceeds are received by the Secured Party or the Receiver in cash;
- (h) to enjoy and exercise all of the rights and remedies of a secured party under the PPSA;
- (i) to dispose of all or any part of the Collateral in the condition in which it was on the date possession of it was taken, or after any commercially reasonable repair, processing or preparation for disposition;
- (j) to sell or otherwise dispose of any part of the Collateral without giving any notice whatsoever where:
- (i) the Collateral is perishable;
  - (ii) the Secured Party or the Receiver believes on reasonable grounds that the Collateral will decline speedily in value;
  - (iii) the Collateral is of a type customarily sold on a recognized market;
  - (iv) the cost of care and storage of the Collateral is disproportionately large relative to its value;
  - (v) every person entitled by law to receive a notice of disposition consents in writing to the immediate disposition of the Collateral; or
  - (vi) the Receiver disposes of the Collateral in the course of the Debtor's business;
- (k) to notify the account debtors or obligors under any Accounts of the assignment of such Accounts to the Secured Party and to direct such account debtors or obligors to make payment of all amounts due or to become due to the Debtor thereunder directly to the Secured Party and to give valid and binding receipts and discharges therefor and in respect thereof and, upon such notification and at the expense of the Debtor, to enforce collection of any such Accounts, and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as the Debtor might have done;
- (l) to commence, continue or defend proceedings in any court of competent jurisdiction in the name of the Secured Party, the Receiver or the Debtor for the purpose of exercising any of the rights, powers and remedies set out in this



Section, including the institution of proceedings for the appointment of a receiver, manager or receiver and manager of the Collateral; and

- (m) at the sole option of the Secured Party, provided notice is given in the manner required by the PPSA to the Debtor and to any other person to whom the PPSA requires notice to be given, to elect to retain all or any part of the Collateral in satisfaction of the Obligations.

**6.3 Special Rules re: Accounts**

After the security hereby constituted becomes enforceable,

- (a) all Money or other form of payment received by the Debtor in respect of the Accounts shall be received in trust for the benefit of the Secured Party hereunder, shall be segregated from other funds of the Debtor and shall be forthwith paid over to the Secured Party in the same form as so received (with any necessary endorsement) to be held as cash collateral and applied as provided by Section 6.8; and
- (b) the Debtor shall not adjust, settle or compromise the amount or payment of any Accounts, or release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon.

**6.4 Receiver as Agent**

The Receiver shall be deemed to be the agent of the Debtor for the purpose of establishing liability for the acts or omissions of the Receiver and the Secured Party shall not be liable for such acts or omissions and, without restricting the generality of the foregoing, the Debtor hereby irrevocably authorizes the Secured Party to give instructions to the Receiver relating to the performance of its duties as set out herein.

**6.5 Expenses of Enforcement**

The Debtor shall pay to the Receiver the remuneration of the Receiver and all costs and expenses (including, without limitation, legal fees and disbursements on a full indemnity basis) properly incurred by the Receiver pursuant to its appointment and the exercise of its powers hereunder, and shall pay to the Secured Party and the Receiver as required all amounts of money (including interest thereon) borrowed or advanced by either of them pursuant to the powers set out herein, and the obligations of the Debtor to the Secured Party and the Receiver pursuant to this Section 6.5 shall be payable on demand.

**6.6 Indulgences and Releases**

Either the Secured Party or the Receiver may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, release any part of the Collateral to third parties and otherwise deal with the Debtor, debtors of the Debtor, sureties and others and with the Collateral and other security as the Secured Party or the Receiver may see fit without prejudice to the Obligations or the right of the Secured Party and the Receiver to repossess, hold, collect and realize the Collateral.

**6.7 No Liability for Failure to Exercise Remedies**

The Secured Party and the Receiver shall not be liable or accountable to the Debtor or to any other person for any failure to exercise any of the rights, powers and remedies set out in this Agreement, and shall not be bound to commence, continue or defend proceedings for the purpose of preserving or protecting any rights of the Secured Party, the Receiver, the Debtor or any other party in respect of the same.

**6.8 Proceeds of Disposition**

Subject to the claims, if any, of the prior secured creditors of the Debtor, all moneys received by the Secured Party or by the Receiver pursuant to Section 6.2 shall be applied as follows:

- (a) first, in payment of all costs and expenses incurred by the Secured Party in the exercise of all or any of the powers granted to it under this Agreement and in payment of all of the remuneration of the Receiver and all costs and expenses properly incurred by the Receiver in the exercise of all or any of the powers granted to it under this Agreement, including, without limitation, the remuneration, costs and expenses referred to in Section 6.5;
- (b) second, in payment of all amounts of money borrowed or advanced by either of the Secured Party or the Receiver pursuant to the powers set out in this Agreement and any interest thereon;
- (c) third, in payment of the Obligations, provided that if there are not sufficient moneys to pay all of the Obligations, the Secured Party may apply the moneys available to such part or parts thereof as the Secured Party, in its sole discretion, may determine; and
- (d) fourth, in payment of any surplus in accordance with applicable law.

**6.9 Debtor Liable for Deficiency**

If the monies received by the Secured Party or the Receiver pursuant to Section 6.2 are not sufficient to pay the claims set out in Section 6.8, the Debtor shall immediately pay the Secured Party the amount of such deficiency.

**6.10 Restriction on Debtor**

Upon the Secured Party taking possession of the Collateral or the appointment of a Receiver, all the powers, functions, rights and privileges of the Debtor or any officer, director, servant or agent of the Debtor with respect to the Collateral shall, to the extent permitted by law, be suspended unless specifically continued by the written consent of the Secured Party; however, all other powers, functions, rights and privileges of the Debtor or any officer, director, servant or agent of the Debtor shall be unaffected by such events.

**6.11 Rights Cumulative**

All rights and remedies of the Secured Party set out in this Agreement shall be cumulative and no right or remedy contained herein is intended to be exclusive but each shall be in addition to every other right or remedy contained herein or in any existing or future security document or now or hereafter existing at law or in equity or by statute. The taking of a judgment or

judgments with respect to any of the Obligations shall not operate as a merger of any of the covenants contained in this Agreement.

**6.12 Care by the Secured Party**

The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of any of the Collateral in the Secured Party's possession if it takes such action for that purpose as the Debtor requests in writing, but failure of the Secured Party to comply with any such request shall not be deemed to be (or to be evidence of) a failure to exercise reasonable care, and no failure of the Secured Party to preserve or protect any rights with respect to such Collateral against prior parties, or to do any act with respect to the preservation of such Collateral not so requested by the Debtor, shall be deemed a failure to exercise reasonable care in the custody or preservation of such Collateral.

**6.13 Standards of Sale**

Without prejudice to the ability of the Secured Party to dispose of the Collateral in any manner which is commercially reasonable, the Debtor acknowledges that a disposition of Collateral by the Secured Party which takes place substantially in accordance with the following provisions shall be deemed to be commercially reasonable:

- (a) Collateral may be disposed of in whole or in part;
- (b) the disposition may be for cash or credit, or part cash and part credit; and
- (c) the Secured Party may establish a reserve bid in respect of all or any portion of the Collateral.

**6.14 Application by Debtor re: Receiver**

The Debtor hereby irrevocably waives its right to make an application to any court with respect to the appointment, powers or remuneration of the Receiver.

**7. GENERAL**

**7.1 Waiver**

Any breach by the Debtor of any of the provisions contained in this Agreement or any default by the Debtor in the observance or performance of any covenant or condition required to be observed or performed by the Debtor hereunder, may only be waived by the Secured Party in writing, provided that no such waiver by the Secured Party shall extend to or be taken in any manner to affect any subsequent breach or default or the rights resulting therefrom.

**7.2 The Secured Party as Attorney**

The Debtor hereby irrevocably appoints the Secured Party and any person further designated by the Secured Party to be the attorney of the Debtor for and in the name of the Debtor to execute and do any deeds, documents, transfers, demands, assignments, assurances, consents and things which the Debtor is obliged to sign, execute or do hereunder and, after the happening of any Event of Default, to commence, continue and defend any proceedings authorized to be taken hereunder and generally to use the name of the Debtor in the exercise of all or any of the powers hereby conferred on the Secured Party.

**7.3 Further Assurances**

The Debtor shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such further acts, deeds, mortgages, transfers and assurances as the Secured Party shall reasonably require for the better assuring, charging, assigning and conferring unto the Secured Party a security interest in the Collateral or property intended to be charged hereunder, or which the Debtor may hereafter become bound to charge in favour of the Secured Party, for the purpose of accomplishing and effecting the intention of this Agreement.

**7.4 Continuing Security**

The security interest constituted hereby shall be deemed to be a continuing security for the Obligations until all of the Obligations from time to time are paid and performed in full and any and all commitments of the Secured Party in favour of the Debtor have been cancelled.

**7.5 No Obligation to Advance**

Neither the execution nor the delivery of this Agreement shall obligate the Secured Party to advance any moneys to the Debtor.

**7.6 Notices**

All notices and other communications provided for herein shall be in writing and shall be personally delivered to an officer or other responsible employee of the addressee or sent by facsimile, charges prepaid, at or to the applicable address or telefacsimile number, as the case may be, of the party set opposite its name below or at or to such other address or addresses or telefacsimile number or numbers as either party may from time to time designate to the other party in such manner. Any communication which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Business Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of delivery. Any communication which is transmitted by telefacsimile as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such date is a Business Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of transmission.

In the case of the Debtor:

Greencore Composites Inc.  
642 King Street West  
Toronto, Ontario  
M5V 1M7

Attention: Chief Executive Officer

In the case of the Secured Party:

347 East Hart Crescent  
Burlington, ON L7N 1P8

**7.7 Assignment**

Neither party may assign or transfer this Agreement, any of their rights hereunder or any part thereof without the prior written consent of the other party, which consent shall not be unreasonably withheld by either party.

**7.8 Successors and Assigns**

This Agreement shall enure to the benefit of the Secured Party and his heirs, executors and personal representatives and shall be binding upon the Debtor and its successors and permitted assigns.

**7.9 Entire Agreement**

This Agreement and the agreements referred to herein and any document, agreement or instrument delivered pursuant to such agreements constitute the entire agreement between the parties hereto and supersede any prior agreements, undertakings, declarations, representations and undertakings, both written and verbal, in respect of the subject matter hereof.

**7.10 Paramountcy**

In the event of any conflict, inconsistency, ambiguity or difference between the provisions of this Agreement and of the Note, then the provisions of the Note shall govern and be paramount, and any such provision in this Agreement shall be deemed to be amended to the extent necessary to eliminate any such conflict, inconsistency, ambiguity or difference. Notwithstanding the foregoing, if there is any right or remedy of the Secured Party set out in this Agreement or any part thereof which is not set out or provided for in the Note, such additional right or remedy shall not constitute a conflict or inconsistency.

**7.11 Receipt of Copy of Agreement**

The Debtor hereby acknowledges receipt of an executed copy of this Agreement.


**7.12 Counterpart**

This Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument.


*- Signatures contained on next page -*

IN WITNESS WHEREOF the Parties have duly executed this Agreement as of the date first written above.

GREENCORE COMPOSITES INC.

Per:   
Name: W. MADDEVER  
Title: CEO  
I have the authority to bind the corporation.

Witness 

  
Wayne Maddever

**SCHEDULE A**  
**LOCATIONS OF COLLATERAL**

1086 MODELAND ROAD, SARNIA, ONTARIO N7S 6L2

**SCHEDULE "B"**

**DEBTOR INFORMATION**

1. Debtor's exact legal name: Greencore Composites Inc.
2. Debtor's jurisdiction of incorporation: Federal
3. Debtor's chief executive office address and registered office address: 642 King Street West, Suite 200, Toronto, Ontario, Canada, M5V 1M7
4. Trade Names: None

12498030.1



**GENERAL SECURITY AGREEMENT**

THIS AGREEMENT made the \_\_\_ day of October, 2014.

**BETWEEN:**

**IAN INCH**

(hereinafter referred to as the "Secured Party"),

**OF THE FIRST PART,**

**-AND-**

**GREENCORE COMPOSITES INC.**

(hereinafter referred to as the "Debtor"),

**OF THE SECOND PART.**

**WHEREAS** the Debtor is now or will hereafter be indebted to the Secured Party pursuant to the Note (as hereinafter defined);

**AND WHEREAS** the Debtor has agreed to provide the Secured Party with security for such indebtedness;

**NOW THEREFORE THIS AGREEMENT WITNESSES** that, for and in consideration of the premises, mutual covenants and conditions herein contained and such other lawful and valuable consideration the receipt of sufficiency of which are hereby acknowledged, the Parties (as hereinafter defined) hereby agree as follows:

**1. INTERPRETATION**

**1.1 Defined Terms**

In this Agreement, unless there is something in the context or subject matter inconsistent therewith,

- (a) "Business Day" means any day other than a Saturday or a Sunday on which banks generally are open for business in Toronto, Ontario;
- (b) "Chattel Paper" means all present and future agreements made between the Debtor as secured party and others which evidence both a monetary obligation and a security interest in or a lease of specific goods;
- (c) "Collateral" means all undertaking, property and assets of the Debtor, now owned or hereafter acquired and any proceeds from the sale or other disposition thereof, all of which is further described, including without limitation, all Accounts, Inventory, Equipment, Intangibles, Financial Assets, Documents of Title, Money, Chattel Paper, Instruments, Intellectual Property, Securities, Investment Property, Certificated Securities, Documents, Proceeds, and Leaseholds;

- (d) **"Documents"** means all documents, including, without limitation, all books, invoices, letters, papers and other records, in any form evidencing or relating to the Collateral, all of which are herein called the "Documents";
- (e) **"Documents of Title"** means any writing now or hereafter owned by the Debtor that purports to be issued by or addressed to a bailee and purports to cover such goods and chattels in the bailee's possession as are identified or fungible portions of an identified mass, whether such goods and chattels are Inventory or Equipment, and which writing is treated in the ordinary course of business as establishing that the person in possession of such writing is entitled to receive, hold and dispose of the said writing and the goods and chattels it covers, and further, whether such writing is negotiable in form or otherwise, including bills of lading and warehouse receipts;
- (f) **"Equipment"** means all equipment now owned or hereafter acquired by the Debtor, including, without limitation, all computer equipment including hardware and software, machinery, fixtures, plant, tools, furniture, chattels, vehicles of any kind or description, parts, accessories installed in or affixed or attached to any of the foregoing, all drawings, specifications, plans and manuals relating thereto, and any other tangible personal property which is not Inventory;
- (g) **"Events of Default"** shall have the meaning attributed to such term in Section 6.1 of this Agreement;
- (h) **"Intellectual Property"** means, the collective reference to all rights, priorities and privileges of the Debtor relating to intellectual property whether arising under Canadian, multinational or foreign laws and otherwise including without limitation, all patents, patent rights, designs, copyrights, topographies, trade-marks, trademark rights, trade names, trade-name rights, service marks, service mark rights, industrial designs, plant breeders' rights, rights in confidential information and know-how, and any associated or similar rights (in each case whether registered or unregistered and including any related licenses and sub-licenses of the same and any applications and rights to apply for same) and all rights to same at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom;
- (i) **"Inventory"** means all goods or chattels now or hereafter forming the inventory of the Debtor including, without limitation, the goods, merchandise, raw materials, work in process, finished goods, goods held for sale or resale or lease or that have been leased or that are to be, or have been, furnished under a contract of service, and goods used in or procured for packing or packaging;
- (j) **"Leaseholds"** subject to Section 2.3, all leases, now owned or hereafter acquired by the Debtor as tenant (whether oral or written) or any agreement therefor;
- (k) **"Money"** means all money now or hereafter owned by the Debtor, whether such money is authorized or adopted by the Parliament of Canada as part of its currency or by any foreign government as part of its currency;
- (l) **"Note"** means the grid promissory note issued by the Debtor in favour of the Secured Party on the date hereof;

- (m) "Obligations" means the aggregate of all indebtedness, obligations and liabilities of the Debtor to the Secured Party in accordance with the terms of the Note;
- (n) "Parties" means the Secured Party and the Debtor;
- (o) "PPSA" means the *Personal Property Security Act* (Ontario), as amended from time to time, and any regulations thereto;
- (p) "Proceeds" means all property in any form derived directly or indirectly from any dealing with the Collateral including, without limitation, property that indemnifies or compensates for the expropriation, destruction or damage of the Collateral or the proceeds therefrom and all proceeds of proceeds;
- (q) "Receiver" shall have the meaning attributed to such term in Section 6.2 of this Agreement; and
- (r) The following terms shall have the meanings given to them in the PPSA: Account, Certificated Security, Financial Assets, Instruments, Intangible, Investment Property, Security, Securities Account, Securities Intermediary, and Security Entitlement.

## 1.2 Other Usages

References to "this Agreement", "hereof", "herein", "hereto" and like references refer to this General Security Agreement and not to any particular Article, Section or other subdivision of this Agreement.

## 1.3 Plural and Singular

Where the context so requires, the words importing the singular number shall include the plural and vice versa.

## 1.4 Headings

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

## 1.5 Currency

Unless otherwise specified herein, all statements of or references to dollar amounts in this Agreement shall mean lawful money of the Canada.

## 1.6 Applicable Law

This Agreement and all documents delivered pursuant hereto shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and the parties hereto do hereby attorn to the exclusive jurisdiction of the courts of the Province of Ontario.

**1.7 Prohibited Provisions**

In the event that any provision or any part of any provision hereof is deemed to be invalid by reason of the operation of any law or by reason of the interpretation placed thereon by a court, this Agreement shall be construed as not containing such provision or such part of such provision and the invalidity of such provision or such part shall not affect the validity of any other provision or the remainder of such provision hereof, and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect.

**1.8 Time of the Essence**

Time shall in all respects be of the essence of this Agreement.

**1.9 Recitals and Schedules**

Each and every one of the recitals and schedules which are referred to in this Agreement and attached to this Agreement shall form an integral part of this Agreement.

**2. SECURITY INTEREST**

**2.1 Grant of Security Interest**

As general and continuing security for the payment and performance of all Obligations, the Debtor hereby:

- (a) charges, pledges, mortgages, hypothecates, transfers and sets over to the Secured Party and grants to the Secured Party a security interest in the Collateral excluding the Accounts; and
- (b) assigns, transfers and sets over to the Secured Party all Accounts.

Whenever used elsewhere in this Agreement, the expression "security interest" refers to the security interest created in this Section 2.1.

**2.2 Attachment of Security Interest**

The security interest created by this Agreement will attach when this Agreement is signed by the Debtor with respect to all items of Collateral in which the Debtor has rights at that moment, and will attach to all other Collateral immediately upon the Debtor acquiring any rights therein and the Parties do not intend to postpone the attachment of any security interest granted under this Agreement. The Debtor acknowledges that value has been given.

**2.3 Exception re: Leaseholds and Contractual Rights**

The last day of the term of any lease, sublease or agreement therefor is specifically excepted from the security interest created by this Agreement, but the Debtor agrees to stand possessed of such last day in trust for such person as the Secured Party may direct and the Debtor shall assign and dispose thereof in accordance with such direction. To the extent that the security interest created by this Agreement in any contractual rights (other than Accounts) would constitute a breach or cause the acceleration of such contract, to which the Debtor is a party, said security interest shall not be granted hereunder but the Debtor shall hold its interest therein in trust for the Secured Party, and shall grant a security interest in such contractual rights to the

Secured Party forthwith upon obtaining the appropriate consents to the attachment of said security interest.

### **3. COVENANTS OF THE DEBTOR**

#### **3.1 Covenants**

The Debtor hereby covenants and agrees with the Secured Party as follows:

- (a) the Debtor agrees to promptly notify the Secured Party in writing of the acquisition by the Debtor of any personal property which is not of the nature or type described by the definition of Collateral, and the Debtor agrees to execute and deliver at its own expense from time to time amendments to this Agreement or additional security agreements as may be reasonably required by the Secured Party in order that a security interest shall be granted and shall attach to such personal property;
- (b) the Debtor shall prevent the Collateral from becoming an accession to any personal property not subject to the security interest created by this Agreement, or becoming affixed to any real property; and
- (c) the Debtor shall deliver to the Secured Party from time to time as the same are acquired by the Debtor all items of Collateral comprising Investment Property, Chattel Paper, Instruments, Securities, Certificated Securities and those Documents of Title which are negotiable.

#### **3.2 Performance of Covenants by the Secured Party**

The Secured Party may, in its sole discretion acting reasonably and upon notice to the Debtor, perform any covenant of the Debtor under this Agreement that the Debtor fails to perform and that the Secured Party is capable of performing, including any covenant the performance of which requires the payment of money, provided that the Secured Party will not be obligated to perform any such covenant on behalf of the Debtor and no such performance by the Secured Party will require the Secured Party further to perform the Debtor's covenants nor operate as a derogation of the rights and remedies of the Secured Party under this Agreement.

### **4. DEALING WITH COLLATERAL**

#### **4.1 Debtor's Rights before Default**

Until the occurrence of an Event of Default and subject to the terms hereof, the Debtor shall be entitled to deal with the Collateral in the ordinary course of business, provided however, that no such action shall be taken which would materially impair the effectiveness of the security interests created hereby or the value of the Collateral or which would be inconsistent with or violate the provisions of this Agreement or any other written agreement between the Secured Party and the Debtor.

#### **4.2 General Restrictions**

The Debtor shall not, without the prior written consent of the Secured Party:

- (a) sell, lease or otherwise dispose of the Collateral or any part thereof except in the ordinary course of business (sales, leases and transfers to related parties are not in the ordinary course of business);
- (b) release, surrender or abandon possession of the Collateral or any part thereof;
- (c) move or transfer the Collateral or any part thereof from its present location as specified in Schedule "A" hereto;
- (d) enter into or grant, create, assume or suffer to exist any mortgage, charge, hypothec, assignment, pledge, lien or other security interest or encumbrance affecting any of the Collateral except as accepted by the Secured Party prior to the creation of such encumbrance, which acceptance shall not be unreasonably withheld or delayed; or
- (e) change ownership of the Debtor's business operations.

#### 4.3 Release by the Secured Party

The Secured Party may, at its discretion, at any time release from the security interest created by this Agreement any part or parts of the Collateral or any other security or any surety for the Obligations either with or without sufficient consideration therefor without thereby releasing any other part of the Collateral or any person from this Agreement.

#### 4.4 Proceeds Held in Trust

All Proceeds that are monies collected or received by the Debtor will be received by the Debtor in trust for the Secured Party. The Debtor's trust obligations under this Section must be complied with, with full accounting to the Secured Party.

### 5. REPRESENTATIONS AND WARRANTIES

#### 5.1 Representations and Warranties

The Debtor hereby represents and warrants to the Secured Party, the matters set out below:

- (a) **Incorporation, Licenses and Qualifications** - The Debtor is a corporation incorporated, properly organized and validly existing under the federal laws of Canada and is registered and qualified to do business under such laws and the laws of each other jurisdiction in which the character of the properties owned by it or the nature of the activities conducted by it make such registration or qualification advisable or necessary.
- (b) **Corporate Authority and Power** - The Debtor has full power and lawful authority, corporate and other, to enter into and to perform its obligations under this Agreement.
- (c) **No Other Business Names or Styles** - The Debtor does not carry on business under or use any name or style other than the name(s) specified in Schedule "B" to this Agreement including, without limitation, any names in the French language.

- (d) **Non-Conflict** - Neither the execution nor the performance of this Agreement requires the approval of any regulatory agency having jurisdiction over the Debtor nor is this Agreement in contravention of or in conflict with the articles, by-laws or resolutions of the directors or shareholders of the Debtor or of the provisions of any agreement to which the Debtor is a party or by which any of its property may be bound or of any statute, regulation, by-law, ordinance or other law, or to the best of its knowledge of any judgement, decree, award, ruling or order to which the Debtor or any of its property may be subject.
- (e) **Ownership of Collateral Free of Charges** - Subject to the prior claims of prior ranking secured creditors as permitted by the Secured Party, the Debtor is the owner of or has rights in the Collateral free and clear of any liens.
- (f) **Debtor Information** - Schedule "B" sets forth (a) the Debtor's jurisdiction of incorporation, (b) the location of the Debtor's registered office and the Debtor's chief executive office, and (c) the Debtor's exact legal name as it appears on its constating documents as amended from time to time, and all trade names used by the Debtor.
- (g) **Enforceability** - This Agreement constitutes a valid and legally binding obligation of the Debtor enforceable against it in accordance with its terms, subject to general equitable principles, including the fact that the availability of equitable remedies, such as injunctive relief and specific performance, is in the discretion of the court.

## 5.2 Reliance and Survival

All representations and warranties of the Debtor made in this Agreement or in any certificate or other document delivered by or on behalf of the Debtor to or for the benefit of the Secured Party are material, shall survive the execution and delivery of this Agreement and shall continue in full force and effect without time limit. The Secured Party shall be deemed to have relied upon each such representation and warranty notwithstanding any investigation made by or on behalf of the Secured Party at any time.

## 6. DEFAULT AND ENFORCEMENT

### 6.1 Enforceability of Security

The Debtor shall be in default under this Agreement and the security hereby constituted shall become enforceable upon the occurrence of any of the following events (each, an "Event of Default"):

- (a) the Debtor shall fail to pay any amounts due and payable under the Note or shall otherwise default under any of the Obligations;
- (b) the Debtor shall default in the due observance or performance of any covenant, undertaking or agreement heretofore or hereafter given to the Lender, whether contained herein or not;
- (c) the bankruptcy or insolvency of the Debtor, the filing against the Debtor of a petition in bankruptcy, the making of an authorized assignment for the benefit of creditors by the Debtor, the appointment of a receiver or trustee for the Debtor for

the assets of the Debtor, or the institution by or against the Debtor of any other type of insolvency proceeding under the *Bankruptcy and Insolvency Act* (Canada) or otherwise, unless in any such case the petition, proceeding or process is bona fide disputed and stayed, withdrawn, dismissed or vacated, as the case may be, within thirty (30) days;

- (d) an execution or other process of any court shall become enforceable against the Debtor or a distress or analogous process shall be levied upon the property of the Debtor or any part thereof; or
- (e) the Debtor shall cease or threaten to cease operations.

## 6.2 Remedies

At any time after the happening of any Event of Default, the Secured Party shall have the following rights, powers and remedies:

- (a) to appoint any person to be an agent or any person to be a receiver, manager or receiver and manager (herein called the "Receiver") of the Collateral and to remove any Receiver so appointed and to appoint another if the Secured Party so desires; it being agreed that any Receiver appointed pursuant to the provisions of this Agreement shall have all of the powers of the Secured Party hereunder, and in addition, shall have the power to carry on the business of the Debtor;
- (b) to make payments to parties having prior charges or encumbrances on the Collateral;
- (c) to enter onto any premises where the Collateral may be located;
- (d) to take possession of all or any part of the Collateral and any premises where such Collateral is located with power to exclude the Debtor, its agents and its servants from such Collateral and such premises;
- (e) to preserve, protect and maintain the Collateral and make such repairs to, replacements thereof and additions thereto as the Secured Party shall deem advisable;
- (f) to enjoy and exercise all powers necessary or incidental to the performance of all functions provided for in this Agreement including, without limitation, the power to purchase on credit, the power to borrow in the Debtor's name or in the name of the Receiver and to advance its own money to the Debtor at such rates of interest as it may deem reasonable, provided that the Receiver shall borrow money only with the prior consent of the Secured Party, and to grant security interests in the Collateral in priority to the security interest created by this Agreement, as security for the money so borrowed;
- (g) to sell, lease or dispose of all or any part of the Collateral whether by public or private sale or lease or otherwise and on any terms so long as every aspect of the disposition is commercially reasonable, including without limitation, terms that provide time for payment on credit; provided that:



- (i) the Secured Party or the Receiver will not be required to sell, lease or dispose of the Collateral, but may peaceably and quietly take, hold, use, occupy, possess and enjoy the Collateral without molestation, eviction, hindrance or interruption by the Debtor or any other person or persons whomever, for such period of time as is commercially reasonable;
  - (ii) the Secured Party or the Receiver may convey, transfer and assign to a purchaser or purchasers the title to any of the Collateral so sold; and
  - (iii) subject to Section 6.8 of this Agreement, the Debtor will be entitled to be credited with the actual proceeds of any such sale, lease or other disposition only when such proceeds are received by the Secured Party or the Receiver in cash;
- (h) to enjoy and exercise all of the rights and remedies of a secured party under the PPSA;
- (i) to dispose of all or any part of the Collateral in the condition in which it was on the date possession of it was taken, or after any commercially reasonable repair, processing or preparation for disposition;
- (j) to sell or otherwise dispose of any part of the Collateral without giving any notice whatsoever where:
- (i) the Collateral is perishable;
  - (ii) the Secured Party or the Receiver believes on reasonable grounds that the Collateral will decline speedily in value;
  - (iii) the Collateral is of a type customarily sold on a recognized market;
  - (iv) the cost of care and storage of the Collateral is disproportionately large relative to its value;
  - (v) every person entitled by law to receive a notice of disposition consents in writing to the immediate disposition of the Collateral; or
  - (vi) the Receiver disposes of the Collateral in the course of the Debtor's business;
- (k) to notify the account debtors or obligors under any Accounts of the assignment of such Accounts to the Secured Party and to direct such account debtors or obligors to make payment of all amounts due or to become due to the Debtor thereunder directly to the Secured Party and to give valid and binding receipts and discharges therefor and in respect thereof and, upon such notification and at the expense of the Debtor, to enforce collection of any such Accounts, and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as the Debtor might have done;
- (l) to commence, continue or defend proceedings in any court of competent jurisdiction in the name of the Secured Party, the Receiver or the Debtor for the purpose of exercising any of the rights, powers and remedies set out in this

Section, including the institution of proceedings for the appointment of a receiver, manager or receiver and manager of the Collateral; and

- (m) at the sole option of the Secured Party, provided notice is given in the manner required by the PPSA to the Debtor and to any other person to whom the PPSA requires notice to be given, to elect to retain all or any part of the Collateral in satisfaction of the Obligations.

### **6.3 Special Rules re: Accounts**

After the security hereby constituted becomes enforceable,

- (a) all Money or other form of payment received by the Debtor in respect of the Accounts shall be received in trust for the benefit of the Secured Party hereunder, shall be segregated from other funds of the Debtor and shall be forthwith paid over to the Secured Party in the same form as so received (with any necessary endorsement) to be held as cash collateral and applied as provided by Section 6.8; and
- (b) the Debtor shall not adjust, settle or compromise the amount or payment of any Accounts, or release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon.

### **6.4 Receiver as Agent**

The Receiver shall be deemed to be the agent of the Debtor for the purpose of establishing liability for the acts or omissions of the Receiver and the Secured Party shall not be liable for such acts or omissions and, without restricting the generality of the foregoing, the Debtor hereby irrevocably authorizes the Secured Party to give instructions to the Receiver relating to the performance of its duties as set out herein.

### **6.5 Expenses of Enforcement**

The Debtor shall pay to the Receiver the remuneration of the Receiver and all costs and expenses (including, without limitation, legal fees and disbursements on a full indemnity basis) properly incurred by the Receiver pursuant to its appointment and the exercise of its powers hereunder, and shall pay to the Secured Party and the Receiver as required all amounts of money (including interest thereon) borrowed or advanced by either of them pursuant to the powers set out herein, and the obligations of the Debtor to the Secured Party and the Receiver pursuant to this Section 6.5 shall be payable on demand.

### **6.6 Indulgences and Releases**

Either the Secured Party or the Receiver may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, release any part of the Collateral to third parties and otherwise deal with the Debtor, debtors of the Debtor, sureties and others and with the Collateral and other security as the Secured Party or the Receiver may see fit without prejudice to the Obligations or the right of the Secured Party and the Receiver to repossess, hold, collect and realize the Collateral.

### **6.7 No Liability for Failure to Exercise Remedies**

The Secured Party and the Receiver shall not be liable or accountable to the Debtor or to any other person for any failure to exercise any of the rights, powers and remedies set out in this Agreement, and shall not be bound to commence, continue or defend proceedings for the purpose of preserving or protecting any rights of the Secured Party, the Receiver, the Debtor or any other party in respect of the same.

### **6.8 Proceeds of Disposition**

Subject to the claims, if any, of the prior secured creditors of the Debtor, all moneys received by the Secured Party or by the Receiver pursuant to Section 6.2 shall be applied as follows:

- (a) first, in payment of all costs and expenses incurred by the Secured Party in the exercise of all or any of the powers granted to it under this Agreement and in payment of all of the remuneration of the Receiver and all costs and expenses properly incurred by the Receiver in the exercise of all or any of the powers granted to it under this Agreement, including, without limitation, the remuneration, costs and expenses referred to in Section 6.5;
- (b) second, in payment of all amounts of money borrowed or advanced by either of the Secured Party or the Receiver pursuant to the powers set out in this Agreement and any interest thereon;
- (c) third, in payment of the Obligations, provided that if there are not sufficient moneys to pay all of the Obligations, the Secured Party may apply the moneys available to such part or parts thereof as the Secured Party, in its sole discretion, may determine; and
- (d) fourth, in payment of any surplus in accordance with applicable law.

### **6.9 Debtor Liable for Deficiency**

If the monies received by the Secured Party or the Receiver pursuant to Section 6.2 are not sufficient to pay the claims set out in Section 6.8, the Debtor shall immediately pay the Secured Party the amount of such deficiency.

### **6.10 Restriction on Debtor**

Upon the Secured Party taking possession of the Collateral or the appointment of a Receiver, all the powers, functions, rights and privileges of the Debtor or any officer, director, servant or agent of the Debtor with respect to the Collateral shall, to the extent permitted by law, be suspended unless specifically continued by the written consent of the Secured Party; however, all other powers, functions, rights and privileges of the Debtor or any officer, director, servant or agent of the Debtor shall be unaffected by such events.

### **6.11 Rights Cumulative**

All rights and remedies of the Secured Party set out in this Agreement shall be cumulative and no right or remedy contained herein is intended to be exclusive but each shall be in addition to every other right or remedy contained herein or in any existing or future security document or now or hereafter existing at law or in equity or by statute. The taking of a judgment or

judgments with respect to any of the Obligations shall not operate as a merger of any of the covenants contained in this Agreement.

**6.12 Care by the Secured Party**

The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of any of the Collateral in the Secured Party's possession if it takes such action for that purpose as the Debtor requests in writing, but failure of the Secured Party to comply with any such request shall not be deemed to be (or to be evidence of) a failure to exercise reasonable care, and no failure of the Secured Party to preserve or protect any rights with respect to such Collateral against prior parties, or to do any act with respect to the preservation of such Collateral not so requested by the Debtor, shall be deemed a failure to exercise reasonable care in the custody or preservation of such Collateral.

**6.13 Standards of Sale**

Without prejudice to the ability of the Secured Party to dispose of the Collateral in any manner which is commercially reasonable, the Debtor acknowledges that a disposition of Collateral by the Secured Party which takes place substantially in accordance with the following provisions shall be deemed to be commercially reasonable:

- (a) Collateral may be disposed of in whole or in part;
- (b) the disposition may be for cash or credit, or part cash and part credit; and
- (c) the Secured Party may establish a reserve bid in respect of all or any portion of the Collateral.

**6.14 Application by Debtor re: Receiver**

The Debtor hereby irrevocably waives its right to make an application to any court with respect to the appointment, powers or remuneration of the Receiver.

**7. GENERAL**

**7.1 Waiver**

Any breach by the Debtor of any of the provisions contained in this Agreement or any default by the Debtor in the observance or performance of any covenant or condition required to be observed or performed by the Debtor hereunder, may only be waived by the Secured Party in writing, provided that no such waiver by the Secured Party shall extend to or be taken in any manner to affect any subsequent breach or default or the rights resulting therefrom.

**7.2 The Secured Party as Attorney**

The Debtor hereby irrevocably appoints the Secured Party and any person further designated by the Secured Party to be the attorney of the Debtor for and in the name of the Debtor to execute and do any deeds, documents, transfers, demands, assignments, assurances, consents and things which the Debtor is obliged to sign, execute or do hereunder and, after the happening of any Event of Default, to commence, continue and defend any proceedings authorized to be taken hereunder and generally to use the name of the Debtor in the exercise of all or any of the powers hereby conferred on the Secured Party.

### 7.3 Further Assurances

The Debtor shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such further acts, deeds, mortgages, transfers and assurances as the Secured Party shall reasonably require for the better assuring, charging, assigning and conferring unto the Secured Party a security interest in the Collateral or property intended to be charged hereunder, or which the Debtor may hereafter become bound to charge in favour of the Secured Party, for the purpose of accomplishing and effecting the intention of this Agreement.

### 7.4 Continuing Security

The security interest constituted hereby shall be deemed to be a continuing security for the Obligations until all of the Obligations from time to time are paid and performed in full and any and all commitments of the Secured Party in favour of the Debtor have been cancelled.

### 7.5 No Obligation to Advance

Neither the execution nor the delivery of this Agreement shall obligate the Secured Party to advance any moneys to the Debtor.

### 7.6 Notices

All notices and other communications provided for herein shall be in writing and shall be personally delivered to an officer or other responsible employee of the addressee or sent by facsimile, charges prepaid, at or to the applicable address or telefacsimile number, as the case may be, of the party set opposite its name below or at or to such other address or addresses or telefacsimile number or numbers as either party may from time to time designate to the other party in such manner. Any communication which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Business Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of delivery. Any communication which is transmitted by telefacsimile as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such date is a Business Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of transmission.

In the case of the Debtor:

Greencore Composites Inc.  
642 King Street West  
Toronto, Ontario  
M5V 1M7

Attention: Chief Executive Officer

In the case of the Secured Party:

11 Valley Hill Drive  
Caledon, ON L7E 0B8

**7.7 Assignment**

Neither party may assign or transfer this Agreement, any of their rights hereunder or any part thereof without the prior written consent of the other party, which consent shall not be unreasonably withheld by either party.

**7.8 Successors and Assigns**

This Agreement shall enure to the benefit of the Secured Party and his heirs, executors and personal representatives and shall be binding upon the Debtor and its successors and permitted assigns.

**7.9 Entire Agreement**

This Agreement and the agreements referred to herein and any document, agreement or instrument delivered pursuant to such agreements constitute the entire agreement between the parties hereto and supersede any prior agreements, undertakings, declarations, representations and undertakings, both written and verbal, in respect of the subject matter hereof.

**7.10 Paramountcy**

In the event of any conflict, inconsistency, ambiguity or difference between the provisions of this Agreement and of the Note, then the provisions of the Note shall govern and be paramount, and any such provision in this Agreement shall be deemed to be amended to the extent necessary to eliminate any such conflict, inconsistency, ambiguity or difference. Notwithstanding the foregoing, if there is any right or remedy of the Secured Party set out in this Agreement or any part thereof which is not set out or provided for in the Note, such additional right or remedy shall not constitute a conflict or inconsistency.

**7.11 Receipt of Copy of Agreement.**

The Debtor hereby acknowledges receipt of an executed copy of this Agreement.


**7.12 Counterpart**

This Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument.

*- Signatures contained on next page -*

IN WITNESS WHEREOF the Parties have duly executed this Agreement as of the date first written above.

GREENCORE COMPOSITES INC.

Per:   
Name: WILLIAM W. ADDER  
Title: CEO  
I have the authority to bind the corporation.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Ian Inch

IN WITNESS WHEREOF the Parties have duly executed this Agreement as of the date first written above.

**GREENCORE COMPOSITES INC.**

Per: \_\_\_\_\_

Name:

Title:

I have the authority to bind the corporation

Witness  \_\_\_\_\_

Ian Inch  \_\_\_\_\_



SCHEDULE A  
LOCATIONS OF COLLATERAL

1086 MODELAND ROAD, SARNIA, ONTARIO N7S 6L2

**SCHEDULE "B"****DEBTOR INFORMATION**

1. Debtor's exact legal name: Greencore Composites Inc.
2. Debtor's jurisdiction of incorporation: Federal
3. Debtor's chief executive office address and registered office address: 642 King Street West, Suite 200, Toronto, Ontario, Canada, M5V 1M7
4. Trade Names: None

12524870.1

**GENERAL SECURITY AGREEMENT**

THIS AGREEMENT made the \_\_\_ day of October, 2014.

**BETWEEN:**

**GROWTHWORKS COMMERCIALIZATION FUND LTD.**

(hereinafter referred to as the "Secured Party"),

**OF THE FIRST PART,**

**-AND-**

**GREENCORE COMPOSITES INC.**

(hereinafter referred to as the "Debtor"),

**OF THE SECOND PART.**

**WHEREAS** the Debtor is now or will hereafter be indebted to the Secured Party pursuant to the Note (as hereinafter defined);

**AND WHEREAS** the Debtor has agreed to provide the Secured Party with security for such indebtedness;

**NOW THEREFORE THIS AGREEMENT WITNESSES** that, for and in consideration of the premises, mutual covenants and conditions herein contained and such other lawful and valuable consideration the receipt of sufficiency of which are hereby acknowledged, the Parties (as hereinafter defined) hereby agree as follows:

**1. INTERPRETATION**

**1.1 Defined Terms**

In this Agreement, unless there is something in the context or subject matter inconsistent therewith,

- (a) "Business Day" means any day other than a Saturday or a Sunday on which banks generally are open for business in Toronto, Ontario;
- (b) "Chattel Paper" means all present and future agreements made between the Debtor as secured party and others which evidence both a monetary obligation and a security interest in or a lease of specific goods;
- (c) "Collateral" means all undertaking, property and assets of the Debtor, now owned or hereafter acquired and any proceeds from the sale or other disposition thereof, all of which is further described, including without limitation, all Accounts, Inventory, Equipment, Intangibles, Financial Assets, Documents of Title, Money, Chattel Paper, Instruments, Intellectual Property, Securities, Investment Property, Certificated Securities, Documents, Proceeds, and Leaseholds;

- (d) **"Documents"** means all documents, including, without limitation, all books, invoices, letters, papers and other records, in any form evidencing or relating to the Collateral, all of which are herein called the "Documents";
- (e) **"Documents of Title"** means any writing now or hereafter owned by the Debtor that purports to be issued by or addressed to a bailee and purports to cover such goods and chattels in the bailee's possession as are identified or fungible portions of an identified mass, whether such goods and chattels are Inventory or Equipment, and which writing is treated in the ordinary course of business as establishing that the person in possession of such writing is entitled to receive, hold and dispose of the said writing and the goods and chattels it covers, and further, whether such writing is negotiable in form or otherwise, including bills of lading and warehouse receipts;
- (f) **"Equipment"** means all equipment now owned or hereafter acquired by the Debtor, including, without limitation, all computer equipment including hardware and software, machinery, fixtures, plant, tools, furniture, chattels, vehicles of any kind or description, parts, accessories installed in or affixed or attached to any of the foregoing, all drawings, specifications, plans and manuals relating thereto, and any other tangible personal property which is not Inventory;
- (g) **"Events of Default"** shall have the meaning attributed to such term in Section 6.1 of this Agreement;
- (h) **"Intellectual Property"** means, the collective reference to all rights, priorities and privileges of the Debtor relating to intellectual property whether arising under Canadian, multinational or foreign laws and otherwise including without limitation, all patents, patent rights, designs, copyrights, topographies, trade-marks, trademark rights, trade names, trade-name rights, service marks, service mark rights, industrial designs, plant breeders' rights, rights in confidential information and know-how, and any associated or similar rights (in each case whether registered or unregistered and including any related licenses and sub-licenses of the same and any applications and rights to apply for same) and all rights to same at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom;
- (i) **"Inventory"** means all goods or chattels now or hereafter forming the inventory of the Debtor including, without limitation, the goods, merchandise, raw materials, work in process, finished goods, goods held for sale or resale or lease or that have been leased or that are to be, or have been, furnished under a contract of service, and goods used in or procured for packing or packaging;
- (j) **"Leaseholds"** subject to Section 2.3, all leases, now owned or hereafter acquired by the Debtor as tenant (whether oral or written) or any agreement therefor;
- (k) **"Money"** means all money now or hereafter owned by the Debtor, whether such money is authorized or adopted by the Parliament of Canada as part of its currency or by any foreign government as part of its currency;
- (l) **"Note"** means the promissory note issued by the Debtor in favour of the Secured Party in the principal amount of Thirty Five Thousand Dollars (CDN \$35,000) on the date hereof;

- (m) "Obligations" means the aggregate of all indebtedness, obligations and liabilities of the Debtor to the Secured Party in accordance with the terms of the Note;
- (n) "Parties" means the Secured Party and the Debtor;
- (o) "PPSA" means the *Personal Property Security Act* (Ontario), as amended from time to time, and any regulations thereto;
- (p) "Proceeds" means all property in any form derived directly or indirectly from any dealing with the Collateral including, without limitation, property that indemnifies or compensates for the expropriation, destruction or damage of the Collateral or the proceeds therefrom and all proceeds of proceeds;
- (q) "Receiver" shall have the meaning attributed to such term in Section 6.2 of this Agreement; and
- (r) The following terms shall have the meanings given to them in the PPSA: Account, Certificated Security, Financial Assets, Instruments, Intangible, Investment Property, Security, Securities Account, Securities Intermediary, and Security Entitlement.

## 1.2 Other Usages

References to "this Agreement", "hereof", "herein", "hereto" and like references refer to this General Security Agreement and not to any particular Article, Section or other subdivision of this Agreement.

## 1.3 Plural and Singular

Where the context so requires, the words importing the singular number shall include the plural and vice versa.

## 1.4 Headings

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

## 1.5 Currency

Unless otherwise specified herein, all statements of or references to dollar amounts in this Agreement shall mean lawful money of the Canada.

## 1.6 Applicable Law

This Agreement and all documents delivered pursuant hereto shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and the parties hereto do hereby attorn to the exclusive jurisdiction of the courts of the Province of Ontario.

### **1.7 Prohibited Provisions**

In the event that any provision or any part of any provision hereof is deemed to be invalid by reason of the operation of any law or by reason of the interpretation placed thereon by a court, this Agreement shall be construed as not containing such provision or such part of such provision and the invalidity of such provision or such part shall not affect the validity of any other provision or the remainder of such provision hereof, and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect.

### **1.8 Time of the Essence**

Time shall in all respects be of the essence of this Agreement.

### **1.9 Recitals and Schedules**

Each and every one of the recitals and schedules which are referred to in this Agreement and attached to this Agreement shall form an integral part of this Agreement.

## **2. SECURITY INTEREST**

### **2.1 Grant of Security Interest**

As general and continuing security for the payment and performance of all Obligations, the Debtor hereby:

- (a) charges, pledges, mortgages, hypothecates, transfers and sets over to the Secured Party and grants to the Secured Party a security interest in the Collateral excluding the Accounts; and
- (b) assigns, transfers and sets over to the Secured Party all Accounts.

Whenever used elsewhere in this Agreement, the expression "security interest" refers to the security interest created in this Section 2.1.

### **2.2 Attachment of Security Interest**

The security interest created by this Agreement will attach when this Agreement is signed by the Debtor with respect to all items of Collateral in which the Debtor has rights at that moment, and will attach to all other Collateral immediately upon the Debtor acquiring any rights therein and the Parties do not intend to postpone the attachment of any security interest granted under this Agreement. The Debtor acknowledges that value has been given.

### **2.3 Exception re: Leaseholds and Contractual Rights**

The last day of the term of any lease, sublease or agreement therefor is specifically excepted from the security interest created by this Agreement, but the Debtor agrees to stand possessed of such last day in trust for such person as the Secured Party may direct and the Debtor shall assign and dispose thereof in accordance with such direction. To the extent that the security interest created by this Agreement in any contractual rights (other than Accounts) would constitute a breach or cause the acceleration of such contract, to which the Debtor is a party, said security interest shall not be granted hereunder but the Debtor shall hold its interest therein in trust for the Secured Party, and shall grant a security interest in such contractual rights to the

Secured Party forthwith upon obtaining the appropriate consents to the attachment of said security interest.

### **3. COVENANTS OF THE DEBTOR**

#### **3.1 Covenants**

The Debtor hereby covenants and agrees with the Secured Party as follows:

- (a) the Debtor agrees to promptly notify the Secured Party in writing of the acquisition by the Debtor of any personal property which is not of the nature or type described by the definition of Collateral, and the Debtor agrees to execute and deliver at its own expense from time to time amendments to this Agreement or additional security agreements as may be reasonably required by the Secured Party in order that a security interest shall be granted and shall attach to such personal property;
- (b) the Debtor shall prevent the Collateral from becoming an accession to any personal property not subject to the security interest created by this Agreement, or becoming affixed to any real property; and
- (c) the Debtor shall deliver to the Secured Party from time to time as the same are acquired by the Debtor all items of Collateral comprising Investment Property, Chattel Paper, Instruments, Securities, Certificated Securities and those Documents of Title which are negotiable.

#### **3.2 Performance of Covenants by the Secured Party**

The Secured Party may, in its sole discretion acting reasonably and upon notice to the Debtor, perform any covenant of the Debtor under this Agreement that the Debtor fails to perform and that the Secured Party is capable of performing, including any covenant the performance of which requires the payment of money, provided that the Secured Party will not be obligated to perform any such covenant on behalf of the Debtor and no such performance by the Secured Party will require the Secured Party further to perform the Debtor's covenants nor operate as a derogation of the rights and remedies of the Secured Party under this Agreement.

### **4. DEALING WITH COLLATERAL**

#### **4.1 Debtor's Rights before Default**

Until the occurrence of an Event of Default and subject to the terms hereof, the Debtor shall be entitled to deal with the Collateral in the ordinary course of business, provided however, that no such action shall be taken which would materially impair the effectiveness of the security interests created hereby or the value of the Collateral or which would be inconsistent with or violate the provisions of this Agreement or any other written agreement between the Secured Party and the Debtor.

#### **4.2 General Restrictions**

The Debtor shall not, without the prior written consent of the Secured Party:

- (a) sell, lease or otherwise dispose of the Collateral or any part thereof except in the ordinary course of business (sales, leases and transfers to related parties are not in the ordinary course of business);
- (b) release, surrender or abandon possession of the Collateral or any part thereof;
- (c) move or transfer the Collateral or any part thereof from its present location as specified in Schedule "A" hereto;
- (d) enter into or grant, create, assume or suffer to exist any mortgage, charge, hypothec, assignment, pledge, lien or other security interest or encumbrance affecting any of the Collateral except as accepted by the Secured Party prior to the creation of such encumbrance, which acceptance shall not be unreasonably withheld or delayed; or
- (e) change ownership of the Debtor's business operations.

#### 4.3. Release by the Secured Party

The Secured Party may, at its discretion, at any time release from the security interest created by this Agreement any part or parts of the Collateral or any other security or any surety for the Obligations either with or without sufficient consideration therefor without thereby releasing any other part of the Collateral or any person from this Agreement.

#### 4.4 Proceeds Held in Trust

All Proceeds that are monies collected or received by the Debtor will be received by the Debtor in trust for the Secured Party. The Debtor's trust obligations under this Section must be complied with, with full accounting to the Secured Party.

### 5. REPRESENTATIONS AND WARRANTIES

#### 5.1 Representations and Warranties

The Debtor hereby represents and warrants to the Secured Party, the matters set out below:

- (a) **Incorporation, Licenses and Qualifications** - The Debtor is a corporation incorporated, properly organized and validly existing under the federal laws of Canada and is registered and qualified to do business under such laws and the laws of each other jurisdiction in which the character of the properties owned by it or the nature of the activities conducted by it make such registration or qualification advisable or necessary.
- (b) **Corporate Authority and Power** - The Debtor has full power and lawful authority, corporate and other, to enter into and to perform its obligations under this Agreement.
- (c) **No Other Business Names or Styles** - The Debtor does not carry on business under or use any name or style other than the name(s) specified in Schedule "B" to this Agreement including, without limitation, any names in the French language.



- (d) **Non-Conflict** - Neither the execution nor the performance of this Agreement requires the approval of any regulatory agency having jurisdiction over the Debtor nor is this Agreement in contravention of or in conflict with the articles, by-laws or resolutions of the directors or shareholders of the Debtor or of the provisions of any agreement to which the Debtor is a party or by which any of its property may be bound or of any statute, regulation, by-law, ordinance or other law, or to the best of its knowledge of any judgement, decree, award, ruling or order to which the Debtor or any of its property may be subject.
- (e) **Ownership of Collateral Free of Charges** - Subject to the prior claims of prior ranking secured creditors as permitted by the Secured Party, the Debtor is the owner of or has rights in the Collateral free and clear of any liens.
- (f) **Debtor Information** – Schedule "B" sets forth (a) the Debtor's jurisdiction of incorporation, (b) the location of the Debtor's registered office and the Debtor's chief executive office, and (c) the Debtor's exact legal name as it appears on its constating documents as amended from time to time, and all trade names used by the Debtor.
- (g) **Enforceability** - This Agreement constitutes a valid and legally binding obligation of the Debtor enforceable against it in accordance with its terms, subject to general equitable principles, including the fact that the availability of equitable remedies, such as injunctive relief and specific performance, is in the discretion of the court.

## 5.2 Reliance and Survival

All representations and warranties of the Debtor made in this Agreement or in any certificate or other document delivered by or on behalf of the Debtor to or for the benefit of the Secured Party are material, shall survive the execution and delivery of this Agreement and shall continue in full force and effect without time limit. The Secured Party shall be deemed to have relied upon each such representation and warranty notwithstanding any investigation made by or on behalf of the Secured Party at any time.

## 6. DEFAULT AND ENFORCEMENT

### 6.1 Enforceability of Security

The Debtor shall be in default under this Agreement and the security hereby constituted shall become enforceable upon the occurrence of any of the following events (each, an "Event of Default"):

- (a) the Debtor shall fail to pay any amounts due and payable under the Note or shall otherwise default under any of the Obligations;
- (b) the Debtor shall default in the due observance or performance of any covenant, undertaking or agreement heretofore or hereafter given to the Lender, whether contained herein or not (including, for greater certainty, the agreement of the Debtor regarding the "Management Nominee" to the board of directors of the Debtor contained in Section 5.1 of the Note Purchase Agreement between the Debtor and the Lender dated on or about May 30, 2014, which agreement the

Debtor acknowledges and agrees continues to survive for the benefit of the Lender);

- (c) the bankruptcy or insolvency of the Debtor, the filing against the Debtor of a petition in bankruptcy, the making of an authorized assignment for the benefit of creditors by the Debtor, the appointment of a receiver or trustee for the Debtor for the assets of the Debtor, or the institution by or against the Debtor of any other type of insolvency proceeding under the *Bankruptcy and Insolvency Act* (Canada) or otherwise, unless in any such case the petition, proceeding or process is bona fide disputed and stayed, withdrawn, dismissed or vacated, as the case may be, within thirty (30) days;
- (d) an execution or other process of any court shall become enforceable against the Debtor or a distress or analogous process shall be levied upon the property of the Debtor or any part thereof; or
- (e) the Debtor shall cease or threaten to cease operations.

## 6.2 Remedies

At any time after the happening of any Event of Default, the Secured Party shall have the following rights, powers and remedies:

- (a) to appoint any person to be an agent or any person to be a receiver, manager or receiver and manager (herein called the "Receiver") of the Collateral and to remove any Receiver so appointed and to appoint another if the Secured Party so desires; it being agreed that any Receiver appointed pursuant to the provisions of this Agreement shall have all of the powers of the Secured Party hereunder, and in addition, shall have the power to carry on the business of the Debtor;
- (b) to make payments to parties having prior charges or encumbrances on the Collateral;
- (c) to enter onto any premises where the Collateral may be located;
- (d) to take possession of all or any part of the Collateral and any premises where such Collateral is located with power to exclude the Debtor, its agents and its servants from such Collateral and such premises;
- (e) to preserve, protect and maintain the Collateral and make such repairs to, replacements thereof and additions thereto as the Secured Party shall deem advisable;
- (f) to enjoy and exercise all powers necessary or incidental to the performance of all functions provided for in this Agreement including, without limitation, the power to purchase on credit, the power to borrow in the Debtor's name or in the name of the Receiver and to advance its own money to the Debtor at such rates of interest as it may deem reasonable, provided that the Receiver shall borrow money only with the prior consent of the Secured Party, and to grant security interests in the Collateral in priority to the security interest created by this Agreement, as security for the money so borrowed;

- (g) to sell, lease or dispose of all or any part of the Collateral whether by public or private sale or lease or otherwise and on any terms so long as every aspect of the disposition is commercially reasonable, including without limitation, terms that provide time for payment on credit; provided that:
- (i) the Secured Party or the Receiver will not be required to sell, lease or dispose of the Collateral, but may peaceably and quietly take, hold, use, occupy, possess and enjoy the Collateral without molestation, eviction, hindrance or interruption by the Debtor or any other person or persons whomever, for such period of time as is commercially reasonable;
  - (ii) the Secured Party or the Receiver may convey, transfer and assign to a purchaser or purchasers the title to any of the Collateral so sold; and
  - (iii) subject to Section 6.8 of this Agreement, the Debtor will be entitled to be credited with the actual proceeds of any such sale, lease or other disposition only when such proceeds are received by the Secured Party or the Receiver in cash;
- (h) to enjoy and exercise all of the rights and remedies of a secured party under the PPSA;
- (i) to dispose of all or any part of the Collateral in the condition in which it was on the date possession of it was taken, or after any commercially reasonable repair, processing or preparation for disposition;
- (j) to sell or otherwise dispose of any part of the Collateral without giving any notice whatsoever where:
- (i) the Collateral is perishable;
  - (ii) the Secured Party or the Receiver believes on reasonable grounds that the Collateral will decline speedily in value;
  - (iii) the Collateral is of a type customarily sold on a recognized market;
  - (iv) the cost of care and storage of the Collateral is disproportionately large relative to its value;
  - (v) every person entitled by law to receive a notice of disposition consents in writing to the immediate disposition of the Collateral; or
  - (vi) the Receiver disposes of the Collateral in the course of the Debtor's business;
- (k) to notify the account debtors or obligors under any Accounts of the assignment of such Accounts to the Secured Party and to direct such account debtors or obligors to make payment of all amounts due or to become due to the Debtor thereunder directly to the Secured Party and to give valid and binding receipts and discharges therefor and in respect thereof and, upon such notification and at the expense of the Debtor, to enforce collection of any such Accounts, and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as the Debtor might have done;

- (l) to commence, continue or defend proceedings in any court of competent jurisdiction in the name of the Secured Party, the Receiver or the Debtor for the purpose of exercising any of the rights, powers and remedies set out in this Section, including the institution of proceedings for the appointment of a receiver, manager or receiver and manager of the Collateral; and
- (m) at the sole option of the Secured Party, provided notice is given in the manner required by the PPSA to the Debtor and to any other person to whom the PPSA requires notice to be given, to elect to retain all or any part of the Collateral in satisfaction of the Obligations.

### **6.3 Special Rules re: Accounts**

After the security hereby constituted becomes enforceable,

- (a) all Money or other form of payment received by the Debtor in respect of the Accounts shall be received in trust for the benefit of the Secured Party hereunder, shall be segregated from other funds of the Debtor and shall be forthwith paid over to the Secured Party in the same form as so received (with any necessary endorsement) to be held as cash collateral and applied as provided by Section 6.8; and
- (b) the Debtor shall not adjust, settle or compromise the amount or payment of any Accounts, or release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon.

### **6.4 Receiver as Agent**

The Receiver shall be deemed to be the agent of the Debtor for the purpose of establishing liability for the acts or omissions of the Receiver and the Secured Party shall not be liable for such acts or omissions and, without restricting the generality of the foregoing, the Debtor hereby irrevocably authorizes the Secured Party to give instructions to the Receiver relating to the performance of its duties as set out herein.

### **6.5 Expenses of Enforcement**

The Debtor shall pay to the Receiver the remuneration of the Receiver and all costs and expenses (including, without limitation, legal fees and disbursements on a full indemnity basis) properly incurred by the Receiver pursuant to its appointment and the exercise of its powers hereunder, and shall pay to the Secured Party and the Receiver as required all amounts of money (including interest thereon) borrowed or advanced by either of them pursuant to the powers set out herein, and the obligations of the Debtor to the Secured Party and the Receiver pursuant to this Section 6.5 shall be payable on demand.

### **6.6 Indulgences and Releases**

Either the Secured Party or the Receiver may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, release any part of the Collateral to third parties and otherwise deal with the Debtor, debtors of the Debtor, sureties and others and with the Collateral and other security as the Secured Party or the Receiver may see fit without prejudice to the Obligations or the right of the Secured Party and the Receiver to repossess, hold, collect and realize the Collateral.

**6.7 No Liability for Failure to Exercise Remedies**

The Secured Party and the Receiver shall not be liable or accountable to the Debtor or to any other person for any failure to exercise any of the rights, powers and remedies set out in this Agreement, and shall not be bound to commence, continue or defend proceedings for the purpose of preserving or protecting any rights of the Secured Party, the Receiver, the Debtor or any other party in respect of the same.

**6.8 Proceeds of Disposition**

Subject to the claims, if any, of the prior secured creditors of the Debtor, all moneys received by the Secured Party or by the Receiver pursuant to Section 6.2 shall be applied as follows:

- (a) first, in payment of all costs and expenses incurred by the Secured Party in the exercise of all or any of the powers granted to it under this Agreement and in payment of all of the remuneration of the Receiver and all costs and expenses properly incurred by the Receiver in the exercise of all or any of the powers granted to it under this Agreement, including, without limitation, the remuneration, costs and expenses referred to in Section 6.5;
- (b) second, in payment of all amounts of money borrowed or advanced by either of the Secured Party or the Receiver pursuant to the powers set out in this Agreement and any interest thereon;
- (c) third, in payment of the Obligations, provided that if there are not sufficient moneys to pay all of the Obligations, the Secured Party may apply the moneys available to such part or parts thereof as the Secured Party, in its sole discretion, may determine; and
- (d) fourth, in payment of any surplus in accordance with applicable law.

**6.9 Debtor Liable for Deficiency**

If the monies received by the Secured Party or the Receiver pursuant to Section 6.2 are not sufficient to pay the claims set out in Section 6.8, the Debtor shall immediately pay the Secured Party the amount of such deficiency.

**6.10 Restriction on Debtor**

Upon the Secured Party taking possession of the Collateral or the appointment of a Receiver, all the powers, functions, rights and privileges of the Debtor or any officer, director, servant or agent of the Debtor with respect to the Collateral shall, to the extent permitted by law, be suspended unless specifically continued by the written consent of the Secured Party; however, all other powers, functions, rights and privileges of the Debtor or any officer, director, servant or agent of the Debtor shall be unaffected by such events.

**6.11 Rights Cumulative**

All rights and remedies of the Secured Party set out in this Agreement shall be cumulative and no right or remedy contained herein is intended to be exclusive but each shall be in addition to every other right or remedy contained herein or in any existing or future security document or now or hereafter existing at law or in equity or by statute. The taking of a judgment or

judgments with respect to any of the Obligations shall not operate as a merger of any of the covenants contained in this Agreement.

#### **6.12 Care by the Secured Party**

The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of any of the Collateral in the Secured Party's possession if it takes such action for that purpose as the Debtor requests in writing, but failure of the Secured Party to comply with any such request shall not be deemed to be (or to be evidence of) a failure to exercise reasonable care, and no failure of the Secured Party to preserve or protect any rights with respect to such Collateral against prior parties, or to do any act with respect to the preservation of such Collateral not so requested by the Debtor, shall be deemed a failure to exercise reasonable care in the custody or preservation of such Collateral.

#### **6.13 Standards of Sale**

Without prejudice to the ability of the Secured Party to dispose of the Collateral in any manner which is commercially reasonable, the Debtor acknowledges that a disposition of Collateral by the Secured Party which takes place substantially in accordance with the following provisions shall be deemed to be commercially reasonable:

- (a) Collateral may be disposed of in whole or in part;
- (b) the disposition may be for cash or credit, or part cash and part credit; and
- (c) the Secured Party may establish a reserve bid in respect of all or any portion of the Collateral.

#### **6.14 Application by Debtor re: Receiver**

The Debtor hereby irrevocably waives its right to make an application to any court with respect to the appointment, powers or remuneration of the Receiver.

### **7. GENERAL**

#### **7.1 Waiver**

Any breach by the Debtor of any of the provisions contained in this Agreement or any default by the Debtor in the observance or performance of any covenant or condition required to be observed or performed by the Debtor hereunder, may only be waived by the Secured Party in writing, provided that no such waiver by the Secured Party shall extend to or be taken in any manner to affect any subsequent breach or default or the rights resulting therefrom.

#### **7.2 The Secured Party as Attorney**

The Debtor hereby irrevocably appoints the Secured Party and any person further designated by the Secured Party to be the attorney of the Debtor for and in the name of the Debtor to execute and do any deeds, documents, transfers, demands, assignments, assurances, consents and things which the Debtor is obliged to sign, execute or do hereunder and, after the happening of any Event of Default, to commence, continue and defend any proceedings authorized to be taken hereunder and generally to use the name of the Debtor in the exercise of all or any of the powers hereby conferred on the Secured Party.

**7.3 Further Assurances**

The Debtor shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such further acts, deeds, mortgages, transfers and assurances as the Secured Party shall reasonably require for the better assuring, charging, assigning and conferring unto the Secured Party a security interest in the Collateral or property intended to be charged hereunder, or which the Debtor may hereafter become bound to charge in favour of the Secured Party, for the purpose of accomplishing and effecting the intention of this Agreement.

**7.4 Continuing Security**

The security interest constituted hereby shall be deemed to be a continuing security for the Obligations until all of the Obligations from time to time are paid and performed in full and any and all commitments of the Secured Party in favour of the Debtor have been cancelled.

**7.5 No Obligation to Advance**

Neither the execution nor the delivery of this Agreement shall obligate the Secured Party to advance any moneys to the Debtor.

**7.6 Notices**

All notices and other communications provided for herein shall be in writing and shall be personally delivered to an officer or other responsible employee of the addressee or sent by facsimile, charges prepaid, at or to the applicable address or telefacsimile number, as the case may be, of the party set opposite its name below or at or to such other address or addresses or telefacsimile number or numbers as either party may from time to time designate to the other party in such manner. Any communication which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Business Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of delivery. Any communication which is transmitted by telefacsimile as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such date is a Business Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of transmission.

In the case of the Debtor:

Greencore Composites Inc.  
642 King Street West  
Toronto, Ontario  
M5V 1M7

Attention: Chief Executive Officer

In the case of the Secured Party:

GrowthWorks Commercialization Fund Ltd.  
140 Yonge Street, Suite 300  
Toronto, Ontario  
M5C 1X6  
Attention: Tim Lee, CIO

Fax: 416-929-0901

#### **7.7 Assignment**

Neither party may assign or transfer this Agreement, any of their rights hereunder or any part thereof without the prior written consent of the other party, which consent shall not be unreasonably withheld by either party.

#### **7.8 Successors and Assigns**

This Agreement shall enure to the benefit of the Secured Party and his heirs, executors and personal representatives and shall be binding upon the Debtor and its successors and permitted assigns.

#### **7.9 Entire Agreement**

This Agreement and the agreements referred to herein and any document, agreement or instrument delivered pursuant to such agreements constitute the entire agreement between the parties hereto and supersede any prior agreements, undertakings, declarations, representations and undertakings, both written and verbal, in respect of the subject matter hereof.

#### **7.10 Paramountcy**

In the event of any conflict, inconsistency, ambiguity or difference between the provisions of this Agreement and of the Note, then the provisions of the Note shall govern and be paramount, and any such provision in this Agreement shall be deemed to be amended to the extent necessary to eliminate any such conflict, inconsistency, ambiguity or difference. Notwithstanding the foregoing, if there is any right or remedy of the Secured Party set out in this Agreement or any part thereof which is not set out or provided for in the Note, such additional right or remedy shall not constitute a conflict or inconsistency.

#### **7.11 Receipt of Copy of Agreement.**

The Debtor hereby acknowledges receipt of an executed copy of this Agreement.

#### **7.12 Counterpart**

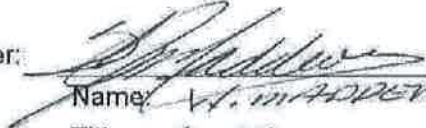
This Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument.

*- Signatures contained on next page -*



IN WITNESS WHEREOF the Parties have duly executed this Agreement as of the date first written above.

**GREENCORE COMPOSITES INC.**

Per:   
Name: V. MADER  
Title: CEO  
I have the authority to bind the corporation

**GROWTHWORKS  
COMMERCIALIZATION FUND LTD., by  
its manager GrowthWorks WV  
Management Ltd.**

Per: \_\_\_\_\_  
Name: Tim Lee  
Title: CIO  
I have the authority to bind the corporation

IN WITNESS WHEREOF the Parties have duly executed this Agreement as of the date first written above.

GREENCORE COMPOSITES INC.

Per: \_\_\_\_\_

Name:

Title:

I have the authority to bind the corporation

GROWTHWORKS  
COMMERCIALIZATION FUND LTD., by  
its manager GrowthWorks WV  
Management Ltd.

Per: \_\_\_\_\_

Name: Tim Lee

Title: CIO

I have the authority to bind the corporation

**SCHEDULE A**  
**LOCATIONS OF COLLATERAL**

1086 MODELAND ROAD, SARNIA, ONTARIO N7S 6L2

**SCHEDULE "B"**

**DEBTOR INFORMATION**

1. Debtor's exact legal name: Greencore Composites Inc.
2. Debtor's jurisdiction of incorporation: Federal
3. Debtor's chief executive office address and registered office address: 642 King Street West, Suite 200, Toronto, Ontario, Canada, M5V 1M7
4. Trade Names: None

**THIRD AMENDED AND RESTATED SUBORDINATION**

**THIS AGREEMENT**, made as of the \_\_\_\_ day of October, 2014 between Sarnia-Lambton Business Development Corporation ("SLBDC"), GrowthWorks Commercialization Fund Ltd. ("GrowthWorks"), Sustainable Chemistry Alliance ("SCA"), Wayne Maddever ("Maddever") and Ian Inch ("Inch").

**WHEREAS:**

**Restatement**

- (a) SLBDC, GrowthWorks and SCA entered into a Second Amended and Restated Subordination Agreement dated May 30, 2014 (the "Existing Agreement");
- (b) the parties hereto wish to amend and restate the Existing Agreement and replace it in its entirety with this Agreement;

**GrowthWorks**

- (c) Greencore Composites Inc. (the "Debtor") is indebted and owes liabilities and obligations to GrowthWorks pursuant to a Promissory Note in the principal amount of \$35,000 dated on or about the date hereof (the "October 2014 GrowthWorks Debt");
- (d) GrowthWorks has taken and/or may in the future take a security interest in the present and future assets, undertaking and property of the Debtor under security agreements between GrowthWorks and the Debtor, as the same may be amended, restated, superseded or replaced, to secure payment of the October 2014 GrowthWorks Debt to GrowthWorks, including without limitation the general security agreement described in Schedule "A" hereto (the "October 2014 GrowthWorks Security");
- (e) the Debtor is indebted and owes liabilities and obligations to Growthworks pursuant to a Promissory Note in the principal amount of \$100,000 dated May 30, 2014 (the "May 2014 GrowthWorks Debt");
- (f) GrowthWorks has taken and/or may in the future take a security interest in the present and future assets, undertaking and property of the Debtor under security agreements between GrowthWorks and the Debtor, as the same may be amended, restated, superseded or replaced, to secure payment of the May 2014 GrowthWorks Debt to GrowthWorks, including without limitation the general security agreement described in Schedule "B" hereto (the "May 2014 GrowthWorks Security");
- (g) in addition to the October 2014 GrowthWorks Debt and the May 2014 GrowthWorks Debt, the Debtor is indebted and owes other liabilities and obligations to GrowthWorks (such other liabilities and obligations to GrowthWorks are referred to as the "Existing GrowthWorks Debt");
- (h) GrowthWorks has taken and/or may in the future take a security interest in the present and future assets, undertaking and property of the Debtor to secure

payment of the Existing GrowthWorks Debt to GrowthWorks, including without limitation the security agreements with respect to the Existing GrowthWorks Debt described in Schedule "C" hereto (the "Existing GrowthWorks Security");

- (i) the October 2014 GrowthWorks Debt and the October 2014 GrowthWorks Security are collectively referred to as the "October 2014 GrowthWorks Obligations"; the May 2014 GrowthWorks Debt and the May 2014 GrowthWorks Security are collectively referred to as the "May 2014 GrowthWorks Obligations"; and the Existing GrowthWorks Debt and the Existing GrowthWorks Security are collectively referred to as the "Existing GrowthWorks Obligations";

**Maddever**

- (j) the Debtor is indebted and owes liabilities and obligations to Maddever pursuant to a Grid Promissory Note dated on or about the date hereof (the "Maddever Debt");
- (k) Maddever has taken and/or may in the future take a security interest in the present and future assets, undertaking and property of the Debtor to secure payment of the Maddever Debt, including without limitation the general security agreement with respect to the Maddever Debt described in Schedule "D" hereto (the "Maddever Security");
- (l) the Maddever Debt and the Maddever Security are collectively referred to as the "Maddever Obligations";

**Inch**

- (m) the Debtor is indebted and owes liabilities and obligations to Inch pursuant to a Grid Promissory Note dated on or about the date hereof (the "Inch Debt");
- (n) Inch has taken and/or may in the future take a security interest in the present and future assets, undertaking and property of the Debtor to secure payment of the Inch Debt, including without limitation the general security agreement with respect to the Inch Debt described in Schedule "E" hereto (the "Inch Security");
- (o) the Inch Debt and the Inch Security are collectively referred to as the "Inch Obligations";

**SCA**

- (p) the Debtor is indebted and owes liabilities and obligations to SCA pursuant to a Promissory Note in the principal amount of \$50,000 dated May 30, 2014 (the "May 2014 SCA Debt");
- (q) SCA has taken and/or may in the future take a security interest in the present and future assets, undertaking and property of the Debtor to secure payment of the May 2014 SCA Debt, including without limitation the general security agreement with respect to the May 2014 SCA Debt described in Schedule "F" hereto (the "May 2014 SCA Security");

- (r) the Debtor is indebted and owes other liabilities and obligations to SCA (such other liabilities and obligations to SCA are referred to as the "Existing SCA Debt");
- (s) SCA has taken and/or may in the future take a security interest in the present and future assets, undertaking and property of the Debtor to secure payment of the Existing SCA Debt to SCA, including without limitation the security agreements with respect to the Existing SCA Debt described in Schedule "G" hereto (the "Existing SCA Security");
- (t) the May 2014 SCA Debt and May 2014 SCA Security are collectively referred to as the "May 2014 SCA Obligations"; and the Existing SCA Debt and Existing SCA Security are collectively referred to as the "Existing SCA Obligations";

#### SLBDC

- (u) the Debtor is indebted and owes liabilities and obligations to SLBDC pursuant to a Promissory Note in the principal amount of \$300,000 dated March 7, 2013 (the "SLBDC Debt");
- (v) SLBDC has taken and/or may in the future take a security interest in the present and future assets, undertaking and property of the Debtor under security agreements between SLBDC and the Debtor, as the same may be amended, restated, superseded or replaced, to secure payment of the SLBDC Debt to SLBDC, including without limitation the security agreement and promissory note described in Schedule "H" hereto (the "SLBDC Security"); and
- (w) the SLBDC Debt and the SLBDC Security are collectively referred to as the "SLBDC Obligations".

NOW THEREFORE in consideration of the Recitals, and other good and valuable consideration, the receipt and sufficiency are hereby confirmed:

1. The Recitals hereto are true and correct and are deemed to be incorporated herein and form part hereof.
2. Effective upon the execution of this Agreement by all of the parties, the Existing Agreement is hereby terminated, superseded and replaced in its entirety by this Agreement.
3. The May 2014 GrowthWorks Obligations, Existing GrowthWorks Obligations, May 2014 SCA Obligations, Existing SCA Obligations and SLBDC Obligations are hereby subordinated in all respects to the October 2014 GrowthWorks Obligations, the Maddever Obligations and the Inch Obligations in, over or in respect of all present and future property, assets and undertaking of the Debtor and any of GrowthWorks', Maddever's or Inch's respective rights and remedies otherwise provided for under the terms of the October 2014 GrowthWorks Obligations, the Maddever Obligations or the Inch Obligations, as the case may be.
4. The Existing GrowthWorks Obligations, Existing SCA Obligations and SLBDC Obligations are hereby subordinated in all respects to the May 2014 GrowthWorks Obligations and May 2014 SCA Obligations in, over or in respect of all present and future property, assets and undertaking of the Debtor and any of SCA's or GrowthWorks' rights and remedies

otherwise provided for under the terms of the May 2014 SCA Obligations or May 2014 GrowthWorks Obligations, as the case may be.

5. The Existing GrowthWorks Obligations and Existing SCA Obligations are hereby subordinated in all respects to the SLBDC Obligations in, over or in respect of all present and future property, assets and undertaking of the Debtor and any of SLBDC's rights and remedies otherwise provided for under the terms of SLBDC Obligations.

6. The October 2014 GrowthWorks Obligations, Maddever Obligations and Inch Obligations shall in all respects rank *pari passu* with each other.

7. The May 2014 GrowthWorks Obligations and May 2014 SCA Obligations shall in all respects rank *pari passu* with each other.

8. Except as otherwise provided herein, GrowthWorks shall be entitled to receive payments from Debtor in accordance with the terms of the October 2014 GrowthWorks Debt, May 2014 GrowthWorks Debt or the Existing GrowthWorks Debt, but any proceeds received as a result of liquidation, sale (other than in the ordinary course of business), insurance, or in any other way related to the extinguishment of the present and future assets, property and undertaking of Debtor without the consent of SCA, SLBDC, Maddever and Inch shall be held in trust by GrowthWorks for the benefit of SCA, SLBDC, Maddever and Inch as their respective interests may appear.

9. GrowthWorks shall not, during the continuance of this Agreement, sell, assign or transfer the October 2014 GrowthWorks Security, May 2014 GrowthWorks Security, Existing GrowthWorks Security, or any part thereof, unless any proposed purchaser, assignee or transferee enters into a subordination agreement on the same or substantially the same terms to those herein contained.

10. Except as otherwise provided herein, Maddever shall be entitled to receive payments from Debtor in accordance with the terms of the Maddever Debt but any proceeds received as a result of liquidation, sale (other than in the ordinary course of business), insurance, or in any other way related to the extinguishment of the present and future assets, property and undertaking of Debtor without the consent of GrowthWorks, SCA, SLBDC and Inch shall be held in trust by Maddever for the benefit of GrowthWorks, SCA, SLBDC and Inch as their respective interests may appear.

11. Maddever shall not, during the continuance of this Agreement, sell, assign or transfer the Maddever Security, or any part thereof, unless any proposed purchaser, assignee or transferee enters into a subordination agreement on the same or substantially the same terms to those herein contained.

12. Except as otherwise provided herein, Inch shall be entitled to receive payments from Debtor in accordance with the terms of the Inch Debt, but any proceeds received as a result of liquidation, sale (other than in the ordinary course of business), insurance, or in any other way related to the extinguishment of the present and future assets, property and undertaking of Debtor without the consent of GrowthWorks, SCA, SLBDC and Maddever shall be held in trust by Inch for the benefit of GrowthWorks, SCA, SLBDC and Maddever as their respective interests may appear.



13. Inch shall not, during the continuance of this Agreement, sell, assign or transfer the Inch Security, or any part thereof, unless any proposed purchaser, assignee or transferee enters into a subordination agreement on the same or substantially the same terms to those herein contained.

14. Except as otherwise provided herein, SCA shall be entitled to receive payments from Debtor in accordance with the terms of the May 2014 SCA Debt or the Existing SCA Debt, but any proceeds received as a result of liquidation, sale (other than in the ordinary course of business), insurance, or in any other way related to the extinguishment of the present and future assets, property and undertaking of Debtor without the consent of GrowthWorks, SLBDC, Maddever and Inch shall be held in trust by SCA for the benefit of GrowthWorks, SLBDC, Maddever and Inch as their respective interests may appear.

15. SCA shall not, during the continuance of this Agreement, sell, assign or transfer the May 2014 SCA Security or the Existing SCA Security, or any part thereof, unless any proposed purchaser, assignee or transferee enters into a subordination and postponement agreement on the same or substantially the same terms to those herein contained.

16. Except as otherwise provided herein, SLBDC shall be entitled to receive payments from Debtor in accordance with the terms of the SLBDC Debt, but any proceeds received as a result of liquidation, sale (other than in the ordinary course of business), insurance, or in any other way related to the extinguishment of the present and future assets, property and undertaking of Debtor without the consent of GrowthWorks, SCA, Maddever and Inch shall be held in trust by SLBDC for the benefit of GrowthWorks, SCA, Maddever and Inch as their respective interests may appear.

17. SLBDC shall not, during the continuance of this Agreement, sell, assign or transfer the SLBDC Security, or any part thereof, unless any proposed purchaser, assignee or transferee enters into a subordination agreement on the same or substantially the same terms to those herein contained.

18. The priorities and subordinations herein contained shall apply in all events and circumstances whatsoever and particularly notwithstanding:

- (a) the date or dates of execution, delivery, attachment, registration, perfection or re-perfection of all or any portion of any agreement, document or instrument creating the obligations herein described;
- (b) the date or dates that any debt is incurred by the Debtor or any loan or advance made to the Debtor by GrowthWorks, SCA, SLBDC, Maddever or Inch;
- (c) the date or dates of any default by the Debtor under any agreement, document or instrument creating any of the obligations to SCA, GrowthWorks, SLBDC, Maddever or Inch or the date or dates of crystallization of any floating charge contained therein or the date of commencement of any proceedings to enforce any of the obligations owing to SCA, GrowthWorks, SLBDC, Maddever or Inch or the exercise of any other right or remedy at law;
- (d) the place or jurisdiction of execution, delivery, attachment, registration, perfection or re-perfection of all or any portion of the obligations owing to SCA,

GrowthWorks, SLBDC, Maddever or Inch, or any agreement, document or instrument creating same; or

- (e) any other matter which may affect the relative priorities of the obligations owing to SCA, GrowthWorks, SLBDC, Maddever or Inch.

19. Notwithstanding any provision contained herein to the contrary, GrowthWorks shall not make a demand, enforce or exercise the October 2014 GrowthWorks Security, unless GrowthWorks has first obtained written consent from Maddever and Inch, which consent will not be unreasonably withheld or delayed. Maddever shall not make a demand, enforce or exercise the Maddever Security, unless Maddever has first obtained written consent from GrowthWorks and Inch, which consent will not be unreasonably withheld or delayed. Inch shall not make a demand, enforce or exercise the Inch Security, unless Inch has first obtained written consent from GrowthWorks and Maddever, which consent will not be unreasonably withheld or delayed.

20. Notwithstanding any provision contained herein to the contrary, SCA shall not make a demand, enforce or exercise the May 2014 SCA Security, unless SCA has first obtained written consent from GrowthWorks, which consent will not be unreasonably withheld or delayed. GrowthWorks shall not make a demand, enforce or exercise the May 2014 GrowthWorks Security, unless GrowthWorks has first obtained written consent from SCA, which consent will not be unreasonably withheld or delayed.

21. Any insurance proceeds received by the Debtor, SCA, GrowthWorks, SLBDC, Maddever or Inch in respect of the collateral charged by the obligations described herein shall be dealt with according to the preceding provisions hereof as though such insurance proceeds were paid or payable as proceeds of realization of such collateral for which they compensate.

22. The parties shall, from time to time and upon the request of the other execute all statements, assignments and other documents and assurances and do all matters and things which may be necessary or advisable to carry this Agreement into effect and to more fully effectuate its purpose.

23. This Agreement shall continue and apply notwithstanding any change in the name or amalgamation by the Debtor with one or more other corporations and shall enure to the benefit of each of the parties hereto and their respective successors and assigns.

24. This Agreement is in addition to and not in substitution for any prior understandings and agreements between the parties hereto with respect to the subject matter hereof provided that it is agreed that to the extent that any term, condition, representation, covenant or other provision contained in any other such prior understanding or agreement is at any time inconsistent or conflicts with any term, condition, representation, covenant or other provision contained in this Agreement, then this Agreement shall govern.

25. This Agreement is governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

***[Remainder of page is intentionally blank. Signature Page Follows]***

DATED as of the date first written above.

**GROWTHWORKS COMMERCIALIZATION  
FUND LTD., by its Manager, GrowthWorks  
WV Management Ltd.**

Per:   
Name: Tim Lee  
Title: CIO

I have authority to bind the Corporation

**SUSTAINABLE CHEMISTRY ALLIANCE**

Per: \_\_\_\_\_  
Name:  
Title:

I have authority to bind the Corporation.

**SARNIA-LAMBTON BUSINESS  
DEVELOPMENT CORPORATION**

Per: \_\_\_\_\_  
Name:  
Title:

I have authority to bind the Corporation.

\_\_\_\_\_  
Ian Inch

\_\_\_\_\_  
Wayne Maddever

Acknowledged and agreed as of the date first written above.

**GREENCORE COMPOSITES INC.**

Per: \_\_\_\_\_  
Name:  
Title:

I have authority to bind the Debtor.

DATED as of the date first written above.

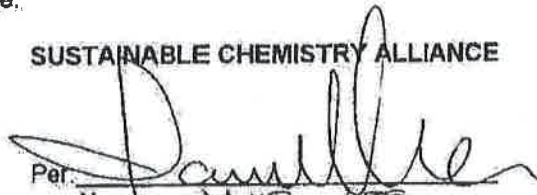
**GROWTHWORKS COMMERCIALIZATION  
FUND LTD., by its Manager, GrowthWorks  
WV Management Ltd.**

Per: \_\_\_\_\_

Name: Tim Lee  
Title: CIO

I have authority to bind the Corporation

**SUSTAINABLE CHEMISTRY ALLIANCE**



Per: \_\_\_\_\_

Name: JAMES LEE  
Title: PORTFOLIO MANAGER

I have authority to bind the Corporation.

**SARNIA-LAMBTON BUSINESS  
DEVELOPMENT CORPORATION**

Per: \_\_\_\_\_

Name:  
Title:

I have authority to bind the Corporation.

\_\_\_\_\_  
Ian Inch

\_\_\_\_\_  
Wayne Maddever

Acknowledged and agreed as of the date first written above.

**GREENCORE COMPOSITES INC.**

Per: \_\_\_\_\_

Name:  
Title:

I have authority to bind the Debtor.

DATED as of the date first written above.

**GROWTHWORKS COMMERCIALIZATION FUND LTD., by its Manager, GrowthWorks WV Management Ltd.**

**SUSTAINABLE CHEMISTRY ALLIANCE**

Per: \_\_\_\_\_

Name: Tim Lee

Title: CIO

I have authority to bind the Corporation

Per: \_\_\_\_\_

Name:

Title:

I have authority to bind the Corporation.

**SARNIA-LAMBTON BUSINESS DEVELOPMENT CORPORATION**

Per: \_\_\_\_\_

Name: DONALD ANDERSON

Title: GENERAL MANAGER

I have authority to bind the Corporation.

\_\_\_\_\_  
Ian Inch

\_\_\_\_\_  
Wayne Maddever

Acknowledged and agreed as of the date first written above.

**GREENCORE COMPOSITES INC.**

Per: \_\_\_\_\_

Name:

Title:

I have authority to bind the Debtor.

DATED as of the date first written above.

**GROWTHWORKS COMMERCIALIZATION  
FUND LTD., by its Manager, GrowthWorks  
WV Management Ltd.**

Per: \_\_\_\_\_

Name: Tim Lee

Title: CIO

I have authority to bind the Corporation

**SUSTAINABLE CHEMISTRY ALLIANCE**

Per: \_\_\_\_\_

Name:

Title:

I have authority to bind the Corporation.

**SARNIA-LAMBTON BUSINESS  
DEVELOPMENT CORPORATION**

Per: \_\_\_\_\_

Name:

Title:

I have authority to bind the Corporation.

\_\_\_\_\_  
Ian Inch 

\_\_\_\_\_  
Wayne Maddever

Acknowledged and agreed as of the date first written above.

**GREENCORE COMPOSITES INC.**

Per: \_\_\_\_\_

Name:

Title:

I have authority to bind the Debtor.

DATED as of the date first written above.

**GROWTHWORKS COMMERCIALIZATION  
FUND LTD., by its Manager, GrowthWorks  
WV Management Ltd.**

Per: \_\_\_\_\_  
Name: Tim Lee  
Title: CIO  
I have authority to bind the Corporation

**SUSTAINABLE CHEMISTRY ALLIANCE**

Per: \_\_\_\_\_  
Name:  
Title:  
I have authority to bind the Corporation.

**SARNIA-LAMBTON BUSINESS  
DEVELOPMENT CORPORATION**


Per: \_\_\_\_\_  
Name:  
Title:  
I have authority to bind the Corporation.

\_\_\_\_\_  
Ian Inch

  
Wayne Maddever

Acknowledged and agreed as of the date first written above.

**GREENCORE COMPOSITES INC.**

Per:   
Name: Wayne Maddever  
Title: CEO  
I have authority to bind the Debtor.

**SCHEDULE "A"**

**OCTOBER 2014 GROWTHWORKS SECURITY**

1. Security Agreement in favour of GrowthWorks dated the date hereof



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**SCHEDULE "B"**

**MAY 2014 GROWTHWORKS SECURITY**

1. Security Agreement in favour of GrowthWorks dated May 30, 2014

**SCHEDULE "C"**

**EXISTING GROWTHWORKS SECURITY**

1. ~~Greencore Convertible Debenture and Security Agreement dated October 29, 2010 issued to GrowthWorks~~
2. ~~Greencore Convertible Debenture and Security Agreement dated August 15, 2011 issued to GrowthWorks~~

**SCHEDULE "D"**

**MADDEVER SECURITY**

1. Security Agreement in favour of Maddever dated the date hereof

**SCHEDULE "E"**

**INCH SECURITY**

1. Security Agreement in favour of Inch dated the date hereof.

**SCHEDULE "F"**

**MAY 2014 SCA SECURITY**

1. Security Agreement in favour of SCA dated May 30, 2014

# APPENDIX B

April 16, 2018

Mr. Wayne Maddever  
CEO  
Greencore Composites Inc.  
1086 Modeland Rd.  
Sarnia, ON N7S 6L2

Dear Mr. Maddever:

Re: October 20, 2014 Promissory Notes to Growthworks, Ian Inch and Wayne Maddever

On October 20, 2014 Greencore executed separate Promissory notes to Growthworks, Ian Inch and Wayne Maddever as part of a bridge financing. A subordination agreement executed at that time provided the three parties with a priority debt position. Further, the debt was secured with PPSAs by each of the parties.

The outstanding balances of the Notes are as follows:

|   |           |
|---|-----------|
| Growthworks Commercialization Fund Ltd. | \$35,000  |
| Ian Inch                                | \$176,000 |
| Wayne Maddever                          | \$110,000 |

The terms of the Notes with respect to repayment per Page 1 of the Promissory Notes have not been met. The Parties are therefore demanding payment of the Notes by 4:00PM on May 15, 2018.

If we do not receive payment, or If mutually agreeable repayment arrangements are not made by 4:00PM on May 15, 2018. , we will initiate legal action to collect the full balance of principal and any legal and/or collection costs.

Yours truly,



Growthworks  
Commercialization Fund Ltd.

Ian Inch

Wayne Maddever

April 16, 2018

Mr. Wayne Maddever  
CEO  
Greencore Composites Inc.  
1086 Modeland Rd.  
Sarnia, ON N7S 6L2

Dear Mr. Maddever:

Re: October 20, 2014 Promissory Notes to Growthworks, Ian Inch and Wayne Maddever

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If we do not receive payment, or if mutually agreeable repayment arrangements are not made by 4:00PM on May 15, 2018, we will initiate legal action to collect the full balance of principal and any legal and/or collection costs.

Yours truly,

\_\_\_\_\_  
Growthworks  
Commercialization Fund Ltd.

  
\_\_\_\_\_  
Ian Inch

  
\_\_\_\_\_  
Wayne Maddever



**NOTICE OF INTENTION TO ENFORCE SECURITY**

Pursuant to Subsection 244(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c.B-3, as amended

**TO: Mr. W. Maddever**  
CEO  
Greencore Composites Inc.  
1086 Modeland Road  
Sarnia, ON N7S 6L2

**TAKE NOTICE THAT:**

1. Wayne Maddever, Ian Inch and Growthworks Commercialization Fund Ltd. As secured creditors intend to enforce their security against the assets and property of Greencore Composites Inc., more particularly described as being all of the present and future undertaking and property of Greencore Composites Inc., including, without limitation, all assets, including intellectual property assets, inventory, equipment, accounts and cash.
2. The security that is to be enforced is in the form of:
  - a. Promissory notes dated the 20<sup>th</sup> day of October, 2014 with respect to the loan in principal amounts of \$110,000, \$176,000 and \$35,000 respectively and obligations for repayment thereunder; and
  - b. General Security Agreements dated October 20, 2014 as amended and registered under the *Personal Property Security Act* (Ontario) (collectively the "Security".)
3. The total amount of indebtedness secured by the Security is as follows:

|   |                  |
|---|------------------|
| Wayne Maddever  | \$110,000        |
| Ian Inch  | 176,000          |
| Growthworks Commercialization Fund Ltd.                   | 35,000           |
| PPSA Discharge Fee  | 75               |
| Enforcement Expenses (inclusive of Disbursements and HST) | <u>1,695</u>     |
| <b>TOTAL</b>  | <b>\$322,770</b> |

Upon receipt of the "TOTAL" amount as indicated, together with the appropriate *per diem* amount, SCA will execute a discharge of the PPSA registration as noted above.

- 4. The secured creditor agrees that it will not exercise its rights to enforce the Security until after expiry of the ten (10) day period following the sending of this Notice, unless Greencore Composites Inc. consents to an earlier enforcement.
- 5. This Notice is given for precautionary purposes only, and there is no acknowledgment that any person to whom this Notice is delivered is insolvent, or that the provisions of the *Bankruptcy and Insolvency Act* apply to the enforcement of the Security.

Dated at Burlington, Ontario this 20th day of April, 2018

For the Secured Creditors



Per: \_\_\_\_\_  
Wayne Maddever

THE UNDERSIGNED HAS REVIEWED THE ABOVE AND HEREBY AGREES TO WAIVE THE NOTICE PERIOD AND CONSENT TO THE EARLY ENFORCEMENT BY WAYNE MEDDEVER, IAN INCH AND GROWTHWORKS COMMERCIALIZATION FUND LTD.

Dated at Sarnia, Ontario this 20<sup>th</sup> day of April, 2018  
**GREENCORE COMPOSITES INC.**



Per: \_\_\_\_\_  
Wayne Maddever

Title: CEO  
(I have authority to bind the Corporation)