

Court File No. BK-24-03137745-0032
Estate No. 32-3137745

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT, RSC 1985, c B-3, AS AMENDED***

**AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
DATEC COATING CORPORATION OF THE CITY OF MISSISSAUGA IN THE PROVINCE
OF ONTARIO**

Applicant

MOTION RECORD OF THE APPLICANT

(RE: Stay Extension, Approval of a Sale Process, Stalking Horse Bid, DIP Facility, and
Administration Charge)
(Returnable October 23, 2024)

October 21, 2024

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TO: THE SERVICE LIST

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INDEX

TAB	DOCUMENT	PG. NO.
1.	Notice of Motion, returnable October 23, 2024	007
2.	Affidavit of Dominic Talalla sworn October 21, 2024	023
	Exhibit "A" - Certificate of Filing of a Notice of Intention to Make a Proposal dated October 4, 2024	045
	Exhibit "B" – Royal Bank of Canada Loan Agreement dated March 3, 2021	047
	Exhibit "C" – Demand Letter and Notice from Scott Petrie LLP dated September 25, 2024	057
	Exhibit "D" – Demand letter from De Lage Landen Financial Services Canada Inc. (" De Lage ") dated September 26, 2024	062
	Exhibit "E" – List of Creditors	066
	Exhibit "F" – PPSA Report dated October 16, 2024	071
	Exhibit "G" – Loan Agreements dated July 29, 2022	076
	Exhibit "H" – Equipment lease between De Lage and the Applicant	105
	Exhibit "I" - Unexecuted Stalking Horse Agreement dated October 21, 2024	112
	Exhibit "J" - Commitment Letter dated October 21, 2024	148
3.	Draft SISP Approval Order	156

TAB 1

Bankruptcy Court File No. BK-24-03137745-0032
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**ONTARIO
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OF ONTARIO**

Applicant

NOTICE OF MOTION

(Returnable October 23, 2024)

(RE: Stay Extension, Approval of a Sale Process & Stalking Horse Agreement, DIP Facility &
DIP Lender's Charge, Administration Charge)

Datec Coating Corporation (the "**Company**") will make a motion before Justice Black at 330 University Avenue, Toronto Ontario (the "**Court**") on **October 23, 2024 at 10:00 a.m. (Eastern Time)**, or as soon after that time as the motion can be heard by judicial videoconference via Zoom at Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard:

- in writing under subrule 37.12.1 (1) because it is on consent, unopposed or made without notice;
- in writing as an opposed motion under subrule 37.12.1 (4);
- In person;
- By telephone conference;
- By video conference.

At the following location:

Video Conference Link:

<https://ca01web.zoom.us/j/68763445471?pwd=c212MHFNentVXZrS0NYTkZXWUdQQT09#success>

Meeting ID: 687 6344 5471

Passcode: 530196

THE MOTION IS FOR:

1. an Order substantially in the form attached as Tab 3 of the Company's Motion Record (the "**SISP Approval Order**") that, among other things:
 - (a) abridges the notice periods and service requirements pursuant to section 6 of the *Bankruptcy and Insolvency General Rules*;
 - (b) extends the time to file a proposal pursuant to s. 50.4(9) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 ("**BIA**") for 45 days, from November 3, 2024 up to and including December 18, 2024;
 - (c) approves the sale and investment solicitation process ("**SISP**") in the form attached as Schedule "A" to the SISP Approval Order;
 - (d) approves the Stalking Horse Asset Purchase Agreement (the "**Stalking Horse Agreement**") between the Company and Urecka Canada Corporation ("**Urecka**") and authorizes the Company to execute the Stalking Horse Agreement for purposes of constituting the "stalking horse" bid in respect of the SISP;
 - (e) authorizes the Company to borrow up to \$125,000 under a credit facility (the "**DIP Facility**") from Urecka (in its capacity as lender under the DIP Facility, the "**DIP Lender**") to finance the Company's working capital requirements and pay the costs and expenses of this proceeding, as more fully described in the commitment letter

between the Company and DIP Lender dated October 21, 2024 (the “**Commitment Letter**”);

- (f) grants the following charges over the Company’s current and future assets, undertakings and property (collectively, the “**Property**”) ranking in priority to all Encumbrances (as defined in the SISP Approval Order) and with the following order of priority:
- (i) a first-ranking priority charge (“**Administration Charge**”), in the maximum amount of \$75,000, as security for the payment of the professional fees and disbursements incurred and to be incurred by the Dodick Landau LLP (the “**Proposal Trustee**”), counsel to the Proposal Trustee and counsel to the Company, in connection with this proceeding;
 - (ii) a second-ranking charge (the “**DIP Lender’s Charge**”) in the maximum amount of \$125,000 as security for the Company’s obligations under the DIP Facility to the DIP Lender; and

2. such further and other relief as this Honourable Court deems just.

THE GROUNDS FOR THIS MOTION ARE:

Background

3. The Company is in the business of developing and manufacturing custom heating, coating and thermal solutions for various customers across Canada and the United States. (the “**Business**”). The Company both leverages its own patented thick film heating technology and develops new technology to provide application-specific, high performance heating solutions for its clients.

4. The Company has a team of research scientists and engineers that have led the industry for over 20 years. The Company has created heating solutions for a wide variety of industries that include, among others, commercial food service, medical and precision devices, electronics, automotive and appliances.
5. The Company's principal assets are its intellectual property, equipment in its technology lab, inventory, manufacturing equipment, and brand goodwill.

The NOI Proceeding

6. In around 2020, the Company began experiencing cash flow challenges due to increasing debt servicing requirements, increasing rent payments, and decreasing revenues caused by extrinsic conditions including high interest rates, the effects of COVID-19 on the Company's customers in the food service industry, and the rising cost of labour and material.
7. In response to the Company's cash flow pressures, the Company implemented an extensive operational restructuring process to decrease the Company's operating costs and enhance the Company's market position. The process included decreasing the number of employees, modifying the structure of the Business, scaling its operations in the kitchen appliance industry, increasing the price of their products, trying to obtain payment on delivery from the Company's customers, and reducing its number of suppliers.
8. In addition, to sustain the Company's operations, in 2021, the Company obtained a fix term rate loan from RBC pursuant to the Highly Affected Sectors Credit Availability Program (HASCAP) to support Canadian businesses that have suffered a significant negative impact due to COVID-19 (the "**RBC Loan**").
9. Despite the Company's operational restructuring and the RBC Loan, the Company

determined it required a long-term solution to its cash flow challenges through a restructuring of the Business and its balance sheet.

10. In and around March 30, 2022, the Company retained an investment banker, XL Business Consulting & Financing Inc., to conduct a marketing and sale process for the Company (the “**Pre-Filing Sale Process**”). The Pre-Filing Sale Process lasted over a year and a half but did not generate an offer from any of the parties for the Business. As such, the Company terminated the Pre-Filing Sale Process to preserve the Company’s cash flow and resources for the day-to-day operations of the Business.
11. After the completion of the Pre-Filing Sale Process, the Company was approached by Urecka, the proposed stalking horse bidder and DIP Lender, who advised it was interested in purchasing the Company. Through these discussions, the Company successfully negotiated the Commitment Letter and the Stalking Horse Agreement, both of which are further described below.
12. Due to the compounding financial pressures facing the Company, it was unable to make debt service payments to its principal secured creditor, Western Ontario Community Futures Development Corporation Association (“**WOCFDCA**”), and De Lage Laden Financial Services Canada Inc. (“**De Lage**”). As a result, on September 25, 2024, WOCFDCA delivered a demand to the Company and issued a Notice of Intention to Enforce Security under section 244 of the BIA. On September 26, 2024, De Lage delivered a demand letter to the Company.
13. In order to preserve the Company’s ongoing operations and value, the Company filed a Notice of Intention to Make a Proposal to its Creditors (“**NOI**”) on October 4, 2024.
14. The purpose of this NOI proceeding is to permit the Company to conduct the SISP while

maintaining going concern operations to preserve employment, maximize recovery for stakeholders through the implementation of the SISP, and avoid ceasing the Company's operations, which would be detrimental to the Company's stakeholders.

15. Since the filing of the NOI, the Company has, among other things:
- (a) continued to operate the Business in the normal course, with the oversight of the Proposal Trustee;
 - (b) with the assistance of the Proposal Trustee, continued to assess various restructuring options;
 - (c) developed the SISP with a view to canvassing the market for a transaction and developing a proposal;
 - (d) with the assistance of the Proposal Trustee, prepared a 13-week cash flow forecast statement for the period ending the week of January 10, 2025 (the "**Cash Flow Forecast**");
 - (e) negotiated and arranged the DIP Facility, which will allow the Company to sustain its operations during the NOI proceeding;
 - (f) negotiated the Stalking Horse Agreement;
 - (g) engaged with its employees and vendors to address any questions about the NOI proceeding; and
 - (h) continued to maintain and foster relationships with its suppliers and customers.

Extension of the Time to File a Proposal

16. The initial stay of proceedings pursuant to section 69 of the BIA expires on November 3, 2024. The stay of proceedings may be extended in increments of 45 days pursuant to subsection 50.4(9) of the BIA.
17. The Company is seeking an order extending the stay of proceedings for a further 45 days up to and including December 18, 2024 (the “**Stay Period**”). The requested extension of the Stay Period is necessary and appropriate to allow the Company to conduct the SISP in an orderly and transparent manner, protect the going-concern nature and value of the Company, and develop a viable proposal.
18. The Company has acted and will continue to act with good faith and with due diligence. No creditors will be materially prejudiced by the Stay Period.
19. The Cash Flow Forecast, prepared by the Company, with the assistance of the Proposal Trustee, demonstrates that the Company will have sufficient cash flow to operate over the Stay Period with the use of the DIP Facility.

Approval of DIP Facility and DIP Lender’s Charge

20. The Company seeks the approval of the DIP Facility in the maximum principal amount of \$125,000 and the corresponding DIP Lender’s Charge.
21. The Cash Flow Forecast demonstrates that the Company requires access to emergency interim financing in the approximate amount of \$125,000 throughout the next 13 weeks to meet the Company’s ordinary course of business and restructuring expenses during the Stay Period. The DIP Facility is expected to provide sufficient liquidity to allow the Company to operate and meet its ongoing obligations.

22. Subject to Court approval, Urecka will provide the necessary interim financing for the Company to continue operating while it performs the SISP. The key terms and conditions of the Commitment Letter are as follows:
- (a) a maximum loan amount of \$125,000;
 - (b) interest accruing at a rate of 14% per annum;
 - (c) borrowing under the DIP Facility is subject to a fee of 5% on each advance; and
 - (d) advances under the DIP Facility are conditional upon Court approval of the Commitment Letter, Court approval of the SISP and the Stalking Horse Agreement, and the granting of a super-priority DIP Lender's Charge in favour of the DIP Lender over all of the Property of the Company, subject only to the Administration Charge.
23. The DIP Lender's Charge will secure all the funds advanced to the Company under the DIP Facility. The DIP Lender's Charge will not secure any obligations incurred prior to the filing of the NOI.
24. Without the DIP Lender's Charge, the DIP Lender would not provide the DIP Facility under the Commitment Letter resulting in the Company's inability to finance its operations and cease operations, which would be detrimental to the stakeholders of the Company.
25. The Company believes that the terms of the DIP Facility are fair and reasonable in the circumstances, and that the DIP Facility represents the best available interim financing arrangement that could be arranged by the Company within the time frame needed to meet the Company's cash flow needs.
26. The Proposal Trustee is supportive of the approval of the DIP Facility and the DIP Lender's

Charge.

Approval of the SISP

27. The Company seeks the approval of the SISP. The Company, in consultation with the Proposal Trustee, has developed a SISP, which is a comprehensive process intended to widely canvass the market for one or more transactions to sell or invest in the Company.
28. The SISP is a critical step towards a successful restructuring of the Business. The SISP will assist the Company to maximize its value by permitting it to continue operating while conducting a robust marketing and sale process of the going concern Business.
29. The SISP contemplates a 30-day, single phase process that will be managed by the Proposal Trustee. The key milestones of the SISP, which are all anticipated to occur during the Stay Period, are as follows:

Milestone	Deadline
Commencement of the SISP by disseminating marketing materials to potentially interested parties and populating a data room	October 31, 2024
Bid Deadline - interested parties to submit a binding offer that meets at least the requirements set forth in the SISP	December 2, 2024
Day to hold the auction or otherwise select the highest or otherwise best bid (" Successful Bid ")	December 3, 2024
Seek a Court order approving the Successful Bid	December 13, 2024
Close the transaction contemplated in the Successful Bid	December 27, 2024

30. The timeline of the SISP was designed to balance the limitations of the Company's financial position with the need for sufficient flexibility to allow interested parties a

reasonable opportunity to formulate and submit bids to maximize the Company's success in the SISP.

31. The SISP involves a stalking horse bid in the form of the Stalking Horse Agreement. The stalking horse bid will set a 'floor price' that bidders must bid against.
32. The SISP satisfies the criteria in subsection 65.13(4) of the BIA, which the Court considers in determining whether to approve a sale.
33. The Proposal Trustee is supportive of the SISP.

Approval of the Stalking Horse Agreement

34. The Company seeks this Court's approval of the Stalking Horse Agreement wherein Urecka has agreed to purchase substantially all of the assets of the Company, for the purpose of constituting the "stalking horse bid" in the SISP. For clarity, the Company does not seek this Court's approval of the transaction contemplated in the Stalking Horse Agreement at this time. If the stalking horse bid is deemed to be the Successful Bid in the SISP, a separate motion will be brought upon conclusion of the SISP for an approval and vesting order with respect to the bid.
35. The key terms of the Stalking Horse Agreement are as follows:
 - (a) **Purchaser:** Urecka.
 - (b) **Purchased Assets:** the purchased assets include all of the Company's assets, properties and undertakings other than excluded assets ("**Excluded Assets**") including but not limited to intellectual property, the Company's software and technology, certain contracts ("**Assumed Contracts**"), and the Company's receivables.

- (c) **Excluded Assets:** the Excluded Assets include, among others, the Purchase Price (as defined herein), all cash in the Company's bank accounts except for Customer Deposits (as defined in the Stalking Horse Agreement), and the Purchase Price.
 - (d) **"As Is, Where Is":** the assets are being purchased on an "as is, where is basis" as of the closing date.
 - (e) **Purchase Price:** the total sum of \$300,000 (the "**Purchase Price**") plus the cash sum required to pay the cure costs for all of the Assumed Contracts, if any. The Purchase Price will be comprised of a credit bid of all outstanding amounts owed by the Company to Urecka pursuant to the DIP Facility as of the time of closing, with the remainder to be paid in cash.
 - (f) **Deposit:** given Urecka is providing the DIP Facility, Urecka is not required to provide any deposit under the Stalking Horse Agreement.
 - (g) **Break Fee:** Urecka is entitled to a break fee of \$10,000 (the "**Break Fee**").
 - (h) **Conditions to Closing:** the conditions to closing include, among other things, Urecka being chosen as the Successful Bid and the granting of the Approval, Vesting and Assignment Order (as defined in the Stalking Horse Agreement) by the Court.
36. It is in the best interests of the Company and its stakeholders that the Stalking Horse Agreement be approved. The Stalking Horse Agreement stimulates market interest and competition by confirming that there is already a committed buyer. It will also enhance the efficiency of the SISF by providing an objective minimum valuation of the Company and provides comfort to its stakeholders that a reasonable, going-concern transaction will

result from the SISP.

37. The Proposal Trustee is supportive of the Stalking Horse Agreement.

Administration Charge

38. The Company seeks an Administration Charge over the Property of the Company in the amount of \$75,000 to secure the fees and disbursements of counsel to the Company, the Proposal Trustee, and counsel to the Proposal Trustee incurred in connection with this NOI proceeding. The Administration Charge is proposed to rank in priority to all other security interests and charges.
39. The Administration Charge is necessary as the Company requires the expertise, knowledge and continued participation of its advisors and professionals during this NOI proceeding in order to complete a successful restructuring. Each of the beneficiaries of the Administration Charge have a distinct role in the Company's restructuring.
40. The quantum of the Administration Charge is reasonable and appropriate.
41. The Proposal Trustee supports the Administration Charge.

Other Grounds

42. The Company also seeks to abridge the time requirements for bringing this motion, pursuant to section 6 of the *Bankruptcy and Insolvency General Rules*.
43. The *Rules of Civil Procedure*, RSO 1990, Reg 194, as amended, including without limitation, Rules 1.04, 2.01, 3.02, 37, and 39.
44. The BIA including, without limitation, ss. 50.4, 64.2, 65.13, and 69.

45. The inherent jurisdiction of this Court.
46. Such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED ON THE HEARING OF THE MOTION:

47. The Affidavit of Dominic Talalla, sworn October 21, 2024;
48. The First Report of the Proposal Trustee, to be filed; and
49. Such further and other evidence as counsel may advise and this Honourable Court may permit.

October 21, 2024

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Lawyers for the Applicant

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Bankruptcy Court File No. BK-24-03137745-0032⁰²¹
Estate No. 32-3137745^{E21}

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced at Toronto

NOTICE OF MOTION OF THE APPLICANT
(Returnable October 23, 2024)

RECONSTRUCT LLP

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TAB 2

Bankruptcy Court File No. BK-24-03137745-0032
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**ONTARIO
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**AFFIDAVIT OF DOMINIC TALALLA
(Sworn October 21, 2024)**

I, **DOMINIC TALALLA**, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am the chief executive officer of Datec Coating Corporation (the “**Company**” or “**Datec**”), the Company in this proceeding pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”). Accordingly, I have personal knowledge of the matters set out below unless otherwise stated to be based on information and belief. Where I have relied on information from others, I state the source of such information and verily believe it to be true.

I. OVERVIEW

2. On October 4, 2024, Datec filed a Notice of Intention to Make a Proposal (“**NOI**”) under the BIA. Dodick Landau Inc. was appointed as Proposal Trustee under the NOI (in such capacity, the “**Proposal Trustee**”). Attached hereto and marked as **Exhibit “A”** is a copy of the Certificate of Filing of a Notice of Intention to Make a Proposal.

3. This affidavit is submitted in support of the Company’s motion seeking an order (“**SISP**”

Approval Order) that, among other things:

- (a) abridges the notice periods and service requirements pursuant to section 6 of the *Bankruptcy and Insolvency General Rules*;
- (b) extends the time to file a proposal pursuant to s. 50.4(9) of the BIA for 45 days, from November 3, 2024 up to and including December 18, 2024;
- (c) approves the sale and investment solicitation process ("**SISP**") in the form attached as Schedule "A" to the SISP Approval Order;
- (d) approves the Stalking Horse Asset Purchase Agreement (the "**Stalking Horse Agreement**") between the Company and Urecka Canada Corporation ("**Urecka**", and in its capacity as the stalking horse bidder, the "**Stalking Horse Bidder**") and authorizes the Company to execute the Stalking Horse Agreement for purposes of constituting the "stalking horse" bid in respect of the SISP;
- (e) authorizes the Company to borrow up to \$125,000 under a credit facility (the "**DIP Facility**") from Urecka (in its capacity as lender under the DIP Facility, the "**DIP Lender**") to finance the Company's working capital requirements and pay the costs and expenses of this proceeding, as more fully described in the commitment letter between the Company and DIP Lender dated October 21, 2024 (the "**Commitment Letter**"); and
- (f) grants the following charges over the Company's current and future assets, undertakings and property (collectively, the "**Property**") ranking in priority to all Encumbrances (as defined in the SISP Approval Order) with the following order of priority:

- (i) a first-ranking priority charge (“**Administration Charge**”), in the maximum amount of \$75,000, as security for the payment of the professional fees and disbursements incurred and to be incurred by the Proposal Trustee, counsel to the Proposal Trustee and counsel to the Company, in connection with this proceeding; and
- (ii) a second-ranking charge (the “**DIP Lender’s Charge**”) in the maximum amount of \$125,000 as security for the Company’s obligations under the DIP Facility to the DIP Lender.

4. The relief sought by the Company is intended to:

- (a) stabilize and preserve the going concern operations of the Company for the benefit of its stakeholders (including employees, customers, suppliers, and creditors); and
- (b) maximize the value of the Company for its stakeholders, including secured creditors, through the implementation of the SISP, which comprises of a “stalking horse bid” that is intended to stimulate competition and optimize the efficiency of the sale process.

II. BACKGROUND OF THE COMPANY

5. Datec is in the business of developing and manufacturing custom heating, coating, and thermal solutions for customers across Canada and the United States (the “**Business**”). The Company both leverages its own patented thick film heating technology and develops new technology to provide application-specific, high performance heating solutions for its clients.

6. The Company has led the heating technology industry for over 20 years and has created heating solutions for a wide variety of industries that include, among others, commercial food

service, medical and precision devices, electronics, automotive, and appliances.

7. The Company's patented thick film heating technology allows the Company to provide innovative solutions to its customers. In particular, the elements manufactured from the technology can be printed directly on substrates, which provides a more uniform heated surface with increased heat transfer and reliability and saves space, materials, and costs.

8. The Company's principal assets are its intellectual property, equipment in its technology lab, inventory, manufacturing equipment, and brand goodwill. Specifically, the Company has 2 patent families with patents in multiple countries, 2 pending patents, and other trade secrets.

9. The Company's state-of-the-art technology lab is located at the Company's head office located at 130 Matheson Blvd East, Unit #2 in Mississauga, Ontario (the "**Leased Premises**"). The Company leases the Leased Premises pursuant to a Lease Agreement dated December 5, 2023.

10. Given the specialized nature of Datec's Business, it relies heavily on its team of research scientists and engineers, which includes 9 full-time employees, 3 specialized contractors, and two students for the September to December 2024 term.

11. The Company's cash management system is comprised of two bank accounts with the Royal Bank of Canada ("**RBC**"): a Canadian account and an USD account. The Company also has one credit card with RBC.

A. Financial Difficulties

12. In around 2020, Datec began experiencing cash flow pressures due to increasing debt servicing requirements, increasing rent payments for the Leased Premises, and decreasing revenues caused by extrinsic conditions including high interest rates, the effects of COVID-19 on

the Company's customers in the food service industry, and the rising cost of labour and material.

13. In response to the Company's cash flow pressures, the Company implemented an operational restructuring process to decrease the Company's operating costs and enhance the Company's market position. The process included decreasing the number of employees, modifying the employment structure of the Business, scaling its operations in the kitchen appliance industry, increasing the price of their products, trying to obtain payment on delivery from the Company's customers, and reducing its number of suppliers.

14. In addition, to sustain the Company's operations, in 2021, the Company obtained a fixed term rate loan from RBC pursuant to the Highly Affected Sectors Credit Availability Program (HASCAP) to support Canadian businesses that have suffered a significant negative impact due to COVID-19 (the "**RBC Loan**"). The RBC Loan is for the principal amount of \$250,000 pursuant to a loan agreement dated March 3, 2021 (the "**RBC Loan Agreement**"). A copy of the RBC Loan Agreement dated March 3, 2021 is attached as **Exhibit "B"**.

15. Despite the operational restructuring and the RBC Loan, the Company continued to suffer liquidity challenges as sales remained slower than expected due to the high interest rates and the long-term effects of COVID-19 on certain industries. The Company explored different options to generate cash flow for the Business including soliciting capital from current shareholders and requesting pre-payments from customers. Unfortunately, those options did not generate any additional cash flow for the Business.

16. Although the RBC Loan and decreased operating costs temporarily sustained the Business, the Company determined it required a long-term solution to restructure its Business and balance sheet. Accordingly, in and around March 30, 2022, the Company retained an investment banker, XL Business Consulting & Financing Inc. ("**XL**"), to conduct a marketing and sale process for the Company (the "**Pre-Filing Sale Process**").

17. During the Pre-Filing Sale Process, XL contacted over 30 parties that were in the industry or were in a complimentary industry that may be interested in a strategic investment in or purchase of the Business.

18. Approximately five parties expressed an interest in exploring a strategic transaction with the Company and actively participated in the Pre-Filing Sale Process. I was personally involved in facilitating discussions with these parties including answering their due diligence questions.

19. The Pre-Filing Sale Process lasted over a year and a half until approximately November 2023 but did not generate an offer from any of the parties for the Business. As such, the Company terminated the Pre-Filing Sale Process to preserve the Company's cash flow and resources for the day-to-day operations of the Business.

20. After the completion of the Pre-Filing Sale Process, the Company was approached by a company affiliated to Urecka ("**Ekagrata**"), the proposed Stalking Horse Bidder and DIP Lender, who advised it was interested in investing in the Company.

21. During the negotiations with Ekagrata, the Company's cash flow pressures continued to mount. As a result, in September 2024, as a result of cash flow pressures, the Company was unable to make its debt service payment to its principal secured lender, Western Ontario Community Futures Development Corporation Association ("**WOCFDCA**"). Accordingly, on September 25, 2024, WOCFDCA delivered a demand to the Company and issued a Notice of Intention to Enforce Security under section 244 of the BIA. A copy of the demand letter and notice are appended as **Exhibit "C"**.

22. In September 2024, the Company was also unable to make its monthly lease payments to De Lage Laden Financial Services Canada Inc. ("**De Lage**") for the equipment leased by the Company pursuant to an Equipment Leasing Agreement dated April 25, 2023 (the "**Equipment**

Lease”). On September 26, 2024, De Lage delivered a demand letter to the Company. A copy of De Lage’s demand letter is appended as **Exhibit “D”**.

23. In order to preserve its ongoing operations and value, the Company filed the NOI on October 4, 2024. The primary objectives of this NOI proceeding are to restructure Datec’s balance sheet and implement a long-term solution to the Company’s liquidity challenges in the interests of stakeholders.

B. Primary Creditors of Datec

24. The Company has approximately \$800,000 in liabilities of which approximately \$455,000 is secured debt. A copy of the List of Creditors filed with the NOI is attached as **Exhibit “E”**.

25. Pursuant to the Ontario Personal Property Security Registry search report for Datec (the **“PPSA Report”**), the Company has two secured creditors: De Lage and WOCFDCA. A copy of the PPSA Report is appended as **Exhibit “F”**.

26. WOCFDCA is the Company’s principal secured creditor. WOCFDCA is owed approximately \$435,000 pursuant to a promissory note and loan agreement from WOCFDCA to the Company for the principal amount of \$500,000 (together, the **“Loan Agreements”**). A copy of the Loan Agreements dated July 29, 2022 are attached as **Exhibit “G”**.

27. De Lage is the Company’s other secured creditor. In 2023, the Company purchased a heat meter, which is a device that measures thermal energy, from De Lage through the Equipment Lease. The amount outstanding under the Equipment Lease is approximately \$22,000. A copy of the Equipment Lease with De Lage is attached as **Exhibit “H”**.

28. The Company is also indebted to RBC in the approximate amount of \$225,000 pursuant to the RBC Loan. On behalf of the Company, I signed a general security agreement with RBC, but

there is no registration in favour of RBC on the PPSA Report.

29. The remainder of the Company's obligations are for trade payables and operating costs accrued in the ordinary course. The Company's primary trade payables are related to the purchase of supplies to produce the Company's products. The Company's primary operating costs are lease payments to the landlord.

C. Acute Liquidity Crises and Need for Interim Financing

30. The Company has limited cash on hand and requires interim financing. Specifically, the Company presently has about \$16, 400 of cash on hand.

31. With the assistance of the Proposal Trustee, the Company has prepared a 13-week cash flow statement for the period ending the week of January 10, 2025 (the "**Cash Flow Forecast**"). I understand that the Cash Flow Forecast will be appended to the First Report of the Proposal Trustee, to be filed.

32. The Cash Flow Forecast demonstrates that the Company requires access to emergency, interim financing in the approximate amount of \$125,000 throughout the next 13 weeks to preserve the going-concern nature of its Business.

33. There is no reasonable prospect that the Company's financial condition will improve without an operational and financial restructuring and without interim financing being made available. Without the interim financing, the Company would be forced to shut down operations, which would be detrimental to the Company's stakeholders including employees, customers, and suppliers.

III. RELIEF SOUGHT

A. Extension of the Stay of Proceedings

34. The initial 30-day stay of proceedings under s. 50.4(8) of the BIA expires at the end of the day on November 3, 2024.

35. Since the filing of the NOI on October 4, 2024, Datec has acted diligently and in good faith toward maximizing realization for its stakeholders and developing a proposal for the creditors.

Among other things, the Company, with the assistance of the Proposal Trustee, has:

- (a) continued to operate the Business in the normal course, with the oversight of the Proposal Trustee;
- (b) negotiated the Commitment Letter for the DIP Facility;
- (c) developed the SISP with a view to canvassing the market for a transaction and developing a viable proposal;
- (d) negotiated the Stalking Horse Agreement;
- (e) engaged with employees and vendors to address any questions about the NOI proceeding; and
- (f) with the assistance of the Proposal Trustee, continued to assess various restructuring options with a view to closing a transaction and developing a viable proposal.

36. To permit Datec to continue operating while it implements the SISP, the Company is seeking an extension of time to file a proposal pursuant to section 50.4(9) of the BIA for a further 45 days (from the expiry of the initial stay period at the end of the day on November 3, 2024) up to and including December 18, 2024 (the “**Proposed Stay Period**”).

37. The extension of the stay of proceedings until December 18, 2024 will provide stability to the Business that will permit Datec to continue operating, provide reassurance to Datec's stakeholders, and give Datec the breathing room to implement the SISP.

38. The Proposed Stay Period is critical to maximizing the realization of the Business for creditors and stakeholders and avoiding the destruction of value that would result from a shut-down of operations. If the Business is forced to shut down, the Company would immediately experience a loss of its customers and market share. The Company would also suffer an irreparable loss in asset value given the Company's primary assets – its intellectual property, goodwill, software, and inventory - require an operating Business to retain its value.

39. The Cash Flow Forecast demonstrates that Datec will have sufficient cash to operate over the Proposed Stay Period with the availability of the DIP Facility. In the meantime, Datec continues to work with due diligence and in good faith to implement the SISP, complete a transaction, and develop a proposal for the benefit of its general body of creditors.

40. I am not aware of any creditors who would be prejudiced by the continuation of these proceedings during the Proposed Stay Period.

B. Approval of SISP

Overview of the Proposed SISP

41. A primary objective of the NOI proceeding is to provide the Company the breathing room necessary to develop a value-maximizing restructuring solution for stakeholders including creditors, employees, customers, and suppliers.

42. To complement the Company's prior and ongoing operational restructuring efforts, the Company has determined that a sale and investment solicitation process is critical to developing

a value-maximizing restructuring solution. Accordingly, the Company - in consultation with the Proposal Trustee and Urecka - developed the SISP.

43. The SISP is intended to widely expose the Company's Business to the market and provide a structured and orderly process for interested parties to perform due diligence and submit offers for a potential transaction.

44. The SISP is a transparent and objective process that will be implemented and supervised by the Proposal Trustee as an officer of this Court. The Company will continue to operate in the normal course during the SISP in order to preserve and maximize going-concern value of the Business.

45. The SISP involves a stalking horse bid in the form of the Stalking Horse Agreement (the "**Stalking Horse Bid**"), wherein Urecka has agreed to purchase substantially all of the assets of the Company. The Stalking Horse Bidder has an arms-length relationship with the Company. A copy of the Stalking Horse Agreement is attached as **Exhibit "I"**.

46. The Stalking Horse Bid is intended to stimulate market interest by setting a "floor" price that bidders must bet against. It also provides comfort to stakeholders that value will be realized through the SISP and the Business will emerge as a going-concern.

47. I understand that the Proposal Trustee supports the approval of the SISP, recognizing that the SISP is fair and reasonable in the circumstances, and is in the best interest of creditors.

48. The SISP and Stalking Horse Agreement also mitigate the risk of employee resignations as a result of uncertainty around the outcome of the NOI proceeding and will increase the likelihood that the Company will be able to emerge from the NOI proceeding as a going concern.

The SISP Timeline

49. The SISP contemplates a 30-day, single phase sale process that will be managed by the Proposal Trustee. The following key milestones in the SISP are as follows:

Milestone	Deadline
Commencement of the SISP by placing a notice in certain publications, disseminating marketing materials to potentially interested parties, and opening a data room	October 31, 2024
“ Bid Deadline ” – interested parties to submit a binding offer that meets at least the requirements set forth in the SISP (“ Qualified Bid ”)	December 2, 2024
Holding of the auction, if necessary, or the selection of the highest or otherwise best bid (“ Successful Bid ”)	December 3, 2024
Seek court approval of the Successful Bid	December 13, 2024, subject to Court availability
Closing the transaction contemplated in the Successful Bid	No later than December 27, 2024

50. The SISP provides that the Proposal Trustee may extend the above deadlines by up to seven days or for a longer period with the consent of the Stalking Horse Bidder or by Court order. The ability to extend deadlines provides the Proposal Trustee and the Company with the necessary flexibility to maximize the Company’s success in the SISP.

51. The timeline of the SISP was designed to balance the limitations of the Company’s financial position with the need for sufficient flexibility to allow interested parties a reasonable opportunity to formulate and submit bids to maximize the Company’s success in the SISP.

52. Given the above and the extensive marketing of the Business in the Pre-Filing Sale

Process, the Company believes that the timeline of the SISP is sufficient to canvass the market.

Key Terms of the SISP

53. The main elements of the SISP are summarized below:

- (a) **Bid Deadline** – Potential bidders who wish to make an offer pursuant to the SISP must email a Qualified Bid by no later than 5:00 p.m. (Toronto time) on December 4, 2024, being the Bid Deadline.
- (b) **Determination of Qualified Bid** – To be considered a “Qualified Bid”, bids must satisfy certain criteria including, among other things:
 - i. providing for cash consideration sufficient to pay in full on closing of the transaction: (i) a minimum incremental amount of \$20,000 in excess of the aggregate Purchase Price (as defined herein) contemplated by the Stalking Horse Agreement; and (ii) a Break Fee in the amount of \$10,000 as contemplated by the Stalking Horse Agreement (the “**Consideration Value**”);
 - ii. being accompanied by a deposit of at least 10% of the Consideration Value, to be retained by the Proposal Trustee in trust;
 - iii. containing an executed binding transaction document(s), including all exhibits and schedules contemplated thereby, together with a blackline against the Stalking Horse Agreement (which shall be posted by the Company in the data room), describing the terms and conditions of the proposed transaction, including any liabilities proposed to be assumed, the Consideration Value, the structure and financing of the proposed

transaction, and any regulatory or other third-party approvals required;

- iv. stating it is not conditional upon any condition or contingency relating to due diligence, financing or any other material conditions precedent to the bidder's obligation to complete the transaction;
- v. being submitted by the Bid Deadline;
- vi. providing evidence satisfactory to the Proposal Trustee of the financial ability of the bidder to consummate the transaction;
- vii. not requesting any break fee, expense reimbursement or similar type of payment;
- viii. acknowledging the offer is expressly made on an "As Is, Where Is" (as defined herein) basis in all respects; and
- ix. describing the intended treatment of the Company's stakeholders including secured creditors, unsecured creditors, employees, customers, suppliers, and contractual counterparties.

(c) **Selection of Successful Bid** – In the event that the Proposal Trustee, in consultation with the Company, determines that there are no Qualified Bids, the Proposal Trustee shall promptly proceed to declare the Stalking Horse Bid as the Successful Bid. If the Proposal Trustee receives one or more Qualified Bids which are superior to the Stalking Horse Bid, it may proceed with an auction to select the highest or otherwise best bid in the SISF in accordance with the procedure delineated in the SISF.

(d) **Court Approval and Closing** – Upon selection of the Successful Bid, the

Company will bring a motion to the Court on notice to the service list for an order approving the Successful Bid. The Company, with the assistance of the Proposal Trustee, will then proceed to close the transaction as soon as possible after Court approval is granted.

C. Approval of the Stalking Horse Agreement

54. As noted above, the SISP includes the Stalking Horse Bid, in the form of the Stalking Horse Agreement, to stimulate market interest by setting a “floor” price that bidders in the SISP must bid against. Notwithstanding that all reasonable efforts outlined in the SISP will be made to solicit interest, the Stalking Horse Bid also provides comfort and assurance to stakeholders that the SISP will result in a successful transaction that will permit the Company to emerge from these NOI proceedings as a going-concern for the benefit of their stakeholders including their 9 employees, 3 contractors, vendors, and customers.

55. The Company seeks Court approval of the Stalking Horse Agreement for purposes of constituting the “Stalking Horse Bid” in the SISP. For clarity, approval of the Stalking Horse Agreement on this motion is only being sought for the purposes of approving it as the Stalking Horse Bid under the SISP. To the extent the Stalking Horse Agreement is ultimately designated as the Successful Bid in the SISP, further approval will be sought from the Court to consummate the transaction contemplated therein.

56. The principal terms of the Stalking Horse Agreement are as follows:

- (a) **Purchaser:** Urecka.
- (b) **Purchased Assets:** the purchased assets include all of the Company’s assets, properties and undertakings other than the excluded assets (“**Excluded Assets**”) including but not limited to intellectual property, the Company’s software and

technology, certain contracts (“**Assumed Contracts**”), and the Company’s receivables.

- (c) **Excluded Assets:** the Excluded Assets include, among other things, the Purchase Price, all cash in the Company’s bank accounts except for customer deposits, and the Scientific Research and Experimental Development credits.
- (d) **“As Is, Where Is”:** the assets are being purchased on an “as is, where is basis” as of the closing date.
- (e) **Purchase Price:** the total sum of \$300,000 (the “**Purchase Price**”) plus the cash sum required to pay the cure costs for all of the Assumed Contracts, if any. The Purchase Price will be comprised of a credit bid of all outstanding amounts owed by the Company to Urecka pursuant to the DIP Facility as of the time of closing, with the remainder to be paid in cash.
- (f) **Deposit:** given Urecka is providing the DIP Facility, Urecka is not required to provide any deposit under the Stalking Horse Agreement.
- (g) **Break Fee:** the Stalking Horse Bidder is entitled to a break fee of \$10,000 (the “**Break Fee**”).
- (h) **Conditions to Closing:** the conditions to closing include, among other things, the Stalking Horse Bidder being chosen as the Successful Bid and the granting of the Approval and Vesting Order and Assignment Order (both as defined in the Stalking Horse Agreement) by the Court.

57. Based on my experience with the Company and the industry, I believe that the Stalking Horse Agreement represents a satisfactory monetization of the Company if it constitutes the

Successful Bid at the conclusion of the SISP.

58. I also believe that the presence of the Stalking Horse Agreement in the SISP is in the interests of stakeholders because it will stimulate competition for the Company and provide comfort to its stakeholders that a reasonable transaction will result from the SISP. It will also enhance the efficiency of the SISP by providing an objective basis for the minimum valuation of the Company and a form of the agreement for other bidders to use.

59. The Stalking Horse Agreement also entitles the Stalking Horse Bidder to a Break Fee equal to approximately 3% of the Purchase Price under the Stalking Horse Agreement. The Break Fee is only payable in the circumstances where the Stalking Horse Agreement is not selected as the Successful Bid under the SISP. If the Stalking Horse Agreement is chosen as the Successful Bid, then no Break Fee will be payable to the Stalking Horse Bidder.

60. I believe the Break Fee is fair and reasonable in the circumstances. The Stalking Horse Agreement, including the Break Fee, was negotiated amongst the parties with the oversight of the Proposal Trustee. The Stalking Horse Bidder requires these fees in exchange for its commitment to the SISP.

61. The Break Fee is also intended to compensate the Stalking Horse Bidder for the value that the Stalking Horse Bid provides to the SISP and the NOI proceeding generally. As discussed above, the Stalking Horse Agreement provides reassurance to stakeholders that the Business will continue as a going concern, which reassurance provides stability for the Company at a time when stability is of paramount importance. The Stalking Horse Agreement also benefits potential bidders by providing a base valuation of the Company's assets and the form of the Stalking Horse Agreement for their use.

62. Overall, I believe that the Stalking Horse Agreement is both fair and reasonable in the

circumstances. I also understand that the Proposal Trustee supports the approval of the Stalking Horse Agreement solely for the purpose of approving it as the Stalking Horse Bid under the SISP.

D. Approval of the DIP Facility and DIP Lender's Charge

63. The Cash Flow Forecast demonstrates that the Company requires approximately \$125,000 in interim financing to meet ordinary course of business expenses and to fund this NOI proceeding and the SISP. Any amounts advanced are expected to be used for payroll, supplier payments, and other ordinary course business expenses, as well as the payment of restructuring professionals in connection with this proceeding and the SISP.

64. The Company has obtained a debtor-in-possession financing from the DIP Lender to fund the Company's operational and restructuring expenses during the restructuring period subject to various terms and conditions as described in the Commitment Letter. An executed copy of the Commitment Letter is appended hereto as **Exhibit "J"**.

65. The Commitment Letter represents the best and only available interim financing arrangement that could be arranged by the Company within the time frame needed to meet the Company's cash flow needs

66. The key terms and conditions of the Commitment Letter are as follows:

- (a) a maximum loan amount of \$125,000;
- (b) interest accruing at a rate of 14% per annum;
- (c) borrowing under the DIP Facility is subject to a finance fee of 5% on each advance;
- (d) a maturity date of the earlier of (i) January 15th, 2025; (ii) the closing of the transaction contemplated by the Stalking Horse Agreement; (iii) the closing of any

transaction resulting from the SISP; (iv) the implementation of a proposal; (v) the date on which the proceedings are terminated or are converted into a bankruptcy proceeding under the BIA; and (vi) the occurrence of an Event of Default (as defined in the Commitment Letter); and

- (e) advances under the DIP Facility are conditional upon Court approval of the Commitment Letter, Court approval of the SISP and Stalking Horse Agreement, and the granting of a super-priority DIP Lender's Charge in favour of the DIP Lender over all of the Property of the Company, subordinate only to the Administration Charge.

67. The DIP Facility is expected to provide sufficient liquidity to allow the Company to operate and meet its obligations during the pendency of the NOI proceeding.

68. The DIP Lender requires all obligations under the Commitment Letter to be secured by a court-ordered priority charge, namely the DIP Lender's Charge. The DIP Lender's Charge will secure all the funds advanced to the Company under the DIP Facility. The DIP Lender's Charge will not secure any obligations incurred prior to the filing of the NOI.

69. The amount of the DIP Lender's Charge requested is necessary and limited to what is reasonably necessary for the continued operations of the Business in the ordinary course of business during the NOI proceeding. Without the DIP Lender's Charge, the DIP Lender will not provide the DIP Facility resulting in the Company's inability to finance its operations leading to bankruptcy, which would be detrimental to the Company's stakeholders.

70. The Proposal Trustee has advised that it is supportive of the approval of the Commitment Letter and the corresponding DIP Lender's Charge.

E. Approval of the Administration Charge

71. Datec seeks a Court-ordered first-priority Administration Charge over its Property, up to a maximum amount of \$75,000, to secure the fees and disbursements incurred by the Proposal Trustee, counsel to the Proposal Trustee, and counsel to the Company in connection with this NOI proceeding. The Company requests that the Administration Charge rank in priority to all other security interests, claims of secured creditors, trusts, liens, charges, and Encumbrances, statutory or otherwise in favour of any person.


72. Datec has relied heavily upon each of the restructuring professionals that are the beneficiaries of the Administration Charge during the NOI proceeding. Each of these professionals have contributed, and will continue to contribute, significant value to the advancement of the NOI proceeding and the completion of a successful restructuring.

73. The Administration Charge is necessary to ensure that the Company has the continued expertise, knowledge and participation of the restructuring professional during the Proposed Stay Period, including to implement the SISP, effectively liaise with creditors, and assist in other restructuring initiatives. Each of the restructuring professionals who are the beneficiaries of the Administration Charge have a critical and discrete role in the restructuring of the Company.

74. The Company worked with the Proposal Trustee to estimate the quantum of the Administration Charge. Based on those discussions, the quantum of the Administration Charge is fair and reasonable in the circumstances as it is commensurate with the expected complexity of the Company's Business and anticipated restructuring.

75. I swear this affidavit in support of Datec's requested relief in the within motion and for no other or improper purpose.

SWORN REMOTELY by Dominic Talalla)
 stated as being located in the City of)
 Mississauga in the Province of Ontario)
 before me at the City of Toronto, in the)
 Province of Ontario, this 21st day of)
 October 2024, in accordance with O. Reg)
 431/20, Administering Oath or Declaration)
 Remotely.)

Signed by:

0D0B645B9A9E494...

A Commissioner for taking Affidavits.
 Simran Joshi LSO#89775A

Signed by:

7CE2E00938554BC...

DOMINIC TALALLA

THIS IS **EXHIBIT "A"** REFERRED TO IN THE
AFFIDAVIT OF DOMINIC TALALLA SWORN BEFORE ME,
THIS 21ST DAY OF OCTOBER 2024



A COMMISSIONER FOR TAKING AFFIDAVITS
SIMRAN JOSHI LSO No. 89775A



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Mississauga
Court No. 32-3137745
Estate No. 32-3137745

In the Matter of the Notice of Intention to make a proposal of:

Datec Coating Corporation

Insolvent Person

DODICK LANDAU INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

October 04, 2024

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: October 07, 2024, 14:01

E-File/Dépôt Electronique

Official Receiver

Federal Building - Hamilton, 55 Bay Street N, 9th Floor, Hamilton, Ontario, Canada, L8R3P7, (877)376-9902

Canada

THIS IS **EXHIBIT "B"** REFERRED TO IN THE
AFFIDAVIT OF DOMINIC TALALLA SWORN BEFORE ME,
THIS 21ST DAY OF OCTOBER 2024



A COMMISSIONER FOR TAKING AFFIDAVITS
SIMRAN JOSHI LSO No. 89775A

March 3, 2021



Eligible Borrower's Representations and Warranties

Reference is made to the **Loan Agreement** of **Royal Bank of Canada** (the "**Lender**") dated ~~19~~ April 14, 2021 and accepted by **DATEC COATING CORPORATION** (the "**Eligible Borrower**") on April 14, 2021 pursuant to which the Lender has made available to the Eligible Borrower a term loan (the "**Financing**").

This Financing is made possible with the financial support of the Business Development Bank of Canada ("**BDC**") guaranteeing such Financing.

To confirm the eligibility criteria to the Highly Affected Sectors Credit Availability Program ("**HASCAP**"), the Eligible Borrower (x) represents, warrants and covenants, as applicable in favour of the Lender and BDC that:

- (a) The Eligible Borrower is (A) a Person (other than a natural Person) incorporated or formed under the laws of Canada or of a Canadian provincial or territorial jurisdiction; or (B) a natural Person operating a business under a sole proprietorship structure in Canada, which business's intent is to generate revenue from the sale of goods or services which is at least sufficient to cover its operating expenses and service of debt;
- (b) The Eligible Borrower is a client of the Lender (for which the Lender is or will become the Principal Senior Lender);
- (c) The Eligible Borrower is operating 1 Business Sites as of the date hereof;
- (d) The copies of (A) the required confirmations for at least three months (which need not be consecutive) from the Canadian Revenue Agency evidencing application to the CEWS Program or CERS Program provided to the Lender; and (B) the bank statements (or any other form of evidence acceptable to the Lender) evidencing receipt of subsidies, are true and correct copies of such confirmations and statements (or other forms of evidence), and same confirm that the Eligible Borrower is eligible to, has applied for and has received subsidies for at least three months (within the 240 day period prior to the date hereof) under the CEWS Program and the CERS Program, with each such month having a minimum 50% revenue decrease (as determined under the CEWS Program or the CERS Program);
- (e) The Eligible Borrower does not have a revenue model that is economically dependent on non-commercial sources such as direct government grant funding or private donations;
- (f) The Eligible Borrower has been, directly or indirectly, negatively impacted by the COVID-19 pandemic or the economic environment created by the COVID-19 pandemic.
- (g) The Eligible Borrower was financially viable prior to the impact of the COVID-19 pandemic or the economic environment created by the COVID-19 pandemic.
- (h) The Eligible Borrower:

For the purpose hereof:

- (a) "**Affiliate**" means, with respect to a Person, any other Person that directly or indirectly Controls, or is Controlled by, or is under common Control with, that Person;
- (b) "**Business Sites**" means all distinct physical locations of the Eligible Borrower (i) where it is selling of goods or providing services directly to the ultimate consumer public for use or consumption rather than for resale; and (ii) whose business operations and activities are substantially identical in nature and related to the main core business of the Eligible Borrower;
- (c) "**Control**" (including any correlative term) means the possession, directly or indirectly, of the power to direct or cause the direction of management or policies of a Person (whether through ownership of securities or partnership or trust interests, by contract or otherwise); without limiting the generality of the foregoing (i) a Person is deemed to Control a corporation if such Person (or such Person and its Affiliates) holds outstanding shares or other rights carrying more than 50% of the voting power in the election of the board of directors of the corporation; (ii) a Person is deemed to Control a partnership if such Person (or such Person and its Affiliates) holds more than 50% in value of the equity of the partnership; (iii) a Person is deemed to Control a trust if such Person (or such Person and its Affiliates) holds more than 50% in value of the beneficial interests in the trust; and (iv) a Person that controls another Person is deemed to Control any Person controlled by that other Person;
- (d) "**Distribution**" means (i) any payment in cash or in kind that provides an income (including interest or dividends) or a return on, or constitutes a distribution or redemption or other retirement of, the equity or capital of a Person (other than a dividend paid by way of the issuance of new equity interests); (ii) any payment (principal and interest) on account of debt due to a shareholder, Affiliate, partner, director or officer of a Person (iii) earn-out payments owing to any shareholder, Affiliate, partner, director or officer of a Person; and (iv) any bonus, fee or like payment to any shareholder, partner, director or officer of a Person or a related party of a Person;
- (e) "**Group**" means, collectively, the Eligible Borrower and its Affiliates;
- (f) "**Person**" means any natural person, corporation, company, partnership, joint venture, limited liability company, unincorporated organization, trust or any other entity; and

- (i) The Financing will be incremental to the Lender's (or another financial institution's) current exposure with the Eligible Borrower and the proceeds from the Financing will only be used and, based on reasonable assumptions with respect to the COVID-19 pandemic and taking into account the subsidies and other credit currently available to the Borrower can reasonably be expected to be sufficient to fund the cash flow needs of operations (excluding, for certainty and without limitation, to fund distributions, payment of management fees, bonuses and similar instruments) for a period of time not exceeding 18 months following the date hereof; for certainty, the application of the proceeds from the Financing to (x) repay outstanding loans under an overdraft or operating facility will be permitted so long as the Lender's (or another financial institution's) commitment or authorized amount thereunder is not reduced (other than to the extent of temporary advances or borrowing excesses); (y) repay normally scheduled principal (which schedule of repayments was not accelerated since March 1, 2020) and interest payments on the Eligible Borrower's existing credits will be permitted; as well as (z) pay ordinary course of business lease, equipment or supplier financing payments will be permitted; for further certainty, the proceeds from the Financing will not be used (A) to make scheduled principal or interest payments that were due prior to the date hereof; (B) for repayment of outstanding loans on the maturity date thereof; or (C) to fund cash sweep payments under outstanding loans and similar types of payments.
- (j) Without derogating to any of the other limitations with respect to Distributions set out in the credit documentation pertaining to the Financing, the Eligible Borrower will not make, and will cause any other Person guaranteeing the Financing (an "Obligor") not to make, for the first 12-months following the date hereof, any Distribution other than:
 - (i) a Distribution by an Obligor to the Eligible Borrower;
 - (ii) a Distribution by an Obligor (other than the Eligible Borrower) to another Obligor; and
 - (iii) a Distribution in-lieu of salary made to shareholders involved directly in the operations of the Eligible Borrower, in an amount not exceeding historical Distributions for such purpose (and in no event exceeding \$200,000).
- (k) The Financing coupled with Eligible Borrower's existing liquidity and forecasted operational cash flow and subsidies (based on reasonable assumptions as to the COVID-19 pandemic) and credit currently available to the Eligible Borrower will enable a degree of continuity of the business of the Eligible Borrower during the current economic environment.
- (l) The financial statements delivered to the Lender for the purposes of the Financing are complete and correct in all material respects and fairly present the financial condition and results of operation of the Eligible Borrower and the guarantors as at their stated date, all in accordance with GAAP (except for year end notes and adjustments, if any).
- (m) The Eligible Borrower's historical free cash flow (for the period prior to March 1, 2020) would have been sufficient to service the Financing and based on reasonable assumptions as to the COVID-19 pandemic, the Eligible Borrower reasonably anticipates that its future free cash flow (together with the subsidies and credit currently available to it) will be sufficient to service the Financing.

- (i) is not a government organization or body (other than an indigenous entity or body);
- (ii) is not an entity in which a government organization or body (other than indigenous entities or bands) owns equity interests;
- (iii) is not a non-profit organization, registered charity, union, or a fraternal benefit society or order, or a Person in which any such organization owns equity interests (except if it is actively carrying on a business in Canada (including a related business in the case of a registered charity) that earns revenue primarily from the regular supply of property/goods or services and not from non-commercial sources such as direct government grant funding or private donations);
- (iv) is not a religious organization, or a Person in which any such organization owns equity interests;
- (v) is not a fundraising vehicle for charities;
- (vi) is not a Person in which equity interests are held by any single current member of the Parliament of Canada or any single current member of the Senate of Canada other than a Person whose equity interests are publicly traded;
- (vii) does not operate any form of sexually exploitive business;
- (viii) does not promote violence, incite hatred or discriminate on the basis of race, national or ethnic origin, colour, religion, sex, age or mental or physical disability;
- (ix) is not a Person who has (or who is related to Affiliates who have) (i) ever been determined to have committed tax evasion by any applicable judicial authority, including, for clarity, pursuant to sections 238 and 239 of the Income Tax Act (Canada) or of any other similar applicable provision of any Canadian federal or provincial statute(s) (or that has Affiliates which have been determined to have committed same) ("**Tax Evasion**"), nor (ii) been subject to any assertion or assessment by any governmental authority that the Eligible Borrower or its Affiliates engaged in Tax Evasion;
- (x) has not benefited (or is not in the process of benefiting) from HASCAP through a financial institution other than the Lender;
- (xi) has not benefited (or is not in the process of benefitting) from HASCAP for loans exceeding an initial principal amount, in the aggregate, of (A) \$1,000,000; multiplied by (B) the number of its qualifying Business Sites; and
- (xii) is not a member of a Group which has benefited (or is in the process of benefiting) from HASCAP for loans extended to one or more of the members of such Group by the Lender (and any other financial institution, as applicable) exceeding an initial principal amount, in the aggregate, of CA \$6,250,000, except if the ultimate Controlling entity of the Eligible Borrower is an institutional investor.

(g) **"Principal Senior Lender"** means, except as set out in the following provision, the primary lender or account or cash management bank of the Eligible Borrower which holds (or will hold in connection with the Financing) a first ranking general security interest or hypothec on the personal or movable property of the Eligible Borrower (subject to such other liens over specific class of property which are incurred in the ordinary course of business); provided that for the Eligible Borrower with syndicated credit facilities or "club deal" credit facilities, (i) with respect to syndicated credit facilities, the Principal Senior Lender may be any Eligible Lender that is the administrative agent, the lender holding the largest commitment or the lead arranger under such facilities, provided that the same Principal Senior Lender provides the Financing to the Eligible Borrower on a bilateral basis; or (ii) with respect to "club deals" or other similar type of lending arrangements, the Principal Senior Lender will be the lender holding the largest commitment or outstanding loans under the Eligible Borrower's bilateral credit facilities (or if more than one lender holds the same largest amount of commitment (or outstanding loans), the Principal Senior Lender may be any one of those lenders), provided that the same Principal Senior Lender provides the Eligible Loan to the Eligible Borrower on a bilateral basis.

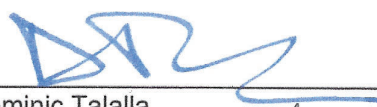
The Eligible Borrower acknowledges and agrees that this document constitutes a credit document for the purposes of the Financing. As such the Lender can require repayment of the Financing to the extent any of the representations and warranties and covenants made herein are untrue or misleading in any respect (i) as of the date hereof, (ii) as of the date of disbursement of advances of amounts under the Financing, and (iii) with respect to the representations and warranties and covenants in paragraphs (g) and (i), at any time prior to the repayment in full of all of the amounts owing under the Financing.

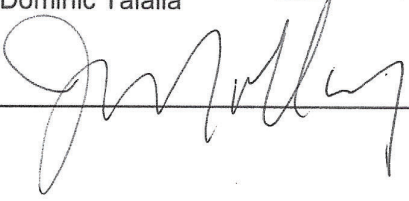
In connection with the Financing, the Eligible Borrower agrees, and cause its Affiliates, to provide, upon request from the Government of Canada (directly or through their Affiliates, agents, BDC or the Lender) additional reporting as deemed reasonably necessary.

The Eligible Borrower hereby acknowledges and agrees that (i) BDC (and the Government of Canada as shareholder of BDC) may make any disclosure identifying the Eligible Borrower, its guarantors and the Financing, including as to the fact that they have benefited from HASCAP and the amount of the Financing thereunder; and (ii) the Lender may disclose to BDC any information relating to the Eligible Borrower or its guarantors, confidential or otherwise, including, without limitation, credit information, financial statements (audited and unaudited), payment history, business plans, business history, business organization and copies of and other information relating to any of the credit facilities or other services or products provided by the Lender to the Eligible Borrower.

SIGNED as of APRIL 14th, 2021

DATEC COATING CORPORATION

Per: 
 Dominic Talalla

Per: 



Royal Bank of Canada
 Commercial Financial Services
 200 Bay Street-19th Floor/S TWR
 PO Box 1 STN
 Toronto, Ontario M5J 2J5

March 3, 2021

Private and Confidential

DATEC COATING CORPORATION

130 Matheson Blvd. E. Unit 2
 Mississauga, Ontario,
 L4Z1Y6

ROYAL BANK OF CANADA (the "**Bank**") hereby offers the credit facilities described below (the "**Credit Facilities**") subject to the terms and conditions set forth below and in the attached Terms & Conditions and Schedules (collectively the "**Agreement**"). Any and all security that has been delivered to the Bank and is set forth as Security below, shall remain in full force and effect, is expressly reserved by the Bank and, unless expressly indicated otherwise, shall apply in respect of all obligations of the Borrower under the Credit Facilities. Unless otherwise provided, all dollar amounts are in Canadian currency.

The Bank reserves all of its rights and remedies at any time and from time to time in connection with any or all breaches, defaults or Events of Default now existing or hereafter arising under this Agreement or any other agreement delivered to the Bank, and whether known or unknown, and this Agreement shall not be construed as a waiver of any such breach, default or Event of Default.

BORROWER: Datec Coating Corporation (the "**Borrower**")

CREDIT FACILITIES

Facility #1: \$250,000.00 non-revolving term facility by way of:

- a) Fixed Rate Term Loans ("**FRT Loans**") Interest rate (per annum): 4.00%

AVAILABILITY

This term facility is made possible under Business Development Bank of Canada's ("**BDC**") Highly Affected Sectors Credit Availability Program ("**HASCAP**") and is subject to the terms and conditions set forth herein and in Schedule "N" attached hereto. Hereafter, this facility may be referred to as the "**BDC HASCAP Facility**".

The Borrower may borrow up to the amount of this term facility provided this facility is made available at the sole discretion of the Bank and the Bank may cancel or restrict availability of any unutilized portion of this facility at any time from time to time without notice.

Notwithstanding the foregoing and without limiting the Bank's right to cancel or restrict availability under this facility at any time, if the Borrower does not borrow under this facility on or before September 30, 2021, the Bank may, at its sole discretion, cancel this facility and the Bank will be under no obligation to advance any funds hereunder.

* Registered Trademark of Royal Bank of Canada

SRF #808018584

Page 1 of 4

Datec Coating Corporation

March 3, 2021

REPAYMENT

The Borrower shall pay interest payments commencing one month from drawdown and thereafter on the same day of the month for the next eleven months. The Borrower shall thereafter repay Borrowings under this facility as follows:

Payment Amount:	\$2,314.81	Payment Frequency:	Monthly
Payment Type:	Principal Plus Interest	Payment date:	13 months from drawdown
Repayable in full on:	The last day of a 10 year term from drawdown	Original Amortization (months)	120

The Bank may, at its discretion, adjust payments periodically, if necessary, to ensure payment in full of all Borrowings under this facility within the stated amortization period.

SECURITY

Security for the Borrowings and all other obligations of the Borrower to the Bank (collectively, the "Security"), shall include:

- a) BDC's Eligible Borrower's Representations and Warranties on the Bank's and BDC's standard form held in support of the BDC HASCAP Facility (the "**Borrower's Representations and Warranties**"); and
- b) General security agreement on the Bank's form 924 signed by the Borrower constituting a first ranking security interest in all personal property of the Borrower.

REPORTING REQUIREMENTS

The Borrower will provide the following to the Bank:

- a) such financial and operating statements and reports as and when the Bank may reasonably require.

CONDITIONS PRECEDENT

In no event will the Credit Facilities or any part thereof be available unless the Bank has received:

- a) a duly executed copy of this Agreement;
- b) the Security provided for herein, registered, as required, to the satisfaction of the Bank;
- c) such financial and other information or documents relating to the Borrower or any Guarantor if applicable as the Bank may reasonably require; and
- d) such other authorizations, approvals, opinions and documentation as the Bank may reasonably require.

Additionally:

- e) all documentation to be received by the Bank shall be in form and substance satisfactory to the Bank.

BUSINESS LOAN INSURANCE PLAN

The Borrower hereby acknowledges that the Bank has offered it group creditor insurance coverage on the Borrowings under the Business Loan Insurance Plan and the Borrower hereby acknowledges that it is the Borrower's responsibility to apply for any new or increased insurance amount for the Borrowings that may be eligible.

If the Borrower decides to apply for insurance on the Borrowings, the application will be made via the Bank's Business Loan Insurance Plan application (form 3460 ENG or 53460 FRE). If the Borrower has existing uninsured Borrowings and decides not to apply for Business Loan

Page 2 of 4

Insurance Plan coverage on any new Borrowings, it hereby acknowledges that the Bank may accept the Borrower's signature below as the Borrower's waiver of the Bank's offer to apply for Business Loan Insurance Plan coverage on all such Borrowings, and that all such Borrowings are not insured under the Policy as at the date of acceptance of this Agreement.

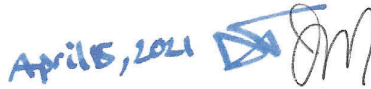
If the Borrower has Business Loan Insurance Plan coverage on previously approved Borrowings, such coverage will be applied automatically to all new Borrowings eligible for Business Loan Insurance Plan coverage that share the same loan account number, up to the approved amount of Business Loan Insurance Plan coverage. This Agreement cannot be used to waive coverage on new Borrowings eligible for Business Loan Insurance Plan coverage if Business Loan Insurance Plan coverage is in effect on the Borrower's existing Borrowings. If the Borrower does not want Business Loan Insurance Plan coverage to apply to any new Borrowings, a different loan account number will need to be set up and all uninsured loans attached to it.

If the Borrower has existing Borrowings to which Business Loan Insurance Plan coverage applies, and any new Borrowings would exceed the approved amount of Business Loan Insurance Plan coverage already in place, the Borrower must apply for additional Business Loan Insurance Plan coverage (if eligible) in order for Business Loan Insurance Plan coverage to apply to any new Borrowings. If the Borrower decides not to apply for additional Business Loan Insurance Plan coverage in respect of any new Borrowings (if eligible), the Borrower hereby acknowledges that the Bank may accept the Borrower's signature below as the Borrower's waiver of the Bank's offer to apply for additional Business Loan Insurance Plan coverage on such new Borrowings and that such new Borrowings are not insured under the Policy as at the date the Borrower executes this Agreement.

If there are any discrepancies between the insurance information in this Agreement and the Business Loan Insurance Plan documents regarding the Borrowings, the Business Loan Insurance Plan documents govern.

Business Loan Insurance Plan premiums (plus applicable taxes), will be taken as a separate payment, directly from the bank account associated with the loan, at the same frequency and schedule as your regular loan payments, where applicable. As premiums are based on the outstanding loan balance and the insured person's age at the time the premiums are due, the cost of Business Loan Insurance Plan coverage may increase during the term of the loan. The premium calculation is set out in the Business Loan Insurance Plan terms and conditions provided to the Borrower at the time the application for Business Loan Insurance Plan coverage was completed. Refer to the terms and conditions (form 3460 ENG or 53460 FRE) for further explanation and disclosure.

GOVERNING LAW JURISDICTION
Province of Ontario.

APR 15, 2021 

ACCEPTANCE

This Agreement is open for acceptance until April 3, 2021, after which date it will be null and void, unless extended by the Bank in its sole discretion.

ROYAL BANK OF CANADA



Per: _____
Title: Vice President

Datec Coating Corporation


March 3, 2021

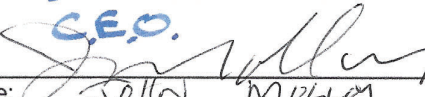
RBC Contact: Amy Ng

/hm

We acknowledge and accept the terms and conditions of this Agreement on this 14 day of APRIL, 2021.

DATEC COATING CORPORATION

Per: 
Name: Dominic Takle
Title: CEO.

Per: 
Name: JOHN MOLLOY
Title: DIRECTOR

I/We have the authority to bind the Borrower

Attachments:

Terms and Conditions

Schedules:

- Definitions
- Calculation and Payment of Interest and Fees
- Additional Borrowing Conditions
- BDC HASCAP Terms and Conditions

THIS IS **EXHIBIT "C"** REFERRED TO IN THE
AFFIDAVIT OF DOMINIC TALALLA SWORN BEFORE ME,
THIS 21ST DAY OF OCTOBER 2024



A COMMISSIONER FOR TAKING AFFIDAVITS
SIMRAN JOSHI LSO No. 89775A

SCOTT PETRIE LLP
LAW FIRM

Phone: (519) 433-5310 Ext 245
E-mail: dswift@scottpetrie.com

File No. 37445

September 25, 2024

Via Regular and Registered Mail

Datec Coating Corporation
130 Matheson Blvd. E.
Unit 2
Mississauga, Ontario
L4Z 1Y6

Dear Sir/Madam:

Re: Indebtedness to Western Ontario Community Futures Development Corporation Association ("WOCFDCA")

We are the lawyers for WOCFDCA with respect to indebtedness owing to it by Datec Coating Corporation ("Datec"). According to the records of WOCFDCA, Datec is indebted to WOCFDCA for the total sum of \$431,687.48 as of September 24, 2024 (the "Indebtedness"). The Indebtedness, which is comprised of principal in the amount of \$429,523.96 plus accrued interest of \$2,163.52, continues to accrue interest at the rate of 8% per annum until September 30, 2024 and thereafter at the rate of 9% per annum.

Datec is in default of certain agreements signed in favour of WOCFDCA including, but not limited to, the following:

1. Loan Agreement dated July 29, 2022;
2. Promissory Note dated July 29, 2022; and
3. General Security Agreement dated July 29, 2022.

As security for the Indebtedness, Datec provided WOCFDCA with the following:

1. Loan Agreement dated July 29, 2022;
2. Promissory Note dated July 29, 2022; and
3. General Security Agreement dated July 29, 2022.

On behalf of WOCFDCA, we hereby demand payment of the Indebtedness within ten (10) days of the date of this letter, together with all interest accrued thereon to the date of payment, plus payment of all legal fees incurred by WOCFDCA which as of this date are estimated in the amount of \$3,500.00.

Failing payment within ten (10) days will result in WOCFDCA taking such steps as it considers necessary or appropriate to recover payment of the Indebtedness and to protect its interests. This may include, but not be limited to, the appointment of a Receiver and the commencement of an Action against Datec for payment of the Indebtedness.

We advise that no intermediate acts, negotiations or indulgences shall act as a waiver of the rights of WOCFDCA or this demand for payment as set out herein unless so expressly stated in writing.

Please find attached to this letter the Notice of Intention to Enforce Security of WOCFDCA pursuant to Section 244 of the *Bankruptcy and Insolvency Act* as well as a Consent to Immediate Enforcement pursuant to that Notice. Please note that signing the Consent acts as a waiver by Datec of the ten (10) day period provided for under the Notice and entitles WOCFDCA to proceed immediately with enforcement of its security.

Yours Truly,
SCOTT PETRIE LLP



David Swift

Enclosure

- c. client
- c. Dominic Talalla
By email to dominic@dateccoating.com
- c. Pina Fraresso
By email to pfraresso@dateccoating.com

NOTICE OF INTENTION TO ENFORCE SECURITY
(Section 244(1) of the *Bankruptcy and Insolvency Act*)

TO: DATEC COATING CORPORATION, an insolvent debtor (the “Insolvent Debtor”)

TAKE NOTICE THAT:

1. Western Ontario Community Futures Development Corporation Association (“WOCFDCA”), a secured creditor, intends to enforce its security on the property of the Insolvent Debtor described as:

All collateral of the Insolvent Debtor as described in the following security and the proceeds from the sale of said collateral:

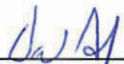
1. Loan Agreement dated July 29, 2022;
2. Promissory Note dated July 29, 2022; and
3. General Security Agreement dated July 29, 2022..

The property to which the security relates includes, but is not limited to, all real and personal property, and all other collateral however described of the Insolvent Debtor and the proceeds thereof.

2. The security that is to be enforced is in the form of:
 1. Loan Agreement dated July 29, 2022;
 2. Promissory Note dated July 29, 2022; and
 3. General Security Agreement dated July 29, 2022.
3. The total amount of indebtedness secured by the security is \$431,687.48 as of September 24, 2024 plus interest as set out in the agreements, plus all costs of enforcement on a solicitor and client basis.
4. The secured creditor will not have the right to enforce its security until after the expiry of the 10-day period following the sending of this notice unless the Insolvent Debtor consents to an earlier enforcement.

DATED at London, Ontario this 25th day of September, 2024.

**WESTERN ONTARIO COMMUNITY FUTURES
DEVELOPMENT CORPORATION ASSOCIATION**
by its lawyers, Scott Petrie LLP

Per: 
DAVID S. SWIFT
Scott Petrie LLP
Suite 200 – 252 Pall Mall Street
London, ON N6A 5P6
(519) 433-5310 ex. 245

CONSENT
(s.244(2) of the *Bankruptcy and Insolvency Act*)

THE UNDERSIGNED hereby acknowledges receipt of a copy of the demand of Western Ontario Community Futures Development Corporation Association dated September 25, 2024 and the Notice of Intention to Enforce Security dated September 25, 2024 pursuant to s. 244(1) of the *Bankruptcy and Insolvency Act* and hereby waives the 10-day period set out in the demand and notice and consents to the immediate enforcement of the security held by Western Ontario Community Futures Development Corporation Association.

DATED at _____ this _____ day of September, 2024

DATEC COATING CORPORATION

WITNESS

Per: _____

Name:
Position:

I have authority to bind the Corporation

THIS IS **EXHIBIT "D"** REFERRED TO IN THE
AFFIDAVIT OF DOMINIC TALALLA SWORN BEFORE ME,
THIS 21ST DAY OF OCTOBER 2024



A COMMISSIONER FOR TAKING AFFIDAVITS
SIMRAN JOSHI LSO No. 89775A



SENT BY ELECTRONIC EMAIL: pfraresso@dateccoating.com

September 26, 2024

DATEC COATING CORPORATION
 130 MATHESON BLVD E
 UNIT 2
 MISSISSAUGA
 ON L4Z 1Y6
 CANADA

FINAL DEMAND FOR PAYMENT

Re: Contract No(s): 001-0298886-000
 Full Balance(s) due and owing: \$22,101.40

Please accept this letter as formal demand for payment of the full balance(s) due and owing to De Lage Landen Financial Services Canada Inc. ("DLL") in relation to the above-noted contract(s) (the "Contract", and if more than one, collectively, the "Contract"). You are currently in breach of the terms and conditions set forth in the Contract and, as a result, the Contract is in default.

You are required to pay the full balance(s) of the Contract amounting to \$22,101.40 (the "Full Balance") to DLL within ten (10) days of the date of this letter. Please be advised that any partial payment of the Full Balance may be accepted by DLL and applied to the Contract at DLL's sole discretion, however, such partial payment will not remedy the Contract default.

The Full Balance is subject to future interest and all other amounts incurred and recoverable under the Contract (including costs associated with third party collection services) beyond the date of this letter.

Failure to pay the Full Balance, as directed above, may result in DLL's enforcement of the remedies set forth in the Contract, including but not limited to, the repossession and sale of the equipment described in Schedule "A" attached hereto (the "Equipment") and the commencement of legal proceedings against you. Should further proceedings be required, DLL will also claim DLL's legal costs incurred in such proceedings.

If DLL repossesses and sells the Equipment, the net proceeds from the sale will be applied to your Contract. Any remaining balance owing on the Contract must be paid by you in order to fully discharge your obligations under the Contract.

If you wish to discuss the contents of this letter or make arrangements for payment of the Full Balance, please contact DLL at the telephone number listed below. Payment may be made by cheque, bank draft, pre-authorized withdrawal, or electronic funds transfer.

Yours truly,

Michelle Hoo-Hing

Michelle Hoo-Hing
 Collections Department



De Lage Landen Financial Services Canada Inc.

Direct Line: 1-877-355-2771

Email: mhoo@leasedirecgt.com

Schedule "A"

Equipment

Description	Serial Number	Model
--------------------	----------------------	--------------

THIS IS **EXHIBIT "E"** REFERRED TO IN THE
AFFIDAVIT OF DOMINIC TALALLA SWORN BEFORE ME,
THIS 21ST DAY OF OCTOBER 2024



A COMMISSIONER FOR TAKING AFFIDAVITS
SIMRAN JOSHI LSO No. 89775A

District of: Ontario
 Division No. 09 - Toronto
 Court No. 32-3137745
 Estate No. 32-3137745

- FORM 33 -

Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

In the Matter of the Proposal of
 Datec Coating Corporation
 of the city of Mississauga, in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Alectra Utilities (formerly Enersource Hydro) Payments and Collections	55 John St N, 2nd Fl Hamilton ON L8R 3M8		2,168.45
Alphachem	2485 Milltower Court Mississauga ON L5N 5Z6		1,470.13
Bass Paper & Packaging Ltd.	4380 Harvester Road Burlington ON L7L 4X2		1,236.41
Bell Canada F-88 - Business Insolvency Department	1 Carrefour Alexandre-Graham-Bell, Aile E3 Verdun QC H3E 3B3		250.00
Calibration Technologies Ltd	4120 Ridgeway Drive, Unit 23 Mississauga ON L5L 5S9		250.00
Cole-Parmer Canada Inc.	c/o #210420, PO Box 11728, Succursale Centre Ville Montreal QC H3C 6P7		2,196.82
CRA - Tax - Ontario	Shawinigan-Sud National Verification and Collection Centre 4695 Shawinigan-Sud Blvd Shawinigan-Sud QC G9P 5H9	89594 3561 RC Account	250.00
CRA - Tax - Ontario	Shawinigan-Sud National Verification and Collection Centre 4695 Shawinigan-Sud Blvd Shawinigan-Sud QC G9P 5H9	89594 3561 RT Account	250.00
CRA - Tax - Ontario	Shawinigan-Sud National Verification and Collection Centre 4695 Shawinigan-Sud Blvd Shawinigan-Sud QC G9P 5H9	89594 3561 RP Account	250.00
DeLage Landen Financial Services Canada Inc.	5046 Mainway, Unit 1 Burlington ON L7L 5Z1	001-0298886-000 Lease	21,000.00
Dynamic Air Compressor Ltd.	8 Atomic Road, Unit 3C Brampton ON L8S 5N4		2,857.94
Hammond Paper Company	100 Four Valley Drive, Unit 8 Vaughan ON L4K 4T9		856.54

District of: Ontario
 Division No. 09 - Toronto
 Court No. 32-3137745
 Estate No. 32-3137745

- FORM 33 -

Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

In the Matter of the Proposal of
 Datec Coating Corporation
 of the city of Mississauga, in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Happy Pallets Inc.	7575 Kimbel Street, Unit 15-18 Mississauga ON L5S 1B1		250.00
Hill & Schumacher	264 Avenue Road Toronto ON M4V 2G7		1,018.70
Insulectro	20362 Windrow Dr. Lake Forest CA 92630 USA		29,053.17
Life Technologies Inc.	Bank of America Lockbox Services c/o 911000, Box 4090 Stn A Toronto ON M5W 0E9		1,568.66
Linde Canaa Ltd.	2090 Steeles Ave. E. Brampton ON L6T 1A7		1,109.60
McKinnon Metals Inc.	625 Zenway Blvd. Unit 3 Woodbridge ON L4H 4J8		380.23
McMaster University - Accounts Receivable	Gilmour Hall Room 209 1280 Main St W Hamilton ON L8S 4L8		1,470.00
Midking Properties Limited	298 Sheppard Ave. W., Suite 100 Toronto ON M2N 1N5		19,514.00
Millipore Sigma Canada Ltd.	LBX #T6226, PO Box 6100, Stn. F Toronto ON M4Y 2Z2		1,448.10
Nicram International	16 Swennen Drive Brampton ON L6V 4E3		785.35
Northwest Gas Ltd.	10 - 171 Advance Blvd. Brampton ON L6T 4Z6		830.55
Omnitrans	4300 Jean Talon Ouest Montreal QC H4P 1W3		4,565.46
Omnitrans Inc.	4300 Jean Talon Ouest Montreal QC H4P 1W3		449.82
Patmar Reliable Inc.	150 Milner Ave. Unit 21 Toronto ON M1S 3R3		250.00

District of: Ontario
 Division No. 09 - Toronto
 Court No. 32-3137745
 Estate No. 32-3137745

- FORM 33 -

Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

In the Matter of the Proposal of
 Datec Coating Corporation
 of the city of Mississauga, in the Province of Ontario

List of Creditors with claims of \$250 or more.

Creditor	Address	Account#	Claim Amount
Phoenix EDT Inc.	1080 Meyerside Drive Mississauga ON L5T 1J4		19,888.00
Progressive Anodizers Inc.	41 Crockford Blvd. Scarborough ON M1R 3B7		1,559.40
Progressive Machining Inc.	75 Bathurst Drive Waterloo ON N2V 1N2		8,404.38
RBC Royal Bank c/o BankruptcyHighway.com Razel Bowen	PO Box 57100 Etobicoke ON M8Y 3Y2	00612-1011006	36,204.00
RBC Royal Bank c/o BankruptcyHighway.com Razel Bowen	PO Box 57100 Etobicoke ON M8Y 3Y2	Hascap loan	185,132.00
RBC Royal Bank Visa c/o BankruptcyHighway.com Razel Bowen	PO Box 57100 Etobicoke ON M8Y 3Y2		9,171.15
Screenotec Corp.	6685 Millcreek Drive, Units 3-5 Mississauga ON L5N 5M5		1,048.64
Solutions Custom Fabricating Inc.	6140 Shawson Drive Mississauga ON L5T 1E6		4,737.53
Spaenaur	Box 544, 815 Victoria St. N. Kitchener ON N2G 4B1		299.63
Thermofisher Scientific Inc.	2845 Argentia Road Mississauga ON L5N 5V4		1,367.57
ULINE Canada	3333 James Snow Pky N Milton ON L9T 8L1		1,942.49
Western Ontario Community Futures Development Corporation Association David Swift	c/o Scott Petrie LLP 200 - 252 Pall Mall Street London ON N6A 5P6		435,187.48
Total			800,672.20

District of: Ontario
Division No. 09 - Toronto
Court No. 32-3137745
Estate No. 32-3137745

- FORM 33 -

Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the Matter of the Proposal of
Datec Coating Corporation
of the city of Mississauga, in the Province of Ontario

Datec Coating Corporation
Insolvent Person

THIS IS **EXHIBIT "F"** REFERRED TO IN THE
AFFIDAVIT OF DOMINIC TALALLA SWORN BEFORE ME,
THIS 21ST DAY OF OCTOBER 2024



A COMMISSIONER FOR TAKING AFFIDAVITS
SIMRAN JOSHI LSO No. 89775A

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Enquiry Result

File Currency: 16OCT 2024



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Note: All pages have been returned.

Type of Search	Business Debtor								
Search Conducted On	DATEC COATING CORPORATION								
File Currency	16OCT 2024								
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status		
	785319219	1	2	1	3	28JUL 2029			
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN									
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period		
785319219		001	1		20220728 1131 1590 3663	P PPSA	7		
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation Number			
	DATEC COATING CORPORATION								
	Address				City	Province	Postal Code		
	120 MATHESON BLVD, UNIT 2				MISSISSAUGA	ON	N4Z 1Y6		
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation Number			
	Address				City	Province	Postal Code		
Secured Party	Secured Party / Lien Claimant								
	WESTERN ONTARIO COMMUNITY FUTURES DEVELOPMENT CORPORATION ASSOCIATION								
	Address				City	Province	Postal Code		
	330 WEST STREET, UNIT 10				BRANTFORD	ON	N3R 7V5		
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
		X	X	X	X	X			
Motor Vehicle Description	Year	Make			Model		V.I.N.		
General Collateral Description	General Collateral Description								

E72

Registering Agent	Registering Agent			
	GEORGE MURRAY SHIPLEY BELL, LLP			
	Address	City	Province	Postal Code
	222 FRONT ST NORTH	SARNIA	ON	N7T 5S5

END OF FAMILY

Type of Search	Business Debtor						
Search Conducted On	DATEC COATING CORPORATION						
File Currency	16OCT 2024						
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status
	792572679	2	2	2	3	21APR 2026	

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period
792572679		01	002		20230421 1047 1529 2137	P PPSA	3

Individual Debtor	Date of Birth	First Given Name	Initial	Surname

Business Debtor	Business Debtor Name	Ontario Corporation Number		
	DATEC COATING CORPORATION			
	Address	City	Province	Postal Code
	130 MATHESON BLVD EUNIT 2	MISSISSAUGA	ON	L5K 2L1

Individual Debtor	Date of Birth	First Given Name	Initial	Surname

Business Debtor	Business Debtor Name	Ontario Corporation Number		
	Address	City	Province	Postal Code

Secured Party	Secured Party / Lien Claimant			
	DE LAGE LANDEN FINANCIAL SERVICES CANADA INC.			
	Address	City	Province	Postal Code
	5046 MAINWAY, UNIT 1	BURLINGTON	ON	L7L 5Z1

Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
			X	X	X				X

Motor Vehicle Description	Year	Make	Model	V.I.N.

General Collateral Description	General Collateral Description
	ALL PERSONAL PROPERTY OF THE DEBTOR FINANCED BY THE SECURED PARTY, WHEREVER SITUATED, CONSISTING OF MEDICAL EQUIPMENT, TOGETHER WITH ALL PARTS AND ACCESSORIES RELATING THERETO, ALL ATTACHMENTS,

Registering Agent	Registering Agent			
	D+H LIMITED PARTNERSHIP			
	Address	City	Province	Postal Code
	SUITE 200, 4126 NORLAND AVENUE	BURNABY	BC	V5G 3S8

E72

CONTINUED

Type of Search	Business Debtor								
Search Conducted On	DATEC COATING CORPORATION								
File Currency	16OCT 2024								
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status		
	792572679	2	2	3	3	21APR 2026			
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN									
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period		
792572679		02	002		20230421 1047 1529 2137				
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation Number			
	Address				City	Province	Postal Code		
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation Number			
	Address				City	Province	Postal Code		
Secured Party	Secured Party / Lien Claimant								
	Address				City	Province	Postal Code		
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
Motor Vehicle Description	Year	Make			Model	V.I.N.			
General Collateral Description	General Collateral Description								
	ACCESSORIES AND ACCESSIONS THERETO OR THEREON, ALL REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS OF ALL OR ANY PART OF THE FOREGOING AND ALL PROCEEDS IN ANY FORM DERIVED THEREFROM.								
Registering Agent	Registering Agent								
	Address				City	Province	Postal Code		

LAST PAGE

Note: All pages have been returned.

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THIS IS **EXHIBIT "G"** REFERRED TO IN THE
AFFIDAVIT OF DOMINIC TALALLA SWORN BEFORE ME,
THIS 21ST DAY OF OCTOBER 2024



A COMMISSIONER FOR TAKING AFFIDAVITS
SIMRAN JOSHI LSO No. 89775A

PROMISSORY NOTE

CREDITOR: WESTERN ONTARIO COMMUNITY FUTURES DEVELOPMENT CORPORATION ASSOCIATION

DEBTOR: DATEC COATING CORPORATION

AMOUNT: \$500,000.00

DATED: July, 29th 2022

FOR VALUABLE CONSIDERATION RECEIVED & ACKNOWLEDGED, the undersigned promises to pay to Western Ontario Community Futures Development Corporation Association the sum of **FIVE HUNDRED THOUSAND ----- 00/100 DOLLARS \$500,000.00** (hereinafter referred as the “**Principal**”) with interest computed and accrued thereon at the rate of **EIGHT PERCENT (8%)** per annum, compounded monthly before, as well as after maturity, and both before and after default. For clarity, interest shall be computed from **August 1st, 2022** and shall be added to the Principal as such accrues from time to time. Further, the undersigned hereby acknowledges and agrees that its obligation to pay the Principal shall include and be together with all accrued interest, bonuses, penalties, fees, other charges and costs provided for within the terms of a certain LOAN AGREEMENT, as made with Western Ontario Community Futures Development Corporation Association and executed by it on **July __, 2022** (all of which is hereinafter referred to as the ‘Debt’).

THE UNDERSIGNED promises to repay the Debt to Western Ontario Community Futures Development Corporation Association in monthly instalments of:

- (i) **THREE THOUSAND THREE HUNDRED AND THIRTY DOLLARS AND THIRTY THREE CENTS ---- (\$3,333.33)** commencing on **September 1st, 2022** and continuing on the **1st day** of each and every month thereafter to, and including, **February 1st, 2023**; and
- (ii) **ELEVEN THOUSAND FIFTY SIX DOLLARS AND TWENTY ONE CENTS (\$11,056.21)** commencing on **March 1st, 2023** and continuing on the **1st day** of each and every month thereafter to, and including, **August 1st, 2027** when the remaining balance of the Debt, if any, together with accrued but unpaid interest, shall also become due and payable by way of a balloon payment in an amount sufficient to cover the remaining outstanding principal amount.

Each monthly instalment of \$11,056.21 shall be made as partial repayment of blended principal and interest.

THE UNDERSIGNED, when not in default of its obligations hereunder, which shall include all of the terms and conditions stated within the said LOAN AGREEMENT, hereby reserves the right to repay all or any of the Principal outstanding at any time or times without notice or penalty. Provided however that any partial prepayment of the Debt shall be applied firstly to the reduction of any outstanding bonuses,

penalties, fees, other charges and costs provided for within the terms of the said LOAN AGREEMENT before reduction of any accrued interest and lastly to the reduction of Principal in inverse order of maturity of this promissory note. Notwithstanding any prepayment on account of the Principal hereby secured, the aforesaid monthly instalment payments shall continue to fall due and become payable for so long as any part of the Debt hereby secured remains unpaid.

THE UNDERSIGNED hereby acknowledges and agrees that should it fail to pay any monthly instalment on the date such payment falls due or otherwise commits any Act of Default, as such term is defined within the said LOAN AGREEMENT, then the current balance of the Debt shall become due and payable at the option of Western Ontario Community Futures Development Corporation Association. For clarity, the undersigned acknowledges and agrees that the Debt shall then include all collection costs, legal expenses, disbursements or fees incurred by Western Ontario Community Futures Development Corporation Association for any reason regardless of whether as a result of making Demand or delivery of Notice or for the institution of any measures or actions taken as means to enforce the repayment and other obligations and liabilities of the undersigned in accordance with the terms of this promissory note.

THE UNDERSIGNED hereby waives demand and presentment for payment, notice of non-payment, protest, notice of protest, notice of dishonour, bringing of suit and diligence in taking any action and agrees that its liability pursuant to this promissory note shall not be affected by any renewal or any extension in the time of payment hereof regardless of the number of such renewals, extensions or indulgences. The failure of the Creditor to exercise any of its rights hereunder in any particular instance shall not constitute a waiver thereof in any other instance.

Time is and shall be in all respects of the essence.

This promissory note is made for business purposes and is a "business agreement" as defined in the *Limitations Act, 2002* (herein the "Act") and no limitations periods in the Act, other than the ultimate limitation period found in Section 15 of the Act, shall apply to this promissory note and to the obligations imposed by this promissory note.

DATED at _____, Ontario this 29th day of July, 2022

Datec Coating Corporation

Per:  _____

Name: Dominic Talalla

Title: CEO

I have authority to bind the Corporation.

LOAN AGREEMENT

This Loan Agreement is made between the parties hereto and dated as of the ___ day of July, 2022

BETWEEN:

**WESTERN ONTARIO COMMUNITY FUTURES
DEVELOPMENT CORPORATION
ASSOCIATION**

(Hereinafter referred to as the '**LENDER**'))

PARTY OF THE FIRST PART
(Lender / Secured Party)

-and-

DATEC COATING CORPORATION
(Hereinafter referred to as the '**BORROWER**'))

PARTY OF THE SECOND PART
(Borrower)

ARTICLE 1 – OFFER OF LOAN & ACKNOWLEDGEMENT OF OBLIGATIONS

- 1.1 **OFFER OF LOAN:** The Lender under the auspices of the Federal Development Agency for Southern Ontario Prosperity Program, hereby offers business loan financing to the Borrower in accordance with the terms and conditions set forth herein this loan agreement, as amended, varied, supplemented, restated, renewed, or replaced from time to time (the “LOAN AGREEMENT”) which shall include all Schedules, Security Instruments and other Documents executed by the Borrower in relation to completion of the within business loan financing transaction.
- 1.2 **CONSIDERATION:** The within business loan financing is hereby granted by the Lender and accepted by the Borrower and Guarantor in consideration of the payment of **ONE ----- 00/100 DOLLAR (\$1.00)** to each other together with other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each party.
- 1.3 **DISCLOSURE OF FINANCIAL & OTHER INFORMATION:** The Borrower hereby represents and warrants that the financial statements of the Borrower disclosed to the Lender for the purposes of completing the within business loan financing transaction are true, complete and accurate and fairly present that

financial position of the Borrower and that other financial and other information disclosed to the Lender for the purposes of completing the within business loan financing transaction is true, complete and accurate.

- 1.4 **VOLUNTARY AGREEMENT:** The Borrower and Guarantor hereby acknowledge that each have entered in to the within business loan financing transaction and LOAN AGREEMENT voluntarily in an exercise of free will.
- 1.5 **TERMS & CONDITIONS:** The Borrower and Guarantor hereby acknowledges that each have acquired a complete understanding of all repayment and other obligations that may be owed to the Lender in accordance with the terms and conditions of the within LOAN AGREEMENT.
- 1.6 **ENFORCEMENT RIGHTS:** The Borrower and Guarantor hereby acknowledges that each have acquired a complete understanding of the manner in which the repayment and other obligations owed under the terms and conditions of the within LOAN AGREEMENT may be enforced against it under the terms and conditions of the within LOAN AGREEMENT.

ARTICLE 2 - LOAN ADVANCE & REPAYMENT PROVISIONS

- 2.1 **PRINCIPAL LOAN** \$500,000.00
- INTEREST RATE** 8% per annum, compounded monthly
- FREQUENCY** Monthly
- INTEREST ADJUSTMENT DATE:** August 1, 2022
- TERM:** 5 YEARS
- INTEREST ONLY PAYMENTS:** \$3,333.33
- INSTALLMENT PAYMENTS** \$11,056.21
- 2.2 **DISBURSEMENT OF LOAN FUNDS:** The Borrower shall execute and deliver a direction for disbursement of funds authorizing the Lender to disburse the funds directly to the Lender's Solicitor and a re-direction for disbursement of funds authorizing the Lender's Solicitor to disburse the funds to or for the following which shall include, but not be limited to, the Borrower's solicitor to disburse the funds in accordance with this LOAN AGREEMENT, payment of the Lender's Solicitor's legal fees, disbursements, and HST, an amount for interest adjustment if applicable, and any unpaid Lender fees. The direction and re-

direction for disbursement of funds shall be drafted in a form approved by the Lender and the Lender's Solicitor.

- 2.3 **PAYMENT OF EXISTING CREDIT OR OTHER ACCOUNTS:** Intentionally Deleted
- 2.4 **PAYMENT OF ASSET PURCHASE PRICE:** Intentionally Deleted
- 2.5 **ADVANCEMENT OF LOAN FUNDS:** The Borrower hereby agrees that the Principal Loan shall be advanced in one draw and the Borrower further agrees that the Principal Loan of Five Hundred Thousand Dollars (\$500,000.00) shall be advanced upon the pre-financing conditions contained in Article 5 being satisfied to the satisfaction of the Lender.
- 2.6 **ADVANCEMENT PRIOR TO INTEREST ADJUSTMENT DATE:** If the Lender advances the Loan Funds prior to the Interest Adjustment Date then the Borrower shall pay to the Lender interest owing from the date of the advance to the Interest Adjustment Date. The interest owing under this section 2.6 shall be calculated at per diem rate of **\$109.59** per day starting from the date the loan funds are advanced to the Borrower and ending on the Interest Adjustment Date. If the Lender advances the Loan Funds prior to the Interest Adjustment Date the Lender shall be entitled to deduct from the initial advance the amount of interest owed from the date of advance to the Interest Adjustment Date.

ARTICLE 3 - TERMS OF REPAYMENT

- 3.1 **PROMISE TO REPAY DEBT:** The Borrower hereby agrees to repay, or cause to be repaid, the business loan financing advanced to it by the Lender and the Borrower acknowledges that such business loan financing forms a debt in the principal sum of **\$500,000.00** owed to the Lender. The Borrower further agrees to repay the foregoing debt in accordance with the terms and conditions of the within LOAN AGREEMENT.
- 3.2 **INTEREST/INSTALMENT PAYMENTS:** During the initial six month interest only payment period, the Borrower hereby promises to repay, or cause to be repaid, interest only payments on the debt referred to at Article 3.1, together with accrued interest, charges and penalties (if applicable), by means of monthly interest only payments in the amount of:

**THREE THOUSNAD THREE HUNDRED AND THIRTY DOLLARS
AND THIRTY THREE CENTS ----- (\$3,333.33)**

The Borrower further agrees to pay, or cause to be paid, the monthly interest only payments commencing on the 1st day of September, 2022 and continuing on the 1st day of each and every month thereafter until and including 1st day of February,

2023.

Following the passing of the initial six month interest only payment period, the Borrower hereby promises to repay, or cause to be repaid, the debt referred to at Article 3.1, together with accrued interest, charges and penalties (if applicable), by means of monthly instalment payments in the amount of:

ELEVEN THOUSAND FIFTY SIX DOLLARS AND TWENTY ONE CENTS (\$11,056.21)

The Borrower further agrees to pay, or cause to be paid, the monthly installment payments commencing on the 1st day of March, 2023 and continuing on the 1st day of each and every month thereafter until the full amount of the outstanding debt then owed to the Lender shall fall due and be payable on the 1st day of August 2027. However, the Lender shall reserve the right to renew and extend this LOAN AGREEMENT on terms and conditions agreed to with the Borrower in writing from time to time.

The monthly installment payments shall be paid by way of pre-authorized debit payments from the Borrower's bank account and the Borrower shall deliver on or before closing a completed copy of the Lender's current pre-authorized debit form.

- 3.3 **CALCULATION OF INTEREST:** Interest shall be computed and accrue against that part of the Principal Loan outstanding, commencing as of the earlier date of the initial advance of any part of the Principal Loan or commencing on and from the 1st day of August 2022. Interest shall continue to accrue and be applied against the outstanding debt owing from time to time until the amount of debt owed by the Borrower to the Lender has been repaid in full. In addition to interest payable under this section 3.3, each overdue payment or other amount owing by Borrower hereunder shall bear interest from the date due until paid in full to the Lender (as well before as after demand, default or judgement) at the rate of 18% per annum, calculated as specified in this section 3.3 on the daily outstanding balance, based on the number of days elapsed in a 365 day year. For the purpose of this LOAN AGREEMENT overdue payment shall mean any amount owing by the Borrower to the Lender under this LOAN AGREEMENT which is not paid when due as set out in this LOAN AGREEMENT.

- 3.4 **PAYMENT OF PROPERTY TAXES:** Intentionally Deleted

- 3.5 **BALLOON PAYMENT:** Intentionally Deleted

- 3.6 **AMOUNTS TO BE ADDED TO THE PRINCIPAL:** The Borrower hereby acknowledges and agrees that all accrued interest, fees, penalties, documented out-of-pocket costs and other amounts charged in accordance with the terms and conditions stated in this LOAN AGREEMENT shall be added to the debt owed to the Lender. Such amounts shall be added to the said debt regardless of whether such

amounts accrue or become payable before, after or as a result of any Act of Default committed by the Borrower or upon maturity of the term or any renewal of the within LOAN AGREEMENT.

- 3.7 **APPLICATION OF PAYMENTS:** All payments received by the Lender in accordance with the terms of this LOAN AGREEMENT shall be applied firstly toward fees, late interest, penalties, and documented out-of-pocket costs (including but not limited to legal costs) properly charged or incurred by the Lender. The remaining amount of any payment made by the Borrower shall then be applied to the payment of accrued and outstanding interest before being applied to the Principal Loan then owed by the Borrower to the Lender in accordance herewith this LOAN AGREEMENT.
- 3.8 **WITHOLDING TAXES:** All payments required under this LOAN AGREEMENT shall be made free and clear of and without any withholding on account of any taxes or other charges of any nature or kind whatsoever. If any such taxes or charges are required to be withheld from any payment made hereunder, including payments of such taxes or charge, the Borrower shall pay an additional amount such that the net amount received by the Lender shall be equal to the amount which would have been received by the Lender if no such withholding had been made or was required to be made.

ARTICLE 4 – PURPOSE OF BUSINESS LOAN FINANCING TRANSACTION

- 4.1 **PURPOSE OF LOAN FINANCING:** The Lender is loaning the money to the Borrower for the following purpose:
- (a) To assist with further improvements in processes to scale production of thick-film heating components to accommodate industrial and commercial customers.
- 4.2 **LOAN CONDITIONAL ON USE OF FUNDS:** The Borrower hereby acknowledges and agrees that the Borrower's Application to receive the within business loan financing was approved by the Lender on the basis of and conditional upon the Principal Loan being utilized and employed by the Borrower for the specific purpose or purposes stated at Article 4.1 herein.

ARTICLE 5 - PRE-FINANCING CONDITIONS & PLEDGE OF SECURITY

- 5.1 **CONDITIONS OF LOAN FINANCING:** In addition to any conditions precedent contained in the Offer Letter between the parties dated May 31st, 2022, including:
1. Landlord waiver in a form satisfactory to the Lender.

the Borrower hereby acknowledges and agrees that the Lender shall not be obligated to advance any part of the loan funds unless the Borrower and/or Guarantor (if applicable) have fulfilled all of the pre-financing (except as otherwise noted) conditions and pledged all security described as follows:

- (i) **AUTHORIZATIONS & DIRECTIONS:** The Borrower, Guarantor (if applicable) or any other persons so identified by the Lender shall execute any authorization & direction required in the sole discretion of the Lender as means to complete all of its due diligence searches and financing procedures. Such authorizations & directions may include; but are not limited to, credit history Investigations; personal property security interest searches; property loss & damage insurance policies; credit card and other unsecured debt account statements, payment history for existing or past credit accounts; life insurance policy information, government tax obligations, remittances, and accounts, business or professional licenses and permits or any other matter or information that is required by and in the sole discretion of the Lender, as means to determine the credit worthiness of the Borrower or the sufficiency or validity of the security interests pledged and created in accordance with the terms and conditions of the within LOAN AGREEMENT.
- (ii) **PROMISSORY NOTE:** The Borrower shall execute a promissory note in a form acceptable to the Lender.
- (iii) **GUARANTEE OF DEBT REPAYMENT:** Intentionally Deleted
- (iv) **COMMERCIAL GENERAL LIABILITY INSURANCE:** The Borrower shall deliver evidence to confirm that a valid commercial general liability insurance policy is in effect and in good standing with respect to the business affairs and operation of the Borrower. Such evidence shall include a copy of the declaration page of each such commercial general liability insurance policy or other evidence satisfactory to the Lender that the Lender has been named as a loss payee. The said declaration page or other satisfactory evidence shall confirm that the particular policy of insurance has been issued by a company licensed to provide insurance in the province of Ontario and that third party liability benefits in the minimum amount of **FIVE MILLION ----- 00/100 DOLLARS (\$5,000,000.00)** per claim or incident is in place.
- (v) **GENERAL SECURITY AGREEMENT:** The Borrower shall execute a General Security Agreement (the “General Security Agreement”) in a form approved by the Lender.

The said General Security Agreement shall evidence, grant, pledge and

create a security interest against title to the chattels, revenues, intangibles and all other personal property assets set out therein except consumer goods.

The Lender shall be entitled to satisfy itself as to the sufficiency of the security pledged and register one or more financing statements in the personal property security registration system maintained in accordance with the provisions of the *Personal Property Security Act* (Ontario).

The Lender shall reserve the right to complete all due diligence, public record searches, appraisals and inspections in relation to the secured personal property and register, or cause to be registered one or more financing statements prior to making any advance of funds under the terms of the within LOAN AGREEMENT.

- (vi) **ASSIGNMENT OF LIFE INSURANCE BENEFITS:** Intentionally Deleted
- (vii) **POSTPONEMENT OF DEBTS & CLAIMS:** Shareholders of the Borrower, including but not limited to both shall execute and deliver a Postponement of Claims (both present and future) in a form approved by the Lender. Furthermore, such Postponement of Claims shall incorporate a sworn declaration stating and confirming the current debts, liabilities or claims, including the terms and conditions thereof, owed by the Borrower to them. The Borrower shall cause the Shareholders and related parties to provide the Lender with true copies of all instruments or documents evidencing such debts, liabilities or claims; which such instruments or documents may include existing loan agreements, promissory notes or other financial Instruments.
- (viii) **SHAREHOLDER'S LEDGER:** The Borrower shall deliver copy of its current shareholder ledger, together with a sworn declaration deposed by a senior officer of the Borrower or some other individual approved by the Lender. The sworn declaration shall state and confirm that the said shareholder ledger is true, complete and accurate.
- (ix) **LEGAL STATUS OF BORROWER:** The Borrower shall deliver to the Lender a copy of its current articles of incorporation or amended articles of incorporation together with a current corporate profile report issued by the responsible Provincial or Federal government authority. The Lender reserves the right to review and approve the said articles of incorporation or amended articles of incorporation and corporate profile report prior to advancing any funds under this LOAN AGREEMENT.

The Borrower shall be required to carry on business under the name of the Corporation or a business name registered in accordance with the *Business Names Act*. Should the Borrower choose to operate its business under a

registered trade name, then he shall deliver a copy of its current and up to date Master Business License (Business Name Registration) to the Lender for its review and approval.

Each Individual who is acting in his personal capacity who is executing the within LOAN AGREEMENT or any other Document or Instrument related hereto shall deliver a true copy of his Birth Certificate, Canadian Citizenship or Canadian Passport together with a true copy of his Social Insurance Card and Photo Identification Card or current Photo Driver's License to the Lender for its review, verification and approval of the legal identity of each such Individual.

The Lender may exercise its discretion by waiving the requirement for the Borrowers or Guarantors (if applicable) to deliver any one or more of the foregoing pieces of Personal Identification. Should the Lender agree to waive any part of the foregoing requirements, then such Waiver may be made on condition that the particular individual deliver a declaration sworn by an independent individual approved by the Lender.

- (x) **AUTHORITY TO BORROW & PLEDGE SECURITY:** The Borrower shall deliver a resolution of the board of directors, which shall be consented to by the Shareholders of the Corporation as required pursuant to the shareholders' agreement of the Borrower in effect as of the date hereof. Such resolution shall be in a form approved by the Lender and shall specifically state that the Borrower Corporation is authorized to enter in to the within LOAN AGREEMENT and grant or pledge all security described herein.

The Borrower shall also deliver an Officer's Certificate naming and confirming the Officers and/or Directors of the Corporation who are authorized to bind the Borrower Corporation to the terms of the within LOAN AGREEMENT.

- (xi) **DISCLOSURE OF FINANCIAL RECORDS:** The Borrower shall deliver true and accurate copies of all financial records and other documents as requested by the Lender to investigate the business affairs and credit worthiness of the Borrower. Such financial records may include, without limiting the generality of the foregoing, the following items:

- (a) Aged List of Accounts Payable,
- (b) Aged List of Accounts Receivable,
- (c) Profit & Loss (Income) Statements,
- (d) Balance Sheets,
- (e) Accounting Books & Ledgers,
- (f) Bank Statements & Records,
- (g) Income Tax Returns & Notices of Assessment or Re-

- Assessment,
- (h) Goods & Services Tax Returns & Remittance Statements,
- (i) Provincial Retail Sales Tax Returns & Remittance Statements,
- (j) Employee Deduction Remittance Statements,
- (k) Loan Agreements & Security Instruments (both given and received), and
- (l) Any other Document, Instrument or Record required by the Lender.

The Borrower hereby acknowledges and agrees to deliver the foregoing items as requested by the Lender for the period being up to and including the six (6) years immediately preceding the date of the approval of the Borrower's application in relation to the within business loan financing transaction.

The Lender is hereby authorized and entitled to take whatever actions, including requiring the Borrower or Guarantor (if applicable) to execute third party authorizations & directions to release information or documentation directly to the Lender, as means to review, update, verify and approve the financial status and credit-worthiness of the Borrower and Guarantor (if applicable) prior to making any advance of funds under the terms of the within LOAN AGREEMENT.

- (xii) **CLEARANCE CERTIFICATES:** The Lender shall be entitled at any time to require the Borrower to deliver clearance certificates issued by the responsible Provincial or Federal government, professional association or other entity in relation to corporate income tax, retail sales tax, goods & services tax, employee deduction remittances and/or similar taxes, levies, fees or charges. Alternatively, the Lender may agree to accept any other evidence approved by the Lender or an ongoing and irrevocable authorization & direction executed by the Borrower to permit the relevant Provincial or Federal government, professional association or other entity to provide such clearance certificates or other documented evidence or any other related information directly to the Lender.
 - (xiii) **SECURITY RANKING:** In the security granted by the Borrower to the Lender, the Lender shall rank in second position on the general assets of Borrower including but not limited to the Borrower's intellectual property, and intangible assets.
- 5.2 **DELIVERY OF OPINION:** The pledged security shall be accompanied by opinions of counsel of the Borrower, in form and substance satisfactory to the Lender, as to the due authorization, execution, and delivery of such documents.

- 5.3 **TERMINATION OF TRANSACTION FOR NON-COMPLIANCE WITH CONDITIONS:** Should the Borrower fail to fulfill any of the pre-financing stated herein this Article on or before the 31st day of July, 2022 the Lender shall be entitled at any time thereafter to terminate the within business loan financing transaction by notice given to the Borrower. Should the Lender elect to terminate the within business loan financing transaction in accordance herewith this Article, then the Borrower shall be and remain responsible to pay all of the Lender's expenses, including the application fee, administrative costs, credit investigation expenses and legal costs incurred by the Lender in relation hereto.

ARTICLE 6 – POST-FINANCING TERMS & CONDITIONS

- 6.1 **EXECUTION OF ADDITIONAL DOCUMENTS:** The Borrower hereby agrees to execute and deliver to the Lender such additional Agreements, Security Instruments or other documents as may be required from time to time in order to give effect to the within business loan financing transaction.
- 6.2 **NON-INTEREST BEARING EXPENSES:** Intentionally Deleted
- 6.3 **LATE PAYMENTS & NON-PAYMENTS:** The Lender shall be entitled to charge a ONE-HUNDRED ----- 00/100 DOLLAR (\$100.00) service charge in the event any payment owed in accordance with the terms of the within LOAN AGREEMENT is delivered or paid after its due date or the payment is not made, delivered or is returned to the Lender from the financial institution upon which such payment was drawn and is marked non-negotiable because of insufficient funds on deposit (NSF), stop payment or for any other reason.
- 6.4 **ANNUAL FINANCIAL DOCUMENTATION:** The Borrower shall deliver within One Hundred and Twenty (120) calendar days of its fiscal year-end Audit Engagement financial statements of the Borrower prepared at the Borrower's expense.

In the event that the Borrower fails to deliver any financial statement required in this section 6.4 within the prescribed period, the Lender shall be entitled to charge a TWO HUNDRED ----- 00/100 DOLLAR (\$200.00) administration fee to review the credit position of the Borrower. Furthermore, the Lender shall remain entitled to receive the financial statements, budgets, and plans as required herein. The Borrower agrees to provide such other financial and operating statements and reports as and when the Lender and the Federal Economic Development Agency for Southern Ontario may reasonably require, including the financial statements of related companies, if applicable, from time to time.

- 6.5 **BUSINESS INFORMATION & ACCESS TO RECORDS:** The Borrower shall provide the Lender with access to any information related to its business operations as may be required from time to time. Such information may include, but is not

limited to, the Lender having access to the Borrower's place of business during business hours and upon prior written notice for the purpose of inspecting the operation and its accounting and other records. The Borrower shall also execute all authorizations & directions or other documents required by the Lender in order to gain access to all available information, financial documentation and records in the possession or control of the Borrower's banker, accountant, bookkeeper or any other individual, corporation, person, organization or entity. For clarity, the Lender may rely upon this clause as a deemed acknowledgment & direction given by the Borrower and as may be required by any person as a condition to disclose any information concerning the Borrower's business affairs, finances and accounts.

- 6.6 **QUARTERLY FINANCIAL DOCUMENTATION:** The Borrower shall deliver to the Lender quarterly company prepared financial statements of the Borrower prepared by the Borrower at the Borrower's expense. The foregoing information and documentation is to be delivered to the Lender within Thirty (30) calendar days following the end of each quarter.

In the event that the Borrower fails to deliver any financial statement required in this section 6.6 within the prescribed period, the Lender shall be entitled to charge a TWO HUNDRED ----- 00/100 DOLLAR (\$200.00) administration fee to review the credit position of the Borrower. Furthermore, the Lender shall remain entitled to receive the financial statements as required herein.

- 6.7 **DISCLOSURE OF INFORMATION TO THE FEDERAL ECONOMIC DEVELOPMENT AGENCY FOR SOUTHERN ONTARIO:** The Borrower acknowledges that the Federal Government of Canada is permitted access to the Lender's client files. Such access is permitted for the purposes of reporting, monitoring and evaluation of the Lender's operations. The Borrower may therefore be contacted from time to time by representatives of the Federal Government of Canada in order to effectively evaluate the performance of the Lender. The Borrower agrees to cooperate with Federal Government representatives by delivering any information that may be requested in regard to the services and assistance provided by the Lender to the Borrower. All information and documentation provided by the Borrower to the Lender and the Federal Government of Canada will be held in strict confidence and privacy.
- 6.8 **COMPLIANCE WITH LAWS:** The Borrower shall comply with all laws, regulations, by-laws, ordinances, decrees and other requirements of the Federal, Provincial, Territorial, Municipal governments and other authoritative bodies that may govern or regulate the Borrower's business operations. The foregoing requirements include adherence to any Provisions or Regulations relating to the *Environmental Protection Act* (Ontario) and the protection of the environment in general.
- 6.9 **SPECIAL CONDITIONS:**

- (i) **TRANSFER OF ASSETS:** This LOAN AGREEMENT becomes void and the principal owed hereunder shall become immediately due and payable, together with all present interest, interest on overdue interest and principal, penalties, fees and costs, if at any time the Borrower sells or otherwise transfers any part of the personal property secured under the terms of the within LOAN AGREEMENT. Save and except, the foregoing restriction does not apply to the selling of goods in the normal course of business or where otherwise provided for within the terms of this LOAN AGREEMENT or where the Lender has delivered its written consent.
- (ii) **MISREPRESENTATION OF ASSETS:** This LOAN AGREEMENT becomes void and the principal owed hereunder shall become immediately due and payable, together with all present interest, interest on overdue interest and principal, penalties, fees and costs, if at any time the Lender determines that the Borrower has purposely or mistakenly misrepresented their title and interest in respect of any part of the personal property secured under the terms of the within LOAN AGREEMENT or any related agreements, security instruments or other documents completed and executed in relation hereto.
- (iii) **LEGAL COSTS:** The Borrower shall be responsible for all costs incurred by the Lender in relation to the processing of this business loan financing transaction, which such costs shall include, but are not limited to, all legal services and disbursements required to give effect to the within LOAN AGREEMENT and security interests pledged by the Borrower and/or Guarantor (if applicable) in relation hereto. The payment of the Lender's costs by the Borrower shall be applicable regardless of whether the within business loan financing transaction is completed and regardless of whether any part of the loan funds have been advanced to or for the benefit of the Borrower.
- (iv) **CREDIT INVESTIGATION & SECURITY REGISTRATIONS:** The Borrower and Guarantor (if applicable) shall authorize, grant and direct the Lender to undertake and complete any investigations that it deems necessary for the purpose of determining the financial affairs and credit worthiness of the Borrower and Guarantor (if applicable) and for the purposes of enforcing the repayment and other obligations owed to the Lender in accordance with the terms and conditions of the within LOAN AGREEMENT.

For clarity, the Lender is hereby authorized and directed by the Borrower to conduct any credit investigations it deems necessary to determine the present or future credit worthiness of the Borrower and Guarantor (if applicable). Such credit investigations may include the obtaining of present or future credit bureau reports or credit history reports with respect to the Borrower and Guarantor (if applicable) as maintained by any credit reporting service

in Canada.

The Borrower agrees to pay or reimburse the Lender for its loan application and administration costs and fees, including any fees incurred by the Lender with respect to completing any present or future credit investigations in relation to the within business loan financing transaction.

The Borrower further agrees to pay or reimburse the Lender for all fees incurred by it with respect to any personal property security registration searches, security interest registration fees, land registry searches, land registry registration fees, appraisals, letters of opinion and any and all other fees, expenses and costs associated with the undertaking, processing, completion and/or enforcement of this LOAN AGREEMENT.

- (v) **PREPAYMENT PRIVILEGES:** The Borrower may repay the outstanding Principal Amount and accrued interest, in whole or in part, without penalty at any time prior to maturity in minimum increments of \$5,000.00 per prepayment.
- (vi) **ASSIGNMENT OF INTELLECTUAL PROPERTY:** the Borrower shall execute and assignment of intellectual property and security agreement in a form satisfactory to the lender.

6.10 **ONGOING COVENANTS (Positive & Negative):** The Borrower agrees that it shall not permit the following actions to be taken in absence of the written consent of the Lender:

- (i) Payout dividends on the shares of the Borrower;
- (ii) Change the location of the principal place of business of the Borrower;
- (iii) Change the location of where any personal property of the Borrower (business assets) secured hereunder is currently located;
- (iv) Sell, convey, transfer or otherwise dispose of any assets pledged as security to the Lender hereunder except the Borrower's inventory sold in the ordinary course of business;
- (v) Sell, convey, transfer or otherwise dispose of any of the intellectual property of the Borrower other than licenses entered into in the ordinary course of the Borrower's business;
- (vi) Create or pledge any subsequent security interests or other encumbrances or liabilities in relation to the personal property pledged as security to the Lender hereunder other than Permitted Encumbrances;

- (vii) Merge, amalgamate, reorganize or become a party to any other transaction whereby all or substantially all of its property or assets become the property or assets of any other person or, in the case of an amalgamation, of the continuing corporation resulting therefrom; a
- (viii) Change the general nature of the business of the Borrower; and
- (ix) Undertake a Fundamental Change as that term is defined in 7.3(x).

“Permitted Encumbrances” means, as of any particular time, any one or more of the following:

- (i) liens for taxes (including like assessments, charges, rates and levies) not yet due or, if due, the validity or amount of which is being contested diligently and in good faith by or on behalf of the Borrower, and in respect of which there shall have been deposited within thirty (30) days of the date of such taxes becoming due with the Lender or the taxing authority collateral in an amount sufficient to pay such taxes, and liens for the excess of the amount of any past due taxes for which a final assessment or account has not been received over the amount of such taxes as estimated and paid by or on behalf of the Borrower;
- (ii) the lien of any judgment rendered or claim filed against the Borrower which is being contested diligently and in good faith by appropriate proceedings by or on behalf of the Borrower;
- (iii) the encumbrances listed in Schedule A hereof annexed hereto;
- (iv) any encumbrance to secure related party or shareholder loans to the Borrower, provided that the same are completely subordinated to the Lender;
- (v) such other encumbrances as may be consented to in writing from time to time by the Lender; and
- (vi) “purchase money security interests” within the meaning of the *Personal Property Security Act* (Ontario);

6.11 **REPRESENTATIONS AND WARRANTIES:** The Borrower represents and warrants to the Lender that:

- (i) The Borrower is a Corporation validly incorporated and subsisting under the laws of Ontario and is in good standing and duly registered and qualified to carry on business in all jurisdictions where the nature of its properties, assets or its business makes such registrations or qualifications necessary and it is in compliance in all material respects with applicable laws.
- (ii) The execution and delivery of the LOAN AGREEMENT, the General

Security Agreement and other Security to which the Borrower is a party has been duly authorized by all necessary actions and do not (a) violate any law, regulation, or rule by which it is bound, (b) violate any provisions of the Borrower's shareholders agreement, by-laws, or resolutions, or (c) result in a breach of, a default under, or the creation of any encumbrance on its properties and assets under any agreement or other instruments to which it is a party or by which it or any of its properties and assets may be bound or affected.

- (iii) The Intellectual Property owned by the Borrower and licensed to the Borrower is registered in Canada.
- (iv) No Proceedings having a material adverse effect have been commenced or are pending or threatened against the Borrower.
- (v) No event has occurred which constitutes, or which with the giving of notice, lapse of time or other conditions would constitute, a default having a material adverse effect on its financial conditions under or in respect of any agreement, undertaking or instrument to which it or any of its personal property, General Assets or Intellectual property is subject.
- (vi) The LOAN AGREEMENT, the General Security Agreement and all other Security delivered in connection with this LOAN AGREEMENT constitute legal, valid and binding obligations of the Borrower. Subject to bankruptcy, insolvency, winding up, re-organization, moratorium, or other laws affecting creditors' rights generally and subject to principal that equitable remedies such as specific performance and injunction are available at the discretion of the court.
- (vii) The General Assets of the Borrower are located only in the Province of Ontario.
- (viii) All Intellectual Property which is material to the business and operations of the Borrower is owned by the Borrower. The Borrower does not license any Intellectual Property from any other person or entity, including, but not limited to, a corporation, or a partnership.
- (ix) There are no creditors, whether secured or unsecured, of the Borrower, other than those creditors which are registered under the PPSA in the attached PPSA search.

6.12 **CONDITIONS REGARDING HER MAJESTY THE QUEEN IN RIGHT OF CANADA ("Her Majesty"):** The Borrower agrees that the following terms and conditions of the LOAN AGREEMENT shall apply for the benefit of Her Majesty:

- (i) The Borrower shall maintain detailed and accurate records and accounts of the financial assistance provided by the Lender to the Borrower through this LOAN AGREEMENT for a minimum of seven (7) years from the date of the disbursement of the loan funds;
- (ii) The representatives of the Minister responsible for Federal Economic Development Agency for Southern Ontario (the “Minister”) shall be permitted to and have the right to audit, or cause to have audited the accounts and records of the Borrower and shall have the right to access the books and accounts of the Borrower;
- (iii) Her Majesty and the Minister shall be permitted to access any and all of the Borrower’s information that may now or in the future be held by the Lender;
- (iv) The Borrower shall in a timely manner release to the Lender upon request, for the purpose of releasing to the Auditor General of Canada, all records held by the Borrower, or by agents or contractors of the Borrower, relating to the LOAN AGREEMENT and the use of the loan funds. The Borrower shall in a timely manner release such further information and explanations as the Auditor General of Canada or anyone acting on their behalf may request in connection with use of the loan funds or otherwise;
- (v) The Borrower shall assist the Lender in fulfilling its reporting requirements to Her Majesty by providing the Lender with information it requests from the Borrower to fulfill these reporting requirements;
- (vi) The Borrower shall indemnify and save Her Majesty, its officers, officials, employees and agents harmless against all liabilities, claims, damages or expenses due to or arising out of any act or omission by the Borrower or its servants, employees, agents for whom the Borrower is responsible in any way related to the operation of the Borrower’s business or arising out of any breach committed by the Borrower of any of the covenants or warranties given hereunder or in any other document provided in connection to the application, approval or processing of the within business loan financing transaction, including this LOAN AGREEMENT and any security interests granted, pledged or taken in relation thereto;
- (vii) Her Majesty and the Minister may contact the Borrower from time to time in relation to its success stories;
- (viii) The Borrower in any announcement, ceremony, or other communications activities that relate to the funds received under this LOAN AGREEMENT shall acknowledge the federal government’s role in the funding provided through this LOAN AGREEMENT;
- (ix) The Borrower consents to a public announcement of the advancement of the

loan funds and the purpose for which the funds were advanced by or on behalf of the Minister in the form of a news release and/or event, however, the said announcement shall be subject to following provisions:

- a. The Minister and the Lender shall inform the Borrower of the date of the public announcement to be made and the Borrower shall maintain the confidentiality this LOAN AGREEMENT until such date;
 - b. The Borrower consents to the participation of the Minister or his representatives at any announcement event and that the event shall take place on a day mutually agreed upon by the Borrower and the Minister or his representatives; and
 - c. The Borrower agrees to display promotional material and/or signage provided by the Federal Economic Development Agency for Southern Ontario.
- (x) The Borrower agrees to a media/public event with the Minister or his designated representatives upon the repayment of the monies advanced under this LOAN AGREEMENT or upon completion of a purpose for which the LOAN AGREEMENT was given, however, the said event shall be subject to following provisions:
- a. The Borrower consents to the participation of the Minister or his representatives at any announcement event and that the event shall take place on a day mutually agreed upon by the Borrower and the Minister or his representatives; and
 - b. The Borrower agrees to display promotional material and/or signage provided by the Federal Economic Development Agency for Southern Ontario.

6.13 **COVENANTS:** The Borrower covenant as follows:

- (i) To pay all sums of money when due and perform all other obligations under this LOAN AGREEMENT and the Security.
- (ii) To do or cause to be done all things reasonably necessary to keep in full force and effect its existence and all material rights, licenses, registrations and qualifications required in order to carry on its business or own the General Assets or Intellectual Property, and the personal property and assets in each jurisdiction in which it carries on business or owns property or assets from time to time.
- (iii) To avoid involvement with any aspect of marijuana production, distribution, or provision of equipment to the marijuana industry.
- (iv) To comply in all material respects with all applicable laws required for it to

carry on its business.

- (v) To conduct its business in a proper, efficient, and business-like manner and maintain its property and equipment used in the conduct of its business in a good and workmanlike condition.
- (vi) To provide the Lender with thirty (30) days prior written notice of any change in the direct or indirect ownership of equity securities in the capital of the Borrower representing more than 5% of the voting rights attaching to the shares of the Borrower on a fully-diluted basis.
- (vii) Not to do anything to affect the ranking of this debt and the security provided by the General Security Agreement.
- (viii) Not to guarantee, directly or indirectly, the payment of any monies or performance of any obligation by any third party except as otherwise permitted herein.
- (ix) Not to grant, create, assume or suffer to exist any encumbrance affecting any of its properties, assets or other rights except as provided herein or in the General Security Agreement or purchase money security interests incurred in the ordinary course of business.
- (x) To notify the Lender of any proceeding commenced against it seeking damages from it which, if determined adversely to it would have a material adverse effect on its financial condition or its property.
- (xi) To give the Lender prompt notice of any event which, with notice or lapse of time, or both, would constitute an Event of Default.

ARTICLE 7 – ACCELERATION OF DEBT REPAYMENT

7.1 **DEMAND FOR ACCELERATED REPAYMENT UPON DEFAULT:** The Lender reserves the right to accelerate and demand immediate payment of the principal, interest and other amount owed hereunder in any circumstance where there has been an Act of Default committed by the Borrower as hereinafter defined in this Article.

7.2 **PROMISE TO EFFECT ACCELERATED REPAYMENT UPON DEMAND:** The Borrower hereby promises and agrees to effect immediate repayment of the outstanding debt owed in accordance with the terms of the within LOAN AGREEMENT if at any time the Lender makes demand for accelerated payment by written notice upon or following of one or more Acts of Default hereinafter defined in this Article.

7.3 **ACTS OF DEFAULT:** The Borrower hereby acknowledges and agrees that the occurrence of any of the following circumstances as determined in the sole discretion and opinion of the Lender shall constitute an Act of Default of the Borrower's obligations hereunder:

- (i) The Borrower has committed any default of its repayment or other obligations owed to the Lender in accordance with the terms of the within LOAN AGREEMENT or any agreement, security instrument or other document executed in relation thereto and such event of default is not cured by the Borrower within five (5) days of having received notice from the Lender; or
- (ii) There is a material adverse change in risk of default in respect of the Borrower's repayment or other obligations under the terms of this LOAN AGREEMENT which may occur due to the Borrower's and/or Guarantor's (if applicable) ability or willingness to fulfill the repayment and other obligations owed to the Lender, or
- (iii) The Borrower fails to comply with any term, condition or provision of this LOAN AGREEMENT other than for the repayment of money (including if it is discovered that any information, representations or warranties provided by the Borrower are incorrect) and that such event of default is not cured by the Borrower within thirty (30) days of having received written notice from the Lender; or
- (iv) The Borrower is in default with respect to any liability for the payment of money to any of its other lenders, other than the Lender and default is not cured by the Borrower within the greater of fifteen (15) days of having received written notice from such creditor and any cure period that may have been agreed upon between the Borrower and such creditor; or
- (v) The Borrower amalgamates or conveys any part of its business enterprise and operations to any other business, corporation, partnership, individual or other entity without the written consent of the Lender; or
- (vi) The Borrower fails to maintain compliance with financial covenants of all other Lenders; or
- (vii) The Borrower ceases to carry on business, or if the principal place of business of the Borrower fails to open for business for a period of fifteen (15) days in any twenty (20) day period or becomes vacant or unoccupied; or
- (viii) The holder of any mortgage, charge, encumbrance or security interest with respect to any of the Borrower's real property or personal property (business assets) takes any steps or actions to enforce or realize against the security

pledge under any such mortgage, charge, encumbrance or security interest;
or

- (ix) A petition in bankruptcy is filed against the Borrower; which is not dismissed within sixty (60) days of such filing, or the Borrower makes an Assignment of all of its property under the terms of the *Bankruptcy & Insolvency Act* (Canada) or an agent or receiver is appointed to take possession over any portion of the assets of the Borrower, or the Borrower permits its property to be seized or taken in exercise of any writ of execution, or the Borrower makes an assignment for the benefit of its creditors or is adjudicated to be insolvent or bankrupt or the Borrower makes its own petition or application to any court or tribunal of competent jurisdiction with respect to the appointment of any receiver, receiver manager, trustee, liquidator or sequestator of or for the Borrower or the Borrower's property; or
- (x) The Borrower increases its borrowing or the Borrower carries out any equity conversion or capital restructuring or capital reorganization (herein defined as a "Fundamental Change") and such change, in the opinion of the Lender, impairs the ability of the Borrower to fulfill the repayment and other obligations owed to the Lender or lessens or otherwise impairs the security available to the Lender.

ARTICLE 8 - INTERPRETATION

- 8.1 **NOTICES:** Any request, notice or demand made or given in connection with the terms of the within LOAN AGREEMENT may be made or given by facsimile transmission or by pre-paid regular letter mail, courier or hand delivered to the receiving party as set out below:

To the Borrower: Datec Coating Corporation
120 Matheson Blvd, Unit 2
Mississauga, Ontario
N4Z 1Y6

To the Lender: Western Ontario Community Futures
Development Corporation Association
330 West Street, Unit 10
Brantford Ontario
N3R 7V5

Attention: SOFII Director

With a copy which shall not
constitute notice to:

George Murray Shipley Bell, LLP
222 Front Street North, Sarnia, Ontario
N7T 5S5
Attention: Peter Norris

provided, however, that either party may change its contact information for the purposes of receipt of any notices or communications by delivery of written notice provided ten (10) days prior to such change to the other party in the manner described herein this clause.

In addition to being entitled to serve the opposing party with such notices and communications at the address or facsimile contact information provided above, either party may serve any request, notice or demand in respect to of the within LOAN AGREEMENT upon any other party by delivering such communications in the manner set out above, but to the Solicitor representing the receiving party, unless such party has provided notice in writing confirming that he is no longer represented by a Solicitor or is represented by a different Solicitor who is unauthorized to accept delivery of such notices and communications.

For clarity, any communication served by facsimile transmission shall be deemed to have been received by the receiving party at 9:00 a.m. on the first business day following the successful transmission of such communications provided that the delivering party has retained and is able to produce a copy of the successful facsimile transmission report.

For further clarity, any communication served by regular letter mail shall be deemed to have been received by the receiving party on the fifth (5th) day following the day in which such communication was deposited with Canada Postal Services. However, no party shall be entitled to serve any written communications by regular letter mail at a time that there is an actual or threatened stoppage of postal services.

- 8.2 **WAIVER:** Any party to this LOAN AGREEMENT may (a) Waive, in whole or in part, any of the rights accruing to such party by reason of any term stated herein; and/or (b) Waive, in whole or in part, any Act of Default under any clause stated herein which is to the benefit of such party. However, any such waiver by either party shall not constitute waiver of any such term thereafter or any other clause or any subsequent Act of Default, as circumstances may so dictate.
- 8.3 **APPLICABLE LAW:** The within LOAN AGREEMENT is hereby made and shall be construed, governed and enforced in accordance with the laws of the Province of Ontario and Canada, where applicable.
- 8.4 **HEIRS & ASSIGNS:** The within LOAN AGREEMENT shall be binding upon and enure to the benefit of the parties hereto, their respective successors, administrators and assigns, except that the Borrower shall be prohibited from

- making any assignment of its rights or obligations stated and set out hereunder unless the Borrower has received the prior written consent of the Lender with respect to such Assignment.
- 8.5 **INDEMNITY**: The Borrower shall indemnify and save the Lender, its officers, directors and employees harmless against all liabilities, claims, damages or expenses due to or arising out of any act or omission or neglect committed by the Borrower or its servants, employees, agents for whom the Borrower is responsible in any way related to the operation of the Borrower's business enterprise or arising out of any breach committed by the Borrower of any of the covenants or warranties given hereunder or in any other document provided in connection to the application, approval or processing of the within business loan financing transaction, including this LOAN AGREEMENT and any security interests granted, pledged or taken in relation thereto.
- 8.6 **EXECUTION IN COUNTERPARTS**: This LOAN AGREEMENT may be executed in several counterparts, each of which so executed shall be deemed to be an original hereof, and such counterparts together shall constitute but one and the same Instrument or Agreement so long as either an original or reproduction copy of each parties signed LOAN AGREEMENT has been delivered and received by each party in the manner as provided for at Article 8.1 herein.
- 8.7 **ARTICLES & HEADINGS**: The division of this document into articles and sub-articles and the insertion of headings are for the convenience of reference only and shall not affect the construction or interpretation of this LOAN AGREEMENT. The terms stated as 'LOAN AGREEMENT', 'hereof', 'hereunder', 'herein' and similar expressions refer to the terms of this document and not to any particular article, sub-article or any other specific portion of this document or any ancillary or supplemental instrument unless specifically stated as such. Unless something in the subject matter or context is inconsistent therewith, references herein to any article are meant to be references to the articles and sub-articles as stated herein.
- 8.8 **NUMBER & GENDER**: Words importing the singular number shall include the plural and vice versa. Words importing the masculine gender shall include the feminine and neuter genders and vice versa. Words importing or referring to persons shall include individuals, partnerships, associations, trusts, unincorporated organizations, corporations and any other legal entity.
- 8.9 **WHOLE AGREEMENT**: This LOAN AGREEMENT, the offer letter dated, May 31st, 2022 (the "Offer Letter"), and any amendments thereto, and any agreements delivered pursuant to or referenced in the LOAN AGREEMENT constitute the whole and entire agreement between the parties. Where the Offer Letter or any amendment thereto is inconsistent with the LOAN AGREEMENT, the Lender shall determine which shall supersede.
- 8.10 **NO DEDUCTION**: All payments to be made by the Borrower under this LOAN

AGREEMENT shall be made in full, without any set-off or counterclaim whatsoever.

- 8.11 **SEVERABILITY**: If any provision of this LOAN AGREEMENT is or becomes prohibited or unenforceable in any jurisdiction, such prohibition or unenforceability shall not invalidate or render unenforceable the provision concerned in any other jurisdiction nor shall it invalidate, affect, or impair any of the remaining provisions.

ARTICLE 9 - LENDER'S LEGAL REPRESENTATIVE

- 9.1 **LENDER'S SOLICITOR**: The Lender will instruct its Solicitor to perform all legal services that it requires in relation to the processing and completion of the within business loan financing transaction. Specifically, the Lender's solicitor shall prepare all necessary documentation and complete all investigations and searches on their behalf. However, the costs incurred by the Lender in relation to such legal services shall be borne by and are the responsibility of the Borrower. Payment of such costs shall be deducted from the initial or any subsequent advance of funds to be provided in accordance with the terms of this LOAN AGREEMENT.

The Lender's Solicitor for the purposes of the within business loan financing transaction shall be as follows:

GEORGE MURRAY SHIPLEY BELL, LLP
ATTENTION: Peter J. Norris
222 FRONT STREET NORTH
SARNIA, ONTARIO
N7T 5S5
PHONE: 519-336-8770
FAX: 519-336-1811

[Signature page follows]

IN WITNESS WHEREOF, the Parties have executed this LOAN AGREEMENT on the date referred to herein and as follows:

**PARTY OF THE FIRST PART (Lender / Secured Party)
SIGNED, SEALED AND DELIVERED**

**WESTERN ONTARIO
COMMUNITY FUTURES
DEVELOPMENT
CORPORATION
ASSOCIATION**

Per: _____

David Penton
Director
I have authority to bind the Corporation

**PARTY OF THE SECOND PART (Borrower)
SIGNED, SEALED AND DELIVERED**

DATEC COATING CORPORATION

Per:  _____

Name: Dominic Talalla
Title: CEO
I /we have authority to bind the Corporation

SCHEDULE A - PERMITTED ENCUMBRANCES


PERSONAL PROPERTY SECURITY ACT REGISTRATIONS

PPSA SEARCH TO BE ATTACHED

IN WITNESS WHEREOF, the Parties have executed this LOAN AGREEMENT on the date referred to herein and as follows:

**PARTY OF THE FIRST PART (Lender / Secured Party)
SIGNED, SEALED AND DELIVERED**

**WESTERN ONTARIO
COMMUNITY FUTURES
DEVELOPMENT
CORPORATION
ASSOCIATION**

Per:  **David Penton**
David Penton
Director
I have authority to bind the Corporation

**PARTY OF THE SECOND PART (Borrower)
SIGNED, SEALED AND DELIVERED**

DATEC COATING CORPORATION

Per: _____
Name:
Title:
I /we have authority to bind the Corporation

THIS IS **EXHIBIT "H"** REFERRED TO IN THE
AFFIDAVIT OF DOMINIC TALALLA SWORN BEFORE ME,
THIS 21ST DAY OF OCTOBER 2024



A COMMISSIONER FOR TAKING AFFIDAVITS
SIMRAN JOSHI LSO No. 89775A

Delivery Date:	Lease No. 777008 E105
----------------	------------------------------

Lessee	DATEC COATING CORPORATION			
Address	Street	City	Province	Postal Code
	130 MATHESON BLVD E, UNIT 2	MISSISSAUGA	ON	L4Z 1Y6
Contact	Name	Phone	Email Address	
		647 376 7820		

LEASE DETAILS

Equipment	Supplier: TA INSTRUMENTS - WATERS L.L.C.			
	Qty	New/Used/Refin/Refurb	Year/Make/Model/Serial Number	
	1	NEW	FOX 50 HEAT FLOW METER AS PER WATERS QUOTE# 23270082, DATED 13/04/2023	
Equipment Address	(if different than above)			
Lease Payment	Term (In Months)	No. of Payments	Frequency	Lease Payment
	24	24	Monthly	\$2,350.00 Plus Applicable Taxes
Schedules	CERTIFICATE OF ACCEPTANCE, EXCHANGE RATE SCHEDULE, MANDATORY PURCHASE OPTION SCHEDULE			

TERMS AND CONDITIONS

1. LEASE AND LEASE PAYMENTS. Lessor hereby leases the equipment described above or in any Schedule attached hereto including all parts, accessories, replacements, and additions and accessions, now and hereafter relating thereto or affixed thereon (collectively, the "Equipment") to Lessee on the terms and conditions contained herein and elsewhere as is described in Section 4 below (collectively the "Lease"). Capitalized words not defined herein refer to terms appearing above. This Lease shall commence on the commencement date ("Commencement") which shall be the date that this Lease is accepted by Lessor or some other date established by Lessor and shall continue from the Commencement Date for the number of months specified as the Term. Lessor will advise Lessee of the date that the Lease Payments shall commence, which advice may be given by the delivery of an invoice, and which may be the first or the fifteenth of the month following the Commencement Date or some other date. Lessee unconditionally agrees to pay Lessor, in advance, the number of Lease Payments, in the amounts set out above together with all applicable taxes and with the Frequency set forth above. **LESSEE'S OBLIGATION TO PAY ALL LEASE PAYMENTS AND OTHER SUMS DUE HEREUNDER SHALL BE ABSOLUTE AND UNCONDITIONAL AND TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW SHALL NOT BE AFFECTED BY ANY CIRCUMSTANCE WHATSOEVER, IT BEING THE INTENTION OF THE PARTIES THAT ALL LEASE PAYMENTS AND OTHER SUMS DUE HEREUNDER SHALL CONTINUE TO BE PAYABLE BY LESSEE IN ALL EVENTS AND IN THE MANNER AND AT THE TIMES PROVIDED HEREUNDER. LESSEE CANNOT CANCEL OR TERMINATE THIS LEASE FOR ANY REASON.** Lessee shall not at any time be entitled to prepay any Lease Payments due hereunder.

2. TITLE. Title to and ownership of the Equipment shall at all times be and remain vested in Lessor and shall not at any time pass to Lessee. Notwithstanding that Lessor has title to the Equipment during the Term of this Lease, Lessor shall not be liable for any loss, cost, expense or damage of any kind or nature whatsoever caused directly or indirectly by the Equipment or its use, operation or ownership or for any loss of business or other damage whatsoever and howsoever caused.

3. ACCEPTANCE OF EQUIPMENT. Lessee acknowledges that the Equipment has been purchased from the Supplier by Lessor at the request of and in accordance with the instructions of Lessee. Lessee represents to Lessor that the Equipment has been (or will be) delivered to Lessee; that the Equipment has been (or will be) assembled and installed, is ready for use, is in satisfactory operating condition; and, is fit for all of Lessee's purposes. **LESSEE ACKNOWLEDGES THAT THE EQUIPMENT HAS BEEN ACCEPTED FOR THE PURPOSES OF THIS LEASE BY LESSEE ON THE DELIVERY DATE SET OUT ABOVE OR IN A SEPARATE CERTIFICATE OF ACCEPTANCE.**

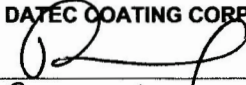
4. ENTIRE LEASE AGREEMENT. THIS LEASE INCLUDING ANY SCHEDULES SPECIFIED ABOVE ("Schedules") AND THE STANDARD LEASE TERMS AND CONDITIONS ACCESSIBLE ONLINE AS DOCUMENT NUMBER: 594Y3TT AT WWW.SSEMYTERMS.COM ("Standard Lease Terms") CONSTITUTE THE ENTIRE AGREEMENT BETWEEN LESSOR AND LESSEE RELATING TO THE LEASE OF THE EQUIPMENT and supersedes all prior agreements or understandings, oral or written, with respect thereto and shall not be modified or amended except by written agreement signed by the parties. Any Schedules and the Standard Lease Terms are hereby incorporated into this Lease by this reference. This Lease shall not become binding upon Lessor until accepted by Lessor, as evidenced by, among other things, Lessor's payment to the Supplier for the purchase of the Equipment. In the event this Lease involves 2 or more Lessees ("Co-Lessees"), each Co-Lessee will be held jointly and severally liable under the terms and conditions of this Lease including for all amounts due or becoming due under this Lease. If any provision of this Lease is invalid, illegal or unenforceable, it shall not affect the validity, legality or enforceability of any other provision of this Lease. This Lease and any amendments or supplements hereto may be executed in counterparts, each of which shall constitute an original, but all of which taken together shall constitute a single contract. Lessee agrees that if this Lease is signed electronically, such signature shall be the legal equivalent of Lessee's handwritten signature. Lessee agrees that an electronic copy or other reproduction of this Lease as executed by Lessee, when printed from electronic records maintained by Lessor in the normal course of business, shall be deemed to constitute the sole original and shall be binding on Lessee to the same extent as an originally executed version of this Lease. The printed copy or reproduction of this Lease may be used by Lessor in any court proceeding, and Lessee agree not to contest the admissibility, validity, enforceability or authenticity of such printed copies. The parties agree that this Lease and all documents related thereto be written in the English language. Les parties aux présentes conviennent que ce Lease et tous les documents s'y rattachant soient rédigés en anglais.

IN WITNESS WHEREOF, Lessor and Lessee have executed this Lease. **LESSEE ACKNOWLEDGES THAT LESSEE HAS READ, UNDERSTOOD AND AGREES TO BE BOUND BY ALL THE TERMS AND CONDITIONS OF THIS LEASE, ANY SCHEDULES AND THE STANDARD LEASE TERMS ACCESSIBLE ONLINE AS DOCUMENT NUMBER: 594Y3TT AT WWW.SSEMYTERMS.COM.**

Lessor: **DE LAGE LANDEN FINANCIAL SERVICES CANADA INC.**

Lessee: **DATEC COATING CORPORATION**

By: _____

By: 

Name:

Name: **PINA FRARESSO**

Title:

Title: **DIRECTOR - FINANCE + ADMIN**

This Exchange Rate Schedule dated April 25, 2023 is executed in connection with, and made a part of Equipment Leasing Agreement No. 777098 (the "Agreement"). Unless otherwise specified herein, all capitalized terms shall have the meanings ascribed to them in the Agreement. The undersigned hereby agree as follows with respect to the Equipment described in the Agreement:

1. It is the understanding of the Lessee that the Equipment listed in the Agreement is to be paid for in US Dollars.
2. An exchange rate of 1.3697 (US dollars to CDN dollars) was used to estimate the total amount financed under the Agreement. Any fluctuation in the above noted rate from the date of this Schedule to the date that the US Dollars are purchased by the Lessor and payment is made to the vendor will result in adjustments being made to the Original Equipment Purchase Price, the Purchase Option, if applicable, and all Lease Payments due under the Agreement and that such adjustments shall be subsequently confirmed by Lessor by written notice which notice shall be binding on Lessee.
3. The Lessee confirms and directs the Lessor to purchase sufficient US Dollars to pay the vendor of the Equipment. In the event that the transaction contemplated by the Agreement does not close, the Lessee indemnifies and holds harmless the Lessor for any and all losses, costs or fees incurred by the Lessor: (i) in cancelling any foreign exchange contract entered into by the Lessor to purchase the US Dollars; and, (ii) in converting the US Dollars to Canadian dollars. Any amount due to the Lessor by the Lessee under this paragraph shall be payable by Lessee on demand and a default in the payment of such amount shall be an event of default under the Agreement.
4. The Lessee will be responsible for any additional expenses with respect to the importation, transportation and installation of the Equipment, including but not limited to, any and all costs, taxes and levies associated with the importing of the Equipment into Canada.

Except as modified hereby, all of the terms, covenants and conditions of the Agreement shall remain in full force and effect and are in all respects hereby ratified and affirmed.

IN WITNESS WHEREOF, the parties below have executed this Exchange Rate Schedule as of the date first stated above.

Lessor:

DE LAGE LANDEN FINANCIAL SERVICES CANADA INC.

By: _____

Name: _____

Title: _____

Lessee:

DATEC COATING CORPORATION

By:  _____

Name: PINA FRANESSO

Title: DIRECTOR - FINANCE & ADMIN

Mandatory Purchase Option Schedule E107

This **Mandatory Purchase Option Schedule** dated April 25, 2023 is executed in connection with and made part of Equipment Leasing Agreement No. 777098 (the "Lease"). To the extent that any of the terms and conditions of this Mandatory Purchase Option Schedule are contrary to or inconsistent with any terms of the Lease, the terms and conditions of this Mandatory Purchase Option Schedule shall govern. Unless otherwise specified herein, all capitalized terms shall have the meanings ascribed to them in the Lease. The Lessor and Lessee hereby agree as follows:

1. Provided that the Lease has not been terminated earlier, and Lessee is not in default under the Lease, Lessee shall purchase all, but not less than all, items of Equipment on the expiration of the initial Term for \$10.00 (the "Purchase Option Price"). Payment of the Purchase Option Price, plus all applicable taxes, together with all other amounts due and owing by Lessee under the Lease (including, without limitation, Lease Payments) on or before the expiration of the initial Term, shall be made on the expiration of the initial Term in immediately available funds against delivery of a bill of sale transferring to Lessee all right, title and interest of Lessor in and to the Equipment **ON AN "AS IS" "WHERE IS" BASIS, WITHOUT ANY WARRANTIES, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING WITHOUT LIMITATION, THE CONDITION OF THE EQUIPMENT, ITS MERCHANTABILITY OR ITS FITNESS FOR ANY PARTICULAR PURPOSE. LESSOR HEREBY SPECIFICALLY DISCLAIMS ANY SUCH REPRESENTATIONS AND WARRANTIES AND MAY INCLUDE THESE AND OTHER DISCLAIMERS IN ANY SALE DOCUMENTATION.**

2. Except as modified hereby, all of the terms, covenants and conditions of the Lease shall remain in full force and effect and are in all respects hereby ratified and affirmed.

IN WITNESS WHEREOF, the parties below have executed this Mandatory Purchase Option Schedule as of the date first stated above.

Lessor:

DE LAGE LANDEN FINANCIAL SERVICES CANADA INC.

By: _____

Name: _____

Title: _____

Lessee:

DATEC COATING CORPORATION

By:  _____

Name: PINA FRALESSO

Title: DIRECTOR - FINANCE + ADMIN

Pre-Authorized Debit (PAD) Authorization

108

E108

Contract/Reference No. 777098 (the "Contract")

CUSTOMER INFORMATION:

Name: DATEC COATING CORPORATION Address: 130 MATHESON BLVD E, UNIT 2
 City: MISSISSAUGA Province: ON
 Postal Code: L4Z 1Y6 Phone No.: 647 376 7820 / 647-569-7120
 Email: pfrancesca@dateccoating.com Fax No.: 905-629-2997

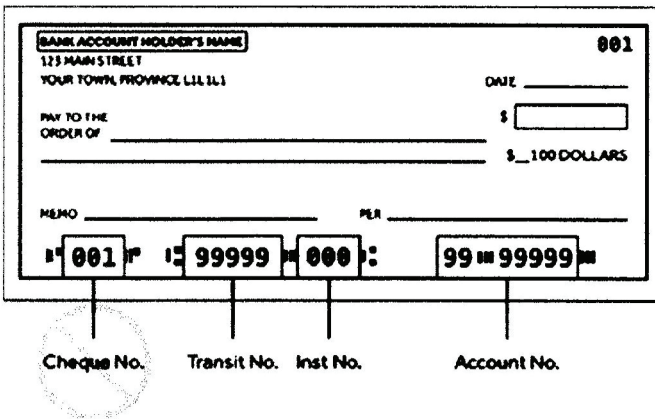
BANK ACCOUNT INFORMATION:

If you are not providing a void cheque with the account details please fill in the transit number, financial institution number and the account number below. Below you will find a sample cheque showing an example of how to identify the required numbers.

Bank account holder's name must match the customer name, obligor or co-obligor name in the Contract. Bank must issue Canadian Funds (CAD) to be processed.

Bank Account Holder's Name: DATEC COATING CORPORATION

Below you will find a sample cheque showing an example of how to identify the required numbers.



Transit No. 100612 Inst. No. 1003 Account No. 11011006

(If your account number is 7 digits, leave the last 4 spaces blank)

In order to ensure we have your bank information correct we are asking you to enter in the information twice.

Transit No. 100612 Inst. No. 1003 Account No. 11011006

(If your account number is 7 digits, leave the last 4 spaces blank)

E-Invoicing Opt-in Option

NOTE: ALL E-INVOICES WILL BE FOR INFORMATION PURPOSES ONLY. YOUR PAYMENTS WILL BE AUTOMATICALLY WITHDRAWN.

Do you want to opt-in to e-invoicing? Yes No

If you selected Yes above, you must enter at least one email address below to receive e-invoicing notifications. By opting in to e-invoicing, you consent to the receipt of invoice notifications by email. E-invoices will be accessible via a secure and encrypted link embedded

E108

E109

Email Address: _____ Email Address: _____
Email Address: _____ Email Address: _____
Email Address: _____ Email Address: _____

TERMS AND CONDITIONS

I/We (the "Undersigned") hereby authorizes and directs DE LAGE LANDEN FINANCIAL SERVICES CANADA INC. (the "Payee") to debit the account identified above or if a void cheque is attached, to debit the account identified on the attached void cheque (or any other account the Undersigned may authorize at any time) for the payments owing by the Undersigned to the Payee under the Contract in accordance with the payment amount and payment frequency set out in the Contract or, if the payment amount is not set out in the Contract, for the amount set out in each invoice issued by the Payee to the Undersigned pursuant to the terms of the Contract. The Undersigned acknowledges that this PAD Agreement is a business PAD.

The Undersigned hereby waives its right to receive pre-notification from the Payee of the amount of any debit authorized by this agreement and further agrees that it does not require advance notice of the amount of any debit authorized by this agreement before such debit is processed by the Payee (including any variable or sporadic payment).

This authorization is to remain in effect until the Payee has received written notification from the Undersigned of its change or termination. This notification must be received at least thirty (30) days before the next debit is scheduled at the address provided below. The Undersigned may obtain a sample cancellation form, or more information on the Undersigned's right to cancel a PAD Agreement at the Undersigned's financial institution or by visiting www.payments.ca. The cancellation of the authorization given by the Undersigned by this agreement will not relieve or otherwise affect the obligations of the Undersigned to the Payee under the Contract.

The Undersigned has certain recourse rights if any debit does not comply with this agreement. For example, the Undersigned has the right to receive reimbursement from any debit that is not authorized or is not consistent with this agreement. To obtain more information on recourse rights of the Undersigned, the Undersigned may contact its financial institution or visit www.payments.ca.

Provided that this PAD Agreement is signed electronically, the Undersigned consents to the receipt of this PAD Agreement in electronic format through this website and agrees to download, print or take screen shots of this PAD Agreement for its records.

By executing this PAD Agreement, you consent to the collection, use and disclosure of your personal information as described in our Privacy Policy, available for review online as document number **323C98S** at www.seemyterms.com and may be amended from time to time.

CUSTOMER: DATES COATING CORPORATION

Signature: 

Name: PINA FRALESSO

Title: DIRECTOR - FINANCE & ADMIN

Date: APRIL 25, 2023

DE LAGE LANDEN FINANCIAL SERVICES CANADA INC.
5046 MAINWAY, UNIT 1, BURLINGTON, ON, L7L 5Z1
Tel: 1-877-523-5515, Fax: 1-800-743-0169, Email: clientservices-ca@leasedirect.com

E109

****PLEASE COMPLETE AND FORWARD TO YOUR INSURANCE BROKER****

Finance Agreement No.: 777098
 Obligor: DATEC COATING CORPORATION
 Address: 130 MATHESON BLVD E, UNIT 2, MISSISSAUGA, ON, L4Z 1Y6
 Co-Obligor & Address: (if applicable)
 Equipment Description: FOX 50 HEAT FLOW METER AS PER WATERS QUOTE# 23270082, DATED 13/04/2023

Agent/Broker Name: AILEEN ALEN STONERIDGE INS. Broker's Address: 1336 SANDHILL DR. UNIT 3, ANCASTER, ONT L9G 4V5
 Broker's Email: aileen@stoneridgeinsurance.ca
 Broker's Phone No.: 905-648-6767 x201 Insurance Company:
 Broker's Fax No.: 905-648-7399 STONERIDGE INSURANCE BROKERS

Dear Insurance Representative:

You are hereby directed to accommodate DE LAGE LANDEN FINANCIAL SERVICES CANADA INC., 5046 MAINWAY, UNIT 1, BURLINGTON, ON, L7L 5Z1 for the following coverage:

1. Evidence of insurance in the form of binder(s) is acceptable until formal certificates can be issued. Please sign and FAX the acknowledgement below and binder(s) to 1-866-643-4762 and mail or deliver the formal certificates to DE LAGE LANDEN FINANCIAL SERVICES CANADA INC. at the address above.
2. Property Insurance
 - (a) "All Risk" physical damage insurance.
 - (b) Reference to Financing Agreement No. 777098 and a description of the covered equipment should be included.
 - (c) Limits: The full replacement value of the equipment but not less than \$51,500.72
 - (d) Endorsement naming "DE LAGE LANDEN FINANCIAL SERVICES CANADA INC., its successors and assigns" as first Loss Payee.
 - (e) Minimum acceptable coverage shall be equal to the cost of the equipment and its replacement value for the remaining term of the Finance Agreement.
 - (f) Endorsement giving DE LAGE LANDEN FINANCIAL SERVICES CANADA INC. 30 days prior written notice of any cancellation, reduction, or alteration of coverage.
3. Public Liability Insurance
 - (a) General Liability insurance, naming "DE LAGE LANDEN FINANCIAL SERVICES CANADA INC., its successors and assigns" as Additional Insured.
 - (b) Minimum acceptable coverage: Bodily injury: \$2,000,000.00 per occurrence; Property damage; \$500,000.00 per occurrence.
 - (c) Products and/or completed operations, and blanket contractual liability to be included.
 - (d) Endorsement giving "DE LAGE LANDEN FINANCIAL SERVICES CANADA INC." thirty (30) days prior written notice of any cancellation, reduction or alteration of coverage.
 - (e) Maximum of \$10,000.00 deductible or 5% of item 2(c) above, whichever is less.
4. All premiums and other costs associated with above insurance coverage are the total responsibility of above

named Obligor and Co-Obligor.

111

5. Location : As set out in the Finance Agreement noted above.

E111

This is your authorization to immediately comply with the instructions and requirements set forth above including immediate submission of binder(s) and subsequent delivery of certificates to DE LAGE LANDEN FINANCIAL SERVICES CANADA INC.

Obligor: DATEC COATING CORPORATION

By: [Signature]

Name: PINA FRANCESO

Title: DIRECTOR - FINANCE & ADMIN

To: DE LAGE LANDEN FINANCIAL SERVICES CANADA INC. ("the Company"):

We the Agent/Broker for DATEC COATING CORPORATION, hereby confirm that insurance coverage is carried by the above noted Obligor in accordance with paragraphs 2 and 3 above, the particulars of which are as follows:

Insurance Company: _____

Policy No: _____ Expiry Date: _____ Liability Coverage: \$ _____

All Risk Coverage: \$ _____ Deductible: \$ _____

DE LAGE LANDEN FINANCIAL SERVICES CANADA INC. and its successors and assigns are noted as first Loss Payees for the equipment described herein under the All Risk Perils Coverage and as Additional Insureds under the Liability Coverage. A certified copy of the Policy will follow in due course. The Company will be given a minimum of 30 days prior written notice of any termination, cancellation or significant alteration to the terms of the insurance carried by this client.

Signature of Agent/Broker: _____ Date: _____

E111

THIS IS **EXHIBIT "I"** REFERRED TO IN THE
AFFIDAVIT OF DOMINIC TALALLA SWORN BEFORE ME,
THIS 21ST DAY OF OCTOBER 2024



A COMMISSIONER FOR TAKING AFFIDAVITS
SIMRAN JOSHI LSO No. 89775A

STALKING HORSE ASSET PURCHASE AGREEMENT

This Agreement made this 21st day of October 2024.

BETWEEN:

Datec Coating Corporation, a corporation existing under the laws of Ontario pursuant to the Ontario *Business Corporations Act*, RSO 1990, c. B.16

(the "**Company**")

- and -

Urecka Canada Corporation, a corporation existing under the laws of Canada pursuant to the *Canada Business Corporations Act*, RSC 1985, c. C-44, or its permitted nominee (the "**Purchaser**")

RECITALS:

- A. The Company filed a Notice of Intention to Make a Proposal (the "**NOI**") under the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the "**BIA**") on October 4, 2024 (the "**Proposal Proceedings**"). Dodick Landau Inc. was appointed as proposal trustee of the Company (in such capacity, the "**Proposal Trustee**").
- B. The Company has determined it is in the best interest of the creditors and stakeholders of the Company to conduct a sale process ("**Sale Process**") pursuant to which potential offerors may submit offers to purchase the assets of the Company.
- C. The Company will bring a motion for an Order approving a stalking horse sale process (the "**Sale Process Order**") to authorize the Company, with the assistance of the Proposal Trustee conduct a Sale Process with respect to the Purchased Assets and to approve this agreement as the stalking horse bid.
- D. Subject to the conditions set forth herein, the Company has agreed to sell, convey, transfer and deliver to the Purchaser, and the Purchaser has agreed to purchase, acquire, assume and accept from the Company the Purchased Assets and Assumed Obligations, on the terms and subject to the conditions of this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confirmed, the Parties agree as follows:

ARTICLE 1 – INTERPRETATION

1.1.1 Definitions

In this Agreement and the Recitals herein, the following terms shall have the meanings set out below:

“Administration Charge” means a court ordered superior charge in priority to all security interests, claims and encumbrances, including without limitation of the DIP Financing Charge, securing the payment of the fees and disbursements of the Company’s legal counsel, the Proposal Trustee and the Proposal Trustee’s legal counsel, incurred in connection with the BIA proceedings;

"Affiliate" means, with respect to any Person, any other Person who directly or indirectly controls, is controlled by, or is under direct or indirect common control with, such Person, and includes any Person in like relation to an Affiliate;

"Agreement" means this asset purchase agreement, including all schedules attached hereto and forming part hereof, and all written amendments and written restatements thereto from time to time;

"Applicable Law" means, with respect to any Person, property, transaction, event or other matter, all applicable laws, statutes, regulations, rules, by-laws, ordinances, protocols, regulatory policies, codes, guidelines, official directives, orders, rulings, judgments and decrees of any Governmental Authority;

"Approval and Vesting Order" means an order of the Court, substantially in the form of **Schedule “D”**, that approves this Agreement and the transactions contemplated hereby and vesting, upon the delivery of the Trustee’s Certificate to the Purchaser, all right, title and interest of the Company to the Purchased Assets in the Purchaser, free and clear of all Claims and Encumbrances pursuant to the terms and conditions of this Agreement;

"Article" or **"Section"** or **"Schedule"** means the specified Article, Section of or Schedule to this Agreement and the expressions "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this Agreement and not to any particular Section or other portion of this Agreement;

“Assignment Order” means an order of the Court, in form and substance satisfactory to the Company, Proposal Trustee, and the Purchaser, acting reasonably, and obtained on a motion made on notice to such Persons as the Company and the Purchaser determine, to be sought by the Company, authorizing and approving the assignment to the Purchaser of any Assumed Contracts for which the consent, approval or waiver of the party or parties thereto (other than the Company) is required to assign such Assumed Contracts.

"Assumed Contracts" has the meaning ascribed thereto in Section 2.10;

"Assumed Obligations" has the meaning ascribed thereto in Section 2.8;

"Bid Deadline" has the meaning ascribed thereto in the Sale Procedures;

"Books and Records" means all of the books and records relating to the Purchased Assets, including, without limitation, all personnel files/records relating to all Transferred Employees and sales books, records, books of account, sales and purchase records, lists of suppliers and customers, business reports, projections and all other documents, surveys, plans, files, records, assessments, correspondence, and other data and information, financial or otherwise, including all data, information and databases stored on computer-related or other electronic media, excluding any of the foregoing as applicable to any Excluded Assets;

"Break Fee" has the meaning ascribed thereto in Section 4.1(b);

"Business" means the business carried on by the Company which includes, among other things, developing and manufacturing of custom thick-film heating element solutions, research and development of novel thermal and dielectric materials, and thermal solutions;

"Business Day" means a day on which banks are open for business in the City of Toronto, but does not include a Saturday, Sunday or statutory holiday recognized in the Province of Ontario;

"Claims" means any and all claims, demands, complaints, grievances, actions, applications, suits, causes of action, orders, charges, prosecutions or other similar processes, and **"Claim"** means any one of them;

"Closing" means the completion of the purchase and sale of the Purchased Assets, in accordance with the provisions of this Agreement;

"Closing Date" has the meaning ascribed thereto in Section 3.1;

"Closing Time" has the meaning ascribed thereto in Section 3.1;

"Contracts" means the right, title and interest of the Company to and in all pending and/or executory contracts, agreements, leases and arrangements Related to the Business to or by which any of the Company or any of the Purchased Assets or Business is bound or affected, and **"Contract"** means any one of them;

"Court" means the Ontario Superior Court of Justice (Commercial List);

"Credit Bid Amount" means an amount equivalent to all of the indebtedness of the Company owing to the Purchaser under the DIP Financing Term Sheet, plus interests and costs accrued as of the Closing Date;

"Cure Costs" means, a payment required to cure any existing monetary defaults that exist on or before Closing in relation to an Assumed Contract, other than those arising by reason only of the Company's insolvency, the commencement of proceedings under this Proposal Proceeding, or the Company's failure to perform a non-monetary obligation;

"Customer Deposits" means the funds received by the Company from a customer as a deposit for work to be performed by the Company for the Customer;

"DIP Financing" means interim financing provided by the Purchaser to the Company in the amount of \$125,000 plus interest and fees pursuant to the terms of the DIP Term Sheet, which interim financing is secured by the DIP Financing Charge;

"DIP Financing Charge" means a court ordered superior priority charge in priority to all security

interests, claims and encumbrances, but subordinate to the Administration Charge, securing the obligations of the Company under the DIP Term Sheet;

"DIP Term Sheet" means the DIP Term Sheet setting out the terms of the DIP Financing, which term sheet was approved by the Court;

"Effective Time" means 12:01 a.m. on the Closing Date;

"Employee" means an individual who was formerly employed or engaged by the Company or, as at the Effective Time, is employed or engaged by the Company in connection with the Business, and **"Employees"** means every Employee;

"Employee Liabilities" means any and all Liabilities having priority over registered security interests (whether by statute, contract, common law or otherwise) owed to any of the Employees, or otherwise arising out of, or resulting from, the relationship between the Company and any of the Employees, including any Liability arising as a result of such party being deemed to be a successor employer, related employer or otherwise responsible or liable for payment of any amounts owing to, on behalf of, or in respect of, any of the Employees (including, but not limited to, the Transferred Employees), whether pursuant to the *Employment Standards Act, 2000* (Ontario), the *Pay Equity Act* (Ontario) or the *Workplace Safety and Insurance Act, 1997* (Ontario). Without limiting the foregoing, Employee Liabilities shall include:

- (a) all salaries, wages, bonuses, commissions, vacation pay, public holiday pay and other compensation relating to the employment of the Employees (including accrued but unpaid vacation pay and any retroactive pay) and all Liabilities under employee benefit plans relating to employment of the Employees; and
- (b) all termination pay, severance pay, damages in lieu of reasonable notice and other related Liabilities (under statute, contract, common law or otherwise) in respect of the termination and/or severance of employment of the Employees;

"Encumbrances" means any and all security interests (whether contractual, statutory, or otherwise), mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, leases, title retention agreements, reservations of ownership, demands, executions, levies, charges, options or other rights to acquire any interest in any assets, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise, and all contracts to create any of the foregoing, or encumbrances of any kind or character whatsoever, other than Permitted Encumbrances;

"Equipment" means all equipment and personal property owned by the Company wherever located, including all fixed and tangible assets, machinery, chattels, tooling, furniture, computer hardware and other tangible assets;

"Excluded Assets" means the following:

- (a) all cash, bank balances, deposits, moneys in possession of banks and other depositories, and similar cash items of, owned or held by, or for the account of, the Company except for Customer Deposits;
- (b) the Purchase Price;

- (c) the SR&ED Credit;
- (d) all minute books, share ledgers, corporate seals, capital stock, equity interests and stock certificates of the Company;
- (e) all policies of insurance or assurance (including directors' and officers' insurance and claims against insurance and insurance settlements), except for the right to receive the proceeds of insurance in respect of Purchased Assets and all Books and Records related thereto which shall not constitute Excluded Assets;
- (f) original Tax records and books and records pertaining thereto, minute books, corporate seals, taxpayer and other identification numbers and other documents relating to the organization, maintenance, and existence of the Company, in each case that do not relate to the Business or the Purchased Assets;
- (g) any Books and Records that the Company is required by Applicable Law to retain in its possession, provided however, the Purchaser shall be provided with copies of all such Books and Records that pertain to the Business; and
- (h) any other assets that the Purchaser elects to exclude in writing prior to Closing pursuant to Section 2.5.

"**Excluded Liabilities**" has the meaning ascribed thereto in Section 2.9;

"**Governmental Authorities**" means governments, regulatory authorities, governmental departments, agencies, commissions, bureaus, officials, ministers, Crown corporations, courts, bodies, boards, tribunals or dispute settlement panels or other law or regulation-making organizations or entities: (a) having or purporting to have jurisdiction on behalf of any nation, province, territory, state or other geographic or political subdivision thereof; or (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power, and "**Governmental Authority**" means any one of them;

"**HST**" means all of the harmonized sales tax imposed under Part IX of the *Excise Tax Act* (Canada);

"**Intellectual Property**" means any or all of the following items of the Company, wherever located, domestic or foreign: all patents and patent rights, trademarks and trademark rights, trade names and trade name rights, service marks and service mark rights, service names and service name rights, copyrights and copyright rights, brand names, trade dress, business and product names, domain names, corporate names, logos, slogans, trade secrets, inventions, process formulae, industrial models, designs, specifications, data, technology, methodologies, computer programs (including all source code), confidential and proprietary information, whether or not subject to statutory registration, all related technical information, manufacturing, engineering and technical drawings, know how, all pending applications for and registrations of patents, trademarks, service marks and copyrights, including all obligations of third parties relating to the protection of the foregoing, the goodwill associated with the foregoing, and the right to sue for past payment, if any, in connection with any of the foregoing, and all documents, disks and other media on which any of the foregoing is stored, including without limitation;

"**Inventory and Supplies**" means all items that are held by the Company for sale, license,

rental, lease, or other distribution (and includes all supplies used by the Company in the operation of the Business) on hand at Closing;

"**Liability**" means any debt, loss, damage, adverse claim, fines, penalties, liability or obligation (whether direct or indirect, known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, matured or unmatured, determined or determinable, disputed or undisputed, liquidated or unliquidated, or due or to become due, and whether in or under statute, contract, tort, strict liability or otherwise), and includes all costs and expenses relating thereto (including all fees, disbursements and expenses of legal counsel, experts, engineers and consultants and costs of investigation), and, "**Liabilities**" means the plural thereof;

"**Licences and Permits**" means all licences, permits, filings, certificates, authorizations, approvals or indicia of authority Related to the Business or the Purchased Assets or necessary for the operation or use of the Purchased Assets;

"**Ordinary Course**" means, with respect to an action taken or omitted to be taken by a Person, that such action is reasonably practicable and generally consistent with the recent past practices of the Person having specific regard to the recent circumstances leading up to and including the transactions contemplated by this Agreement and, as applicable, subject to any Orders in the Proposal Proceeding;

"**Outside Date**" means January 15, 2024;

"**Parties**" means the Company and the Purchaser collectively, and "**Party**" means any one of them;

"**Person**" is to be broadly interpreted and includes an individual, a corporation, a partnership, a trust, an unincorporated organization, the government of a country or any political subdivision thereof, or any agency or department of any such government, and the executors, administrators or other legal representatives of an individual in such capacity;

"**Prepaid Amounts**" means all prepayments, prepaid charges, deposits, security deposits, sums and fees Related to the Business or in respect of the Purchased Assets;

"**Proposal Trustee**" has the meaning given to that term in Recital A and shall include Dodick Landau Inc. in its capacity as trustee in bankruptcy of the Company;

"**Purchase Price**" has the meaning ascribed thereto in Section 2.2;

"**Purchased Assets**" means all of the Company's right, title and interest in all of its assets, properties and undertakings, other than the Excluded Assets, including but not limited to, the following assets:

- (a) Assumed Contracts;
- (b) Books and Records;
- (c) Claims of the Company;
- (d) Equipment;

- (e) Intellectual Property, including but not limited to trademarks, copyrights, trade secrets, patents;
- (f) All software owned by the Company including but not limited to application software, executables, databases, scripts, data backups, system software, software platforms, all related source code, object code and other code or data in any form or stage of development;
- (g) All online access keys, accounts, admin privileges, passwords, certificates, authorities and access permissions;
- (h) Any and all licenses, permissions, and authorizations necessary for the use, modification, and distribution of any third-party software or technology integrated with or used in conjunction with the software and systems of the Company, to the extent such licenses, permissions, and authorizations are transferable to the Purchaser;
- (i) Any digital assets related to the software business, including but not limited to domain names, websites, web applications, cloud accounts, telephone and facsimile numbers, email addresses, social media accounts and the content therein, along with any associated credentials or access keys;
- (j) all customer lists and supplier lists;
- (k) Inventory and Supplies;
- (l) Licenses and Permits;
- (m) Prepaid Amounts;
- (n) Receivables;
- (o) Customer Deposits;
- (p) All rights and interests under or pursuant to all warranties, representations and guarantees, express implied or otherwise, of or made by suppliers or others in connection with the Purchased Assets or otherwise Related to the Business;
- (q) All goodwill associated with the Business, including, without limitation, the goodwill associated all names previously and currently operating under including but not limited to "Datec" and any variation thereof including the right of the Purchaser to hold itself out as operating the Business as the successor to the Company; and
- (r) all other property, assets and undertakings of the Company used in or Related to the Business of whatsoever nature or kind.

"Qualified Bid" has the meaning ascribed thereto in the Sale Procedures;

"Receivables" means the right, title and interest of the Company to all accounts receivable,

bills receivable, trade accounts, book debts, insurance claims, and choses-in-action, now or hereafter due or owing to the Company, Related to the Business or the Purchased Assets, together with any unpaid interest accrued on such items and any security or collateral for such items, including recoverable deposits, attributable to the period prior to Closing, and without limiting the generality of the foregoing, includes all tax refunds and government subsidies.

"Related to the Business" means, directly or indirectly, used in, arising from, or relating in any manner to the Business;

"Sale Procedures" means the sale and solicitation process approved by the Sale Process Order and on terms substantially similar to those attached as **Schedule "A"** hereto;

"Sale Process Order" means an order of the Court approving the execution of this Agreement as a "stalking horse" asset purchase agreement and the Sale Procedures, in form and content acceptable to the Purchaser and the Company;

"SR&ED Credit" means the Scientific Research and Experimental Development tax credit administered by the federal and provincial government;

"Stalking Horse Bid" has the meaning ascribed thereto in Section 4.1(a);

"Taxes" means all taxes, charges, fees, levies, imposts and other assessments, including all income, sales, use, goods and services, harmonized, value added, capital, capital gains, alternative, net worth, transfer, profits, withholding, payroll, employer health, excise, franchise, real property and personal property taxes, and any other taxes, customs duties, fees, assessments or similar charges in the nature of a tax, including, Canada Pension Plan and provincial pension plan contributions (or equivalent in the jurisdiction where the Purchased Assets may be located), employment insurance payments and workers compensation premiums, together with any instalments with respect thereto, and any interest, fines and penalties, imposed by any Governmental Authority, and whether disputed or not;

"Transaction" means the transaction of purchase and sale and assignment and assumption contemplated by this Agreement;

"Transferred Employees" means Employees who have accepted an offer of employment from the Purchaser as of the Closing;

"Trustee's Certificate" means a certificate from the Proposal Trustee confirming the Closing of the transactions contemplated hereby, substantially in the form attached to the Approval and Vesting Order; and

"Winning Bidder" has the meaning ascribed thereto in Section 4.1(c).

1.1.2 Section References

Unless the context otherwise, references in this Agreement to Sections are to Sections of this Agreement.

1.1.3 Schedules

The following Schedules shall form an integral part of this Agreement:

- Schedule "A" – Sale Procedures
- Schedule "B" – Excluded Assets
- Schedule "C" – Assumed Contracts
- Schedule "D" – Form of Approval and Vesting Order

ARTICLE 2 – PURCHASE AND SALE

2.1 Purchase and Sale of Purchased Assets

At the Closing Time, subject to the terms and conditions of this Agreement and the Approval and Vesting Order, the Company shall sell, and the Purchaser shall purchase the Purchased Assets and the Purchaser shall assume the Assumed Obligations.

2.2 Purchase Price

In consideration of the sale, assignment, transfer and conveyance of the Purchased Assets to the Purchaser, the purchase price payable by the Purchaser to the Company for the Purchased Assets shall be equal to the sum of Three Hundred Thousand Dollars (\$300,000.00), comprised of: (a) the assumption of the amount outstanding under the DIP Term Sheet, plus interest, fees and expenses (as outlined in the DIP Term Sheet); and (b) the remainder in cash (together, the "**Purchase Price**") plus the cash sum required to pay the Cure Costs for all of the Assumed Contracts, if any.

2.3 Satisfaction of Purchase Price

The Purchaser shall satisfy the Purchase Price by payment as follows:

- (a) the Credit Bid Amount shall be applied in full and final satisfaction of all Liabilities of the Company to the Purchaser under the DIP Term Sheet outstanding as of Closing; and
- (b) the balance of the Purchase Price shall be paid in cash on Closing to the Proposal Trustee by way of a certified cheque, wire transfer or bank draft.

The Purchaser will pay the Cure Costs for all of the Assumed Contracts by electronic wire transfer to each counterparty to the Assumed Contract on the Closing Date. The wire transfer information shall be provided by the Company to the Purchaser at least three (3) days prior to Closing.

2.4 Allocation of Purchase Price

The Purchase Price shall be allocated among the Purchased Assets in the manner agreed to by the Purchaser and the Company (each acting reasonably) prior to the Closing Date, provided that failure of the Parties to agree upon an allocation shall not result in the termination of this Agreement but rather shall result in the nullity of the application of this section of the Agreement such that each Party shall be free to make its own reasonable allocation.

2.5 Excluded Assets

Save and except as otherwise expressly set out herein, the Purchaser may, at its option, exclude any of the Purchased Assets from the transaction contemplated hereby at any time prior to Closing upon delivery of prior written notice to the Company, whereupon such assets shall be deemed to form part of the Excluded Assets, provided, however, that there shall be no reduction in the Purchase Price as a result of such exclusion. Any changes, including exclusions, to the

list of Purchased Assets agreed upon by the Parties shall be promptly updated in **Schedule "B"**, with the final version to be attached to this Agreement prior to Closing.

2.6 SR&ED Credit

The Purchaser agrees to assist the Company, including any trustee in bankruptcy, with all of the necessary tasks with respect to filing the application material for the Company to receive the 2024 SR&ED Credit for the benefit of the Company's creditors. In particular, the Purchaser is responsible, at reasonable cost and expense, including but not limited to the cost of retaining appropriate consultants, for making all necessary information in its possession available and filing the application material for the SR&ED Credit with the Canada Revenue Agency by no later than the end of day on March 14, 2025 for the 2024 fiscal year. The Purchaser will provide evidence that the application for the 2024 SR&ED Credit was filed to the Company, including any trustee in bankruptcy, within five Business Days after submitting the application to the Canada Revenue Agency. The Purchaser agrees to execute an undertaking on Closing, in a form agreeable to the Proposal Trustee, Company and Purchaser, all acting reasonably, in this regard. The Purchaser's standard in assisting with filing for the 2024 SR&ED Credit is not intended to create any more costs and liabilities than the Company has incurred in its past practices. This undertaking will not create any personal or contingent liability to the Purchaser for the SR&ED Credit other than the commitment to conduct the above-noted exercise.

2.7 Taxes and Elections

- (a) The Purchaser shall be responsible for the payment on Closing of all Taxes that are required to be paid or remitted in connection strictly with the consummation of the purchase contemplated in this Agreement.
- (b) If applicable, at the Closing, the Receiver and the Purchaser shall jointly execute an election under Section 167 of the *Excise Tax Act* (Canada) to seek to cause the sale of the Purchased Assets to take place on an HST-free basis under Part IX of the *Excise Tax Act* (Canada) and the Purchaser shall file such election with its HST return for the applicable reporting period in which the sale of the Purchased Assets takes place.
- (c) If applicable, at the Closing, the Company and the Purchaser shall execute jointly an election in prescribed form under Section 22 of the *Income Tax Act* (Canada) in respect of the Receivables and shall file such election with their respective tax returns for their respective taxation years that include the Closing Date.
- (d) The Purchaser agrees to indemnify and save the Company harmless from and against all claims and demands for payment of all Taxes payable by Purchaser strictly in connection with the purchase of the Purchased Assets, including penalties and interest thereon and any liability or costs incurred as a result of any failure to pay such Taxes when due.
- (e) The Purchaser shall, at all times, indemnify and hold harmless the Company's directors, officers, and employees, and the Proposal Trustee against and in respect of any and all amounts assessed by any taxing authority in the event that any Tax exemption claimed by the Purchaser was inapplicable, invalid, or not properly made, including all taxes, interest, and penalties assessed and

including all reasonable legal and professional fees incurred by the Company's directors, officers, and employees as a consequence of or in relation to any such assessment. Notwithstanding anything else in this Agreement, this indemnity shall survive the Closing Date in perpetuity and shall not be subject to any caps or restrictions.

2.8 Assumed Obligations

At Closing, the Purchaser shall assume and be liable for the following (collectively, the "**Assumed Obligations**"):

- (a) any Liabilities in connection with the Assumed Contracts as set out in Section 2.10;
- (b) all Liabilities and Claims arising or accruing from the use of the Purchased Assets from and after the Closing; and
- (c) all Permitted Encumbrances.

2.9 Excluded Liabilities

Except for the Assumed Obligations, the Purchaser is not assuming, and shall not be deemed to have assumed, any Liabilities of the Company not specifically assumed (collectively, the "**Excluded Liabilities**"), which Excluded Liabilities include, but are not limited to, the following:

- (a) all Liabilities and Claims arising or accruing from the use of the Purchased Assets prior to the Closing;
- (b) all Employee Liabilities that arise out of, or result from the employment or engagement by the Company (or any predecessor to the Company) of any of the Employees (including the Transferred Employees) (unless otherwise imposed by law) and/or the termination or severance of such engagement or employment; and
- (c) all Encumbrances, other than Permitted Encumbrances.

2.10 Assumed Contracts

The Purchaser shall assume the Contracts which are listed and described in **Schedule "C"** (which Contracts shall be referred to as the "**Assumed Contracts**" and of which any one of them is an "**Assumed Contract**"). Save and except as hereinafter set out, the Purchaser shall be able to add or remove Contracts from Schedule "C" up until at least five (5) Business Days prior to the hearing date for the Approval and Vesting Order, by giving notice to the Company and Proposal Trustee in writing. This Agreement and any document delivered under this Agreement will not constitute an assignment or an attempted assignment of any Contract contemplated to be assigned to the Purchaser under this Agreement which is not assignable without the consent of a third Person if such consent has not been obtained and such assignment or attempted assignment would constitute a breach of such Contract, in which event, the provisions of Section 2.11 hereof shall govern.

2.11 Assignment of Assumed Contracts

The Company, in cooperation with the Purchaser, shall take such reasonable steps as necessary to obtain the consent of the counterparties for the assignment of the Assumed Contracts. If necessary, such steps shall include the Company making reasonable efforts to obtain an Assignment Order.

2.12 Assignment of Licenses and Permits

To the extent the Licenses and Permits are transferrable and assignable, the Company, in cooperation with the Purchaser, shall take such reasonable steps as necessary to obtain the consent of the counterparties for the assignment of the Licenses and Permits.

If the Licenses and Permits cannot be transferred or assigned, such assets shall be deemed to form part of the Excluded Assets, provided, however, that there shall be no reduction in the Purchase Price as a result of such exclusion.

ARTICLE 3 – CLOSING ARRANGEMENTS

3.1 Closing

Closing shall take place at 10:00 a.m. (Toronto, Ontario time) (the "**Closing Time**") on the third business day following the granting of the Approval and Vesting Order or such other date as the Parties may agree to in writing, but in any event shall not be later than the Outside Date, and if such date falls on a holiday or weekend, it shall be the next Business Day (the "**Closing Date**").

The Closing shall take place by electronic transmission of documents, or at such other time and location, and in such other manner, as the Parties may agree upon in writing.

3.2 Tender

Except as otherwise set out herein, any tender of documents or money under this Agreement may be made upon the Parties or their respective counsel and money may be tendered by official bank draft drawn upon a Canadian chartered bank, by negotiable cheque payable in Canadian funds and certified by a Canadian chartered bank or trust company, or by wire transfer of immediately available funds to the account specified by that Party.

3.3 Company's Closing Deliveries

At the Closing, the Company shall deliver to the Purchaser the following, each in form and substance satisfactory to the Purchaser, acting reasonably:

- (a) a copy of the Approval and Vesting Order, issued by the Court;
- (b) a copy of the Assignment Order, if any;
- (c) the Books and Records;
- (d) if applicable, the elections referred to in Section 2.6;

- (e) a general conveyance with respect to the Purchased Assets;
- (f) any assignments, transfers or bills of sale as may be requested by the Purchaser to effect the transfer of the Intellectual Property;
- (g) a bring down certificate dated as of the Closing Date, confirming that all of the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date, with the same effect as though made on and as of the Closing Date; and
- (h) such further and other documentation as is referred to in this Agreement or as the Purchaser or its lawyers may reasonably require to complete the transactions provided for in this Agreement.

3.4 Purchaser's Closing Deliveries

At the Closing, the Purchaser shall deliver to the Company the following, each in form and substance satisfactory to the Company, acting reasonably:

- (a) the balance of the Purchase Price;
- (b) a release of the Company's Credit Bid Amount
- (c) an executed assignment agreement evidencing the assumption by the Purchaser of all Intellectual Property;
- (d) a bring down certificate dated as of the Closing Date, confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true and correct as of the Closing Date, with the same effect as though made on and as of the Closing Date;
- (e) a general conveyance with respect to the Purchased Assets;
- (f) a certified resolution of the Purchaser authorizing the Agreement and the purchase of the Purchased Assets;
- (g) a certificate of status of the Purchaser;
- (h) an undertaking of the Purchaser to the Proposal Trustee to assist with the filing of the SR&ED Credit as referred to in Section 2.6;
- (i) if applicable, the elections referred to in Section 2.6; and
- (j) such further and other documentation as is referred to in this Agreement or as the Company or its lawyers may reasonably require to complete the transactions provided for in this Agreement.

3.5 Risk

The Purchased Assets, including all software, intellectual property rights, operational

functionalities, and associated services, shall remain at the risk of the Company until the Closing. From and after Closing, such risks shall be assumed by the Purchaser.

In the event that any of the Purchased Assets are subject to material impairment prior to Closing, including but not limited to operational disruptions exceeding 24 consecutive hours, intellectual property disputes that call into question the ownership and the ability to operate the service, or any other circumstances that significantly impair the business's value or operations, the Company/Seller shall notify the Purchaser in writing within twenty-four (24) hours upon becoming aware of such material impairment.

In the event of such material impairment to the Purchased Assets prior to Closing, the Purchaser shall, at its sole and absolute discretion, have the right to elect to terminate this Agreement by providing written notice to the Company, upon which, the Parties shall each be released from all obligations under this Agreement.

For purposes of this Agreement, 'material impairment' shall include any event or condition that significantly disrupts the functionality, marketability, or the Company's rights and obligations in respect of the Purchased Assets, rendering the business's continuous operation or the value of the Purchased Assets substantially compromised.

3.6 Conduct Prior to Closing

Prior to the Closing, the Company shall conduct the Business in the Ordinary Course, except to the extent required to allow the Company to comply with its obligations under this Agreement or as may be permitted with the written consent of the Purchaser (such consent not to be unreasonably conditioned, withheld, or delayed), subject in all cases to any Court orders granted in the Proposal Proceedings. Without limiting the generality of, but subject to, the foregoing, the Company shall:

- (a) maintain, preserve and protect the Purchased Assets in the condition in which they exist on the date hereof, other than ordinary wear and tear and other than replacements, dispositions, modifications or maintenance in the Ordinary Course;
- (b) use reasonable commercial efforts in the circumstances to preserve the goodwill of the Company and maintain satisfactory relationships with suppliers and customers;
- (c) continue to pursue all current sales pipeline and customer opportunities especially the high potential ones including among others EGO, Everspecher and Modine;
- (d) not terminate any Employees without the prior written consent of the Purchaser, such consent not to be unreasonably withheld;
- (e) not convey, encumber or otherwise dispose of any of the Purchased Assets except in the Ordinary Course;
- (f) not amend or modify any Assumed Contract in any material respect, waive any material rights in respect of any Assigned Agreement or disclaim any Assigned Agreement;

- (g) not enter into any material contract or agreement in respect of the Business without the prior written consent of the Purchaser, such consent not to be unreasonably withheld;
- (h) use reasonable commercial efforts to maintain any insurance currently in effect respecting the Purchased Assets until Closing; and
- (i) comply in all material respects with all Applicable Laws relating to the conduct of the Business and the ownership and use of the Purchased Assets.

3.7 Delivery of the Trustee 's Certificate

When the conditions set out in Article 5 below have been satisfied and/or waived by the Company and/or the Purchaser, as applicable, the Company and the Purchaser or their respective counsel will each deliver to the Proposal Trustee confirmation that such conditions of Closing, as applicable, have been satisfied and/or waived (the "**Conditions Certificates**"). Upon receipt of the Conditions Certificates, the Proposal Trustee shall: (a) issue the Trustee's Certificate to the Purchaser and the Company, at which time the Closing will be deemed to have occurred; and (b) file a copy of the Trustee's Certificate with the Court and provide a copy of same to the service list in the Proposal Proceedings. In the case of (a) and (b), the Proposal Trustee will be relying exclusively on the Conditions Certificates without any obligation whatsoever to verify the satisfaction or waiver of the applicable conditions. The Parties hereby acknowledge and agree that the Proposal Trustee shall have no liability to the Parties in connection with the Trustee's Certificate or otherwise in connection with this Agreement.

ARTICLE 4 – SALE PROCEDURE

4.1 Sale Procedures

- (a) The Company shall bring a motion on or before October 23, 2024, for approval of the Sale Procedures. The Sale Process Order shall recognize the Purchase Price as a baseline or "stalking horse bid" (the "**Stalking Horse Bid**"), and shall also provide for a marketing process of the Purchased Assets by the Company with the potential for competitive bidding. The Purchaser acknowledges and agrees that the aforementioned process is in contemplation of determining whether a superior bid can be obtained for the Purchased Assets;
- (b) In consideration for the Purchaser's expenditure of time and money and agreement to act as the initial bidder through the Stalking Horse Bid, and the preparation of this Agreement, and subject to Court approval, the Purchaser shall be entitled to a break fee of \$10,000 (the "**Break Fee**") payable by the Company to the Purchaser only in the event that a successful bid other than the Stalking Horse Bid is accepted by the Company, approved by the Court and completed. The payment of the foregoing amounts shall be approved in the Sale Process Order and shall be payable to the Purchaser out of the sale proceeds derived from and upon completion of the winning bid. The Parties acknowledge and agree that the foregoing amounts represent a fair and reasonable estimate of the expenses that will be incurred by the Purchaser as a result of preparing for and entering into this Agreement, and is not intended to be punitive in nature nor to discourage competitive bidding for the Purchased Assets. For certainty, the

Break Fee does not form part of the Purchase Price.

- (c) Notwithstanding anything contained herein to the contrary, in the event that the Purchaser is not the selected winning bid in the Sale Process (the “**Winning Bidder**”), then upon the closing of a transaction with such Winning Bidder, this Agreement shall be terminated and the Purchaser shall be entitled to the Break Fee, and a return of the Deposit and neither Party hereto shall have any further liability or obligation, except as expressly provided for in this Agreement.
- (d) If no Qualified Bids other than the Stalking Horse Bid are received by the Bid Deadline, the Company shall forthwith bring a motion to the Court to obtain the Approval and Vesting Order and, if granted, shall proceed with completing the transaction contemplated hereby forthwith.

4.2 Approval and Vesting Order

The Approval and Vesting Order shall approve this Agreement and the transactions contemplated hereby and vest, upon the delivery of the Trustee's Certificate to the Purchaser, all right, title and interest of the Company in and to the Purchased Assets to the Purchaser, or as it may direct, free and clear of all Claims and Encumbrances pursuant to the terms and conditions of this Agreement, other than Permitted Encumbrances.

ARTICLE 5 – CONDITIONS PRECEDENT

5.1 Conditions Precedent of the Purchaser

The Purchaser shall not be obliged to complete the transactions contemplated by this Agreement unless, at or before the Closing Time, each of the following conditions has been satisfied, it being understood that the following conditions are included for the exclusive benefit of the Purchaser and may be waived, in whole or in part, in writing, by the Purchaser at any time; and the Company agrees with the Purchaser to take all such commercially reasonable actions, steps and proceedings within its reasonable control as may be necessary to ensure that the following conditions are fulfilled at or before the Closing Time:

- (a) *Execution of this Agreement.* The Company shall deliver a fully executed copy of this Agreement to the Purchaser;
- (b) *Representations and Warranties.* The representations and warranties of the Company in Section 6.1 shall be true and correct at the Closing Time;
- (c) *Sale Process Order.* The Sale Process Order shall have been issued by the Court, shall not be stayed, varied, superseded or under appeal, and the applicable time for appealing the Sale Process Order shall have expired;
- (d) *Winning Bidder.* The Company shall have determined in accordance with the Sale Procedure that this Agreement is a successful bid and the Purchaser is the Winning Bidder;
- (e) *Approval and Vesting Order Final.* The Approval and Vesting Order shall have been issued by the Court, in a form satisfactory to the Purchaser, shall not be

stayed, varied, superseded or under appeal, and the applicable time for appealing the Approval and Vesting Order shall have expired if the hearing for the Approval and Vesting Order was contested;

- (f) *Assignment of Assumed Contracts:* The Company shall have the authorization to assign all of the Assumed Contracts whether by the terms of the Assumed Contracts, the consent, approval, waiver of the counterparty to the Assumed Contract, or the Assignment Order;
- (g) *Company's Compliance.* The Company shall have performed and complied with all of the terms and conditions in this Agreement on its part to be performed or complied with at or before the Closing Time and shall have executed and delivered to the Purchaser at the Closing Time all the deliveries contemplated in Section 3.3;
- (h) *Post-Filing Obligations.* All post-filing obligations of the Company have been paid, including but not limited to, the Cure Costs prior to Closing; and
- (i) *No Legal Action:* No action or proceeding a will be pending or threatened by any Person (other than the Purchaser), and there is no order or notice from any Person to (or seeking to) enjoin, restrict or prohibit, on a temporary or permanent basis any of the transactions contemplated by this Agreement or imposing any terms or conditions on the transactions contemplated by this Agreement, the Business or the business of the Purchaser or otherwise limiting the right of the Purchaser to conduct the Business after Closing on substantially the basis as heretofore operated.

5.2 Conditions Precedent of the Company

The Company shall not be obliged to complete the transactions contemplated by this Agreement unless, at or before the Closing Time, each of the following conditions has been satisfied, it being understood that the following conditions are included for the exclusive benefit of the Company, and may be waived, in whole or in part, in writing by the Company at any time; and the Purchaser agrees with the Company to take all such commercially reasonable actions, steps and proceedings within its reasonable control as may be necessary to ensure that the following conditions are fulfilled at or before the Closing Time:

- (a) *Purchaser's Compliance.* The Purchaser shall have performed and complied with all of the terms and conditions in this Agreement on its part to be to be performed by or complied with at or before the Closing Time and shall have executed and delivered to the Company at the Closing Time all the deliveries contemplated in Section 3.4 in this Agreement;
- (b) *Sale Process Order.* The Sale Process Order shall have been issued by the Court, shall not be stayed, varied, superseded or under appeal, and the applicable time for appealing the Sale Procedure Order shall have expired;
- (c) *Approval and Vesting Order Final:* The Approval and Vesting Order shall have been issued by the Court, shall not be stayed, varied, superseded or under appeal, and the applicable time for appealing the Approval and Vesting Order shall have expired if the hearing for the Approval and Vesting Order was

contested; and

- (d) *Representations and Warranties.* The representations and warranties of the Purchaser in Section 6.2 shall be true and correct at the Closing Time.

5.3 Non-Satisfaction of Conditions

If any condition precedent set out in Sections 5.1 or 5.2 is not satisfied or performed at or before the Closing Time, the Party for whose benefit the condition precedent is inserted may:

- (a) waive compliance with the condition, in whole or in part, in its sole discretion by written notice to the other Party (but may not claim for any matter waived) and without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part; or
- (b) elect on written notice to the other Party to terminate this Agreement, in which event each Party shall be released from all obligations under this Agreement.

ARTICLE 6 – REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties of the Company

As a material inducement to the Purchaser entering into this Agreement and completing the transactions contemplated by this Agreement and acknowledging that the Purchaser is entering into this Agreement in reliance upon the representations and warranties of the Company set out in this Section 6.1, the Company hereby represents and warrants to the Purchaser as follows:

- (a) *Due Authorization.* Subject to the granting of the Approval and Vesting Order, the Company has all necessary authority and capacity to enter into this Agreement and all other agreements and instruments to be executed by it as contemplated by this Agreement and to carry out its obligations under this Agreement and such other agreements and instruments.
- (b) *Enforceability of Obligations.* Subject to the granting of the Approval and Vesting Order, this Agreement constitutes a valid and binding obligation of the Company, enforceable against the Company, in accordance with its terms.
- (c) *HST.* The Company is a registrant under Part IX of the *Excise Tax Act* (Canada), and its Business Number is 895943561.
- (d) *Residency.* The Company is not a non-resident within the meaning of section 116 of the *Income Tax Act* (Canada).

6.2 Representations and Warranties of the Purchaser

As a material inducement to the Company entering into this Agreement and completing the transactions contemplated by this Agreement and acknowledging that the Company is entering into this Agreement in reliance upon the representations and warranties of the Purchaser set out in this Section 6.2, the Purchaser hereby represents and warrants to the Company as follows:

- (a) *Incorporation of the Purchaser.* The Purchaser is a corporation duly incorporated under the laws of the jurisdiction of its incorporation and is duly organized, validly subsisting and in good standing under such laws;
- (b) *Due Authorization.* The Purchaser has all necessary corporate power, authority and capacity to enter into this Agreement and all other agreements and instruments to be executed by it as contemplated by this Agreement and to carry out its obligations under this Agreement and such other agreements and instruments;
- (c) *Enforceability of Obligations.* This Agreement constitutes a valid and binding obligation of the Purchaser, enforceable against the Purchaser, in accordance with its terms;
- (d) *Approvals and Consents.* Except as otherwise provided herein, no authorization, consent or approval of or filing with or notice to any Governmental Authority or other Person is required in connection with the execution, delivery or performance of this Agreement by the Purchaser or the purchase of any of the Purchased Assets hereunder;
- (e) *HST.* The Purchaser is or will on Closing be a registrant under Part IX of the *Excise Tax Act (Canada)*; and
- (f) *Residency.* The Purchaser is not a non-resident within the meaning of section 116 of the *Income Tax Act (Canada)*.

6.3 Acquisition of Purchased Assets on "As Is, Where Is" Basis

The Purchaser acknowledges that the Company is selling the Purchased Assets on an "as is, where is basis" as they shall exist on the Closing Date, subject to the terms of the Approval and Vesting Order. The Purchaser further acknowledges that it has entered into this Agreement on the basis that the Company does not guarantee title to the Purchased Assets and that the Purchaser has conducted such inspections of the condition of and title to the Purchased Assets as it deemed appropriate and has satisfied itself with regard to these matters. No representation, warranty or condition is expressed or can be implied as to title, encumbrances, description, fitness for purpose, merchantability, condition, quantity or quality or in respect of any other matter or thing whatsoever concerning the Purchased Assets or the right of the Company to sell or assign same save and except as expressly represented or warranted herein. Without limiting the generality of the foregoing, any and all conditions, warranties or representations, expressed or implied, pursuant to the *Sale of Goods Act (Ontario)* or similar legislation do not apply hereto and have been waived by the Purchaser. The Purchaser further acknowledges that all written and oral information (including analyses, financial information and projections and studies) obtained by the Purchaser from the Company or any of its directors, officers, employees, professional consultants or advisors with respect to the Purchased Assets or otherwise relating to the transactions contemplated in this Agreement has been obtained for the convenience of the Purchaser only and is not warranted to be accurate or complete.

6.4 No Additional Representations and Warranties

- (a) None of the Company and the Purchaser, nor their respective Representatives, have made or shall be deemed to have made any other representation or

warranty, express or implied, at law or in equity, in respect of the Company, the Purchaser, the Purchased Assets or the Transactions other than those stated expressly herein.

- (b) None of representations and warranties contained in this Article 6 shall survive Closing and, other than in the case of fraud, the Purchaser's sole recourse for any material breach of representation or warranty in this Article 6 shall be for the Purchaser to not complete the Transactions in accordance with Section 8.1 of this Agreement.

ARTICLE 7 – EMPLOYEES

7.1 Offers to Employees

The Purchaser may offer new employment, conditional upon Closing and effective as of the Effective Time, to such of the Employees as determined by the Purchaser in its sole discretion, on such terms as the Purchaser and each of the Transferred Employees may agree.

7.2 Transferred Employees

The Purchaser shall provide to the Company a list five (5) Business Days before Closing, indicating:

- (a) those Employees to whom offers of employment or expressions of interest have been made;
- (b) those Employees who have accepted any such offer; and
- (c) those Employees who the Purchaser has determined will not be offered employment with the Purchaser.

The Purchaser shall assume and be responsible for all Employee Liabilities in respect of Transferred Employees following the Closing Date.

ARTICLE 8 – TERMINATION

8.1 Termination by the Parties

This Agreement may be terminated:

- (a) upon the mutual written agreement of the Company and the Purchaser;
- (b) pursuant to Section 5.3(b) by either Party;
- (c) pursuant to Section 4.1(c); or
- (d) pursuant to Section 3.5.

8.2 No Fault Termination

If this Agreement is terminated through no fault of the Purchaser, such as Sections 3.5 and

4.1(c), the Parties shall each be released from all obligations under this Agreement.

8.3 Breach by Purchaser

If the Purchaser fails to comply with its obligations under this Agreement, the Company may by notice to the Purchaser elect to treat this Agreement as having been repudiated by the Purchaser. In that event, the Purchased Assets may thereafter be sold by the Company to any other party.

ARTICLE 9 – POST-CLOSING MATTERS

9.1 Post-Closing Receipts

If, following the Closing Date, any of the Purchased Assets are paid to or otherwise received by the Company or Proposal Trustee, or if any of the Excluded Assets are paid to or otherwise received by the Purchaser, then the Company, the Proposal Trustee or the Purchaser, as the case may be, shall hold such assets in trust for the other and shall promptly deliver such assets to the Company or the Purchaser, as the case may be.

9.2 Books and Records

The Purchaser shall preserve and keep the Books and Records which relate to the Purchased Assets and delivered at Closing for a period of six years from the Closing Date or for any longer period as may be required by any Applicable Law or Governmental Authority. Upon reasonable advance notice, after the Closing Date, the Purchaser will grant the Company, the Proposal Trustee or any trustee in bankruptcy of the Company reasonable access during normal business hours, to use such Books and Records included in the Purchased Assets, including, without limitation, any personnel files/records of the Transferred Employees relating to the period up to the Closing and any Employees engaged by the Company at or in respect of the Purchased Assets up to and including the Closing Date, and computer systems, tapes, disks, records and software acquired as part of the Purchased Assets.

9.3 Use of Business Name

If requested by the Purchaser, on or promptly following the Closing Date, the Company shall discontinue use of the name "Datec" and any variation thereof and shall, subject to the Court's approval, as soon as is reasonably practicable file articles of amendment to change the corporate name of Datec to another name not confusingly similar to its present name.

ARTICLE 10 – GENERAL CONTRACT PROVISIONS

10.1 Headings and Sections

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

10.2 Number and Gender

Unless the context requires otherwise, words importing the singular include the plural and vice versa, and words importing gender include all genders. Where the word "including" or "includes" is used in this Agreement, it means "including (or includes) without limitation".

10.3 Currency

Except as otherwise expressly provided in this Agreement, all dollar amounts referred to in this Agreement are stated in Canadian dollars.

10.4 Statutory References

All references in this Agreement to any statute or regulation is to that statute or regulation as now enacted or as may from time to time be amended, re-enacted or replaced and includes all regulations made thereunder, unless something in the subject matter or context is inconsistent therewith or unless expressly provided otherwise in this Agreement.

10.5 No Strict Construction

The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party, including, without limitation, the doctrine of *contra proferentum*.

10.6 Entire Agreement

This Agreement and the agreements and other documents required to be delivered pursuant to this Agreement, constitute the entire agreement between the Parties and sets out all the covenants, promises, warranties, representations, conditions, understandings and agreements between the Parties relating to the subject matter of this Agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, oral or written, express, implied or collateral between the Parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement. Subject to the Approval and Vesting Order being issued by the Court, this Agreement is intended to create binding obligations on the part of the Company as set forth herein and on acceptance by the Purchaser, is intended to create binding obligations on the part of the Purchaser, as set out herein.

10.7 Expenses

Subject to Section 4.1(b), each Party shall pay their respective legal, accounting, and other professional advisory fees, costs and expenses incurred in connection with the transactions contemplated in this Agreement, and the preparation, execution and delivery of this Agreement and all documents and instruments executed pursuant to this Agreement.

10.8 Notices

Any notice, consent or approval required or permitted to be given in connection with this Agreement shall be in writing and shall be sufficiently given if delivered (whether in person, by courier service or other personal method of delivery), or if transmitted by email as follows:

- (a) in the case of notice to the Company at:

Dominic Talalla
dominic@dateccoating.com

With a copy to its counsel at:

Reconstruct LLP
Attn: Jessica Wuthmann
jwuthmann@reconllp.com

- (b) in the case of a notice to the Purchaser at:

Urecka Canada Corporation
The Daily Planer Building
202 King Street West
Chatham N7M 1E5
Prashant Pathak
psp@ekagratagroup.com

- (c) in the case of the Proposal Trustee at:

Dodick Landau Inc.
Rahn Dodick
rahn.dodick@dodick.ca

With a copy to:

Weirfoulds LLP
Attn: Philip Cho
pcho@weirfoulds.com

Any notice delivered or transmitted to a Party as provided above shall be deemed to have been given and received on the day it is delivered or transmitted, provided that it is delivered or transmitted on a Business Day prior to 5:00 p.m. local time in the place of delivery or receipt. However, if the notice is delivered or transmitted after 5:00 p.m. local time or if such day is not a Business Day then the notice shall be deemed to have been given and received on the next Business Day.

Any Party may, from time to time, change its address by giving notice to the other Party in accordance with the provisions of this Section.

10.9 Successors and Assigns

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

10.10 Third Party Beneficiaries

Unless where provided to the contrary by the specific terms hereof, this Agreement shall not

confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

10.11 Time of the Essence

Time shall be of the essence in respect of the obligations of the Parties arising prior to Closing under this Agreement.

10.12 Amendment

No amendment, supplement, modification or waiver or termination of this Agreement and, unless otherwise specified, no consent or approval by any Party, shall be binding unless executed in writing by the Party to be bound thereby.

10.13 Further Assurances

The Parties shall, with reasonable diligence, do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Agreement, and each Party shall provide such further documents or instruments required by any other Party as may be reasonably necessary or desirable to effect the purpose of this Agreement and carry out its provisions, whether before or after the Closing Date, provided that the reasonable costs and expenses of any actions taken after the Closing Date at the request of a Party shall be the responsibility of the requesting Party.

10.14 Paramountcy

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

10.15 Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such prohibition or unenforceability and shall be severed from the balance of this Agreement, all without affecting the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

10.16 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and each of the Parties irrevocably attorns to the non-exclusive jurisdiction of the Courts of the Province of Ontario. The Parties consent to the jurisdiction and venue of the Court for the resolution of any disputes under this Agreement.

10.17 Non-Merger

The representations, warranties and covenants of each Party contained in this Agreement will not merge on and will survive the closing of the Transaction and will continue in full force and

effect, notwithstanding the closing of the Transaction or any investigation or knowledge acquired by or on behalf of the other Party.

10.18 Independent Legal Advice

The Purchaser warrants that it has received independent legal advice in connection with this Agreement.

10.19 Execution and Delivery

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument. Counterparts may be executed and delivered either in original form or by electronic delivery in portable document format (PDF).

10.20 Damages

Under no circumstance shall any of the Parties or their representatives be liable for any special, punitive, exemplary, consequential, or indirect damages (including loss of profits) that may be alleged to result, in connection with, arising out of, or relating to this Agreement or the transactions contemplated herein.

10.21 No Brokers

It is understood and agreed that the Purchaser shall not be liable for any commission or other remuneration payable or alleged to be payable to any broker, agent or other intermediary who purports to act or have acted for the Company. It is further understood and agreed that the Company shall not be liable for any commission or other remuneration payable or alleged to be payable to any broker, agent or other intermediary who purports to act or have acted for the Purchaser.

[Remainder of page left blank intentionally. Signature page follows.]

IN WITNESS OF WHICH the Parties have executed this Agreement.

DATEC COATING CORPORATION

Per: _____

Name: Dominic Talalla
Title: President

I have the authority to bind the Corporation

URECKA CANADA CORPORATION

Per: _____

Name: Prashant Pathak
Title:

I have the authority to bind the Corporation

**Schedule "A"
Sale Procedures**

Schedule "B"
Excluded Assets

- (a) all cash, bank balances, deposits, moneys in possession of banks and other depositories, and similar cash items of, owned or held by, or for the account of, the Company except for Customer Deposits;
- (b) the Purchase Price;
- (c) the SR&ED Credit;
- (d) all minute books, share ledgers, corporate seals, capital stock, equity interests and stock certificates of the Company;
- (e) all policies of insurance or assurance (including directors' and officers' insurance and claims against insurance and insurance settlements), except for the right to receive the proceeds of insurance in respect of Purchased Assets and all Books and Records related thereto which shall not constitute Excluded Assets;
- (f) original Tax records and books and records pertaining thereto, minute books, corporate seals, taxpayer and other identification numbers and other documents relating to the organization, maintenance, and existence of the Company, in each case that do not relate to the Business or the Purchased Assets;
- (g) any Books and Records that the Company is required by Applicable Law to retain in its possession, provided however, the Purchaser shall be provided with copies of all such Books and Records that pertain to the Business; and
- (h) any other assets that the Purchaser elects to exclude in writing prior to Closing pursuant to Section 2.5.

Schedule "C"
Assumed Contracts

Name of Contract and Date	Contractual Counterparty
Consulting Agreement dated June 1, 2023	Dominic Talalla
Engineering Agreement dated October 11, 2023	MD Farhad Ismail
Engineering Agreement dated October 15, 2024	Gurkirat Singh
Escrow Reviewer Agreement dated April 17, 2018	E.G.O Elektro-Geratebau and Intertek Health Sciences Inc.
OCI Funding Agreement dated March 21, 2023	Ontario Centre of Innovation
Amended and Restated Technology Cooperation Agreement dated February 7, 2018	E.G.O. Elektro-Geratebau GmbH
Lease Extending Agreement dated December 5, 2023	Midking Properties Limited

Schedule "D"
Form of Approval and Vesting Order

Estate File No. 32-3137745

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE) WEEKDAY, THE #
)
JUSTICE) DAY OF MONTH, 2024

**IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED**

**AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
DATEC COATING CORPORATION OF THE CITY OF MISSISSAUGA IN THE PROVINCE
OF ONTARIO**

APPROVAL AND VESTING ORDER

THIS MOTION, made by Datec Coating Corporation (the “**Vendor**”) pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c B-3, as amended (the “**BIA**”) for an order that, among other things, (i) approves the sale transaction (the “**Transaction**”) contemplated by an agreement of purchase and sale (the “**Sale Agreement**”) between the Company, as vendor, and Urecka Canada Corporation, as purchaser (in such capacity, the “**Purchaser**”), dated October ●, 2024; and (ii) vesting in the Purchaser the Vendor’s right, title and interest in and to the assets described in the Sale Agreement (the “**Purchased Assets**”), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Dominic Talalla, sworn ●, 2024 (the “**Talalla Affidavit**”), and the exhibits thereto, and the Second Report of Dodick Landau Inc. in its capacity as proposal trustee of the Vendor (the “**Proposal Trustee**”).

ON HEARING the submissions of counsel for the Vendor, the Proposal Trustee, and such other counsel that were present, no one else appearing for any other person although duly served:

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the materials filed, as set out in the Affidavit of Service of ● sworn ●, 2024, is hereby deemed adequate notice so that this Motion is properly returnable today and hereby dispenses with further service thereof.

APPROVAL AND VESTING

2. **THIS COURT ORDERS AND DECLARES** that the Transaction is hereby approved, and the execution of the Sale Agreement by the Vendor is hereby authorized and approved, with such minor amendments as the Vendor and the Purchaser, with the approval of the Proposal Trustee, may deem necessary. The Vendor is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

3. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Proposal Trustee's certificate to the Purchaser substantially in the form attached as Schedule "A" hereto (the "**Proposal Trustee's Certificate**"), all of the Vendor's right, title and interest in and to the Purchased Assets shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable Justice Black dated October 23, 2024; and (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system (all of which are collectively referred to as the "**Encumbrances**") and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

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

and remained in the possession or control of the person having that possession or control immediately prior to the sale.

5. **THIS COURT ORDERS AND DIRECTS** the Proposal Trustee to file with the Court a copy of the Proposal Trustee's Certificate forthwith after delivery to the Purchaser.

6. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Vendor is authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the Vendor's records pertaining to the Vendor's past and current employees. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Vendor.

7. **THIS COURT ORDERS** that, notwithstanding:

- the pendency of these proceedings;
- any applications for a bankruptcy order now or hereafter issued pursuant to the BIA in respect of the Vendor and any bankruptcy order issued pursuant to any such applications; and
- any assignment in bankruptcy made in respect of the Vendor;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Vendor and shall not be void or voidable by creditors of the Vendor, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the BIA or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

GENERAL

8. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada and as against all Persons against whom it may otherwise be enforced.

9. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or in any other foreign jurisdiction to give effect to this Order and to assist the Company, the Proposal Trustee and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Company and the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to recognize and give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist the Company, the Proposal Trustee and their respective agents in carrying out the terms of this Order.

10. **THIS COURT ORDERS** that each of the Vendor, the Proposal Trustee and the Purchaser be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

11. **THIS COURT ORDERS** that this Order is effective from the date that it is made and is enforceable without any need for entry and filing.

THIS IS **EXHIBIT "J"** REFERRED TO IN THE
AFFIDAVIT OF DOMINIC TALALLA SWORN BEFORE ME,
THIS 21ST DAY OF OCTOBER 2024



A COMMISSIONER FOR TAKING AFFIDAVITS
SIMRAN JOSHI LSO No. 89775A

DEBTOR-IN-POSSESSION FINANCING

October 21, 2024 E148

TERM SHEET

This term sheet (“**DIP Term Sheet**”) sets out the terms and conditions upon which Urecka Canada Corporation will provide debtor-in-possession financing to the Borrower (as defined below) in consideration of the mutual covenants, terms and conditions set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged.

Borrower:	Datec Coating Corporation (the “ Borrower ”)
DIP Lender:	Urecka Canada Corporation or an affiliated entity (the “ DIP Lender ”)
Proposal Trustee:	Dodick Landau Inc. in its capacity as proposal trustee (in such capacity, the “ Proposal Trustee ”) in connection with the Borrower’s proceedings (the “ Proceedings ”) under the <i>Bankruptcy and Insolvency Act (Canada)</i> (the “ BIA ”) commenced by a Notice of Intention to Make a Proposal filed on October 4th, 2024.
Type of DIP Loan:	Loan of up to a maximum amount of CDN \$125,000 (the “ DIP Loan ”), plus the Finance Fee and fees and expenses (i.e. DIP Expenses), or such greater amount as may be agreed to by the DIP Lender, secured by way of the DIP Charge (defined herein) to be available to the Borrower with the agreement of the Proposal Trustee subject to and in accordance with the terms herein.
Availability:	Subject to the fulfillment of the applicable condition’s precedent to the availability of the DIP Loan set out herein and the Borrower’s adherence to the Reporting of Consolidated Cash-Flow Statement (the “ Approved Cash Flows ”) being satisfactory to each of the Proposal Trustee and the DIP Lender, and provided that no Event of Default (as defined below) has occurred and is then continuing, advances of the DIP Loan shall be made by the DIP Lender to the Borrower.
Purpose, Use of Proceeds:	The proceeds of the DIP Loan will be used by the Borrower to fund: working capital requirements and restructuring costs including but not limited to the fees and disbursements of the Proposal Trustee, its counsel, and counsel to the Borrower, on a going concern basis provided that the same is, unless approved in writing by the DIP Lender and the Proposal Trustee, (i) in accordance with the Approved Cash Flows, and (ii) not on account of a liability that existed as of the later of October 11 th , 2024, and the date of execution of this Term Sheet including for avoidance of doubt but without limitation any unremitted statutory remittances existing as of the Closing Date.
Closing Date:	No later than 1 business day after Court approval of the DIP Term Sheet (the “ Closing Date ”).
Maturity and or Termination Date:	The maturity of the DIP Loan (the “ Termination Date ”) shall be the earliest of: <ul style="list-style-type: none"> (a) January 15th, 2025; (b) the closing of the transaction contemplated by the Stalking Horse Asset Purchase Agreement between the DIP Lender and the Borrower (the “Stalking Horse Agreement”); (c) the closing of a sale or investment transaction within the Proceedings (“Transaction”); (d) the implementation of a proposal within the Proceedings; (e) the date on which the Proceedings are terminated or are converted into a bankruptcy proceeding under the BIA; and (f) the occurrence of an Event of Default (as defined herein).

DEBTOR-IN-POSSESSION FINANCING

October 21, 2024 E149

	All outstanding amounts under the DIP Loan, together with all interest accrued in respect thereof and all other amounts owing under this DIP Term Sheet shall be payable in full on the Termination Date.
Interest Rate:	All amounts outstanding under the DIP Loan will bear interest at a rate of 14% per annum, on the daily balance outstanding under the DIP Loan. Interest shall be due, owing, payable and repaid as the Termination Date without further notice, protest, demand or other act on the part of the DIP Lender.
Finance Fee:	Borrowing under the DIP facility are subject to a fee of 5% (the “ Finance Fee ”) on each advance hereunder which fee shall be fully earned upon the making of each advance and secured by the DIP Charge (as defined herein) but shall only be payable when the principal and interest under the DIP Loan becomes payable.
Repayment:	Unless otherwise repaid as contemplated herein, the DIP Loan the accrued Interest, and all associated fees and expenses (i.e. DIP Expenses) shall be due, owing, payable and repaid as the Termination Date without further notice, protest, demand or other act on the part of the DIP Lender.
Mandatory Prepayments:	The DIP Loan and the DIP Expenses shall be repaid in full from the net proceeds of any Transaction involving the Borrower unless subject to a credit bid in the Stalking Horse Agreement by the DIP Lender.
Representations and Warranties:	The Borrower represents and warrants to the DIP Lender as of the date hereof, and as of the date of each advance under the DIP Loan, that: <ul style="list-style-type: none"> (a) the Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of their organization, has all requisite power to carry on business as now and formerly conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to constitute a material adverse effect, are qualified to do business in, and are in good standing in, every jurisdiction where such qualification is required; (b) the execution, delivery and performance, as applicable, of the DIP Term Sheet has been duly authorized by all actions, if any, required on the part and by the Borrower’s directors, and constitutes a legal, valid and binding obligation of the Borrower enforceable against them in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, arrangement, winding-up, moratorium and other similar laws of general application that limit the enforcement of creditors’ rights generally and to general equitable principals subject to approval of the Court; (c) the Approved Cash Flows represent the Borrower’s best estimate as at each applicable date of the likely results of the operations of the Borrower during the period applicable thereto and, to the Borrower’s knowledge, such results are achievable as provided therein; (d) there are no arrears for any statutory remittances, withholding taxes or other amounts that, if unpaid, would have the benefit of an encumbrance or deemed trust in priority to the DIP Security and the DIP Charge (each as defined herein), such as without limitation taxes under the <i>Excise Tax Act</i> (Canada) and any source deduction remittances to the Canada Revenue Agency, except those accruing in the normal course and not yet due; and (e) except in respect of periods preceding October 4, 2024, all employee wages and other amounts owing to employees are up-to-date and there

DEBTOR-IN-POSSESSION FINANCING

October 21, 2024

E150

	<p>are no amounts owing in respect of wages, vacation pay, pension benefit contributions or other benefits except those accruing in the normal course and in accordance with the established practices and arrangements of the Borrower.</p>
<p>Covenants:</p>	<ul style="list-style-type: none"> (a) the Borrower shall pay all amounts and satisfy all obligations in respect of the DIP Loan, including the Finance Fee; (b) the Borrower shall not make or permit to be made any payment on account of obligations owing as at October 4, 2024 without the prior consent of the Proposal Trustee and the DIP Lender or pursuant to an order of the Court; (c) the Borrower shall not undertake any actions with respect to their respective assets, business operations and/or capital structure which would, in the sole determination of the DIP Lender, have a material adverse effect on the Borrower or the Collateral (as defined below); (d) the Borrower shall not incur any indebtedness, including the giving of guarantees, other than indebtedness specifically contemplated herein or permitted in writing by the DIP Lender; (e) the Borrower shall not incur, create, assume or suffer to exist any lien, charge, security interest or other encumbrance on any of the Collateral now owned or hereafter acquired other than: (i) those encumbrances existing as of October 11, 2024, (ii) permitted by the DIP Lender in its sole discretion, (iii) the DIP Charge, and (iv) the Administration Charge, to be granted by the Court; (f) the Borrower shall not enter into any other credit facility or loan arrangements that would be secured in priority to or pari passu with the DIP Loan; (g) the Borrower shall not enter into any Transaction without the prior written consent of the DIP Lender; (h) without the prior written consent of the DIP Lender, the Borrower shall not: (i) declare or pay any dividends on, or make any other payments or distributions (whether by reduction of capital or otherwise) with respect to any of their respective issued and outstanding shares or other equity interests, or (ii) grant any loans; (i) the Borrower shall not sell any of their assets outside of the ordinary course of business without the prior written consent of the DIP Lender or the approval of the Court; (j) the Borrower shall ensure that their senior management team and advisors are available to meet and respond to enquiries and information requests from the Proposal Trustee and the DIP Lender and their advisors as may be reasonably required, and in any event no less frequently than once per week, and to provide them with updates as may be required by the DIP Lender or the Proposal Trustee; (k) the Borrower shall promptly pay all DIP Expenses (as defined below), including all legal and advisory fees and expenses, of the DIP Lender as such DIP Expenses are incurred and invoiced to the Borrower; (l) the Borrower shall pay the fees, if any, owing to the DIP Lender in connection with the DIP Loan (as set out herein or otherwise) promptly when such fees are due; (m) the Borrower shall update the Approved Cash Flows and provide a copy thereof to the DIP Lender and the Proposal together with a comparison to the prior version for the DIP Lender’s approval, it being

E150

DEBTOR-IN-POSSESSION FINANCING

October 21, 2024

E151

	<p>understood that such updated Approved Cash Flows, if approved, become the Approved Cash Flows for purposes hereof; and</p> <p>(n) the Borrower shall provide such other information that the DIP Lender may reasonably request in relation to the Proceedings, the Collateral, or the DIP Loan generally.</p>
<p>Security:</p>	<p>As continuing security (the “DIP Security”) for the prompt payment of all amounts payable by the Borrower to the DIP Lender under the DIP Term Sheet and as continuing security for the due and punctual performance by the Borrower of their existing and future obligations pursuant to the DIP Term Sheet, the Borrower hereby grants, conveys, assigns, transfers, mortgages and charges as and by way of a fixed and specific security interest, mortgage and charge, to and in favour of the DIP Lender, all of their property, assets, rights and undertakings, real and personal, moveable or immovable, tangible and intangible, intellectual property, legal or equitable, of whatsoever nature and kind, wherever located, both present and future, and now or hereinafter owned or acquired (collectively, the “Collateral”).</p> <p>The DIP Security shall be elevated by way of a Court-ordered super-priority charge (the “DIP Charge”) which the DIP Charge shall rank in priority on the Collateral in priority to any security interests, claims, or deemed trusts (statutory or otherwise) but subordinated to the Administration Charge, without any other formality or requirement, such as without limitation under the <i>Personal Property Security Act</i> (Ontario) or registrations in land registration office(s) or otherwise.</p>
<p>Events of Default:</p>	<p>Each of the following shall constitute an Event of Default</p> <p>(a) the Borrower defaults on the payment of any amount due and payable to the DIP Lender (whether of principal, interest or otherwise) pursuant to this DIP Term Sheet;</p> <p>(b) any representations and warranties made by the Borrower in the DIP Term Sheet proves to be incorrect as of the date given including more than a 15% negative deviation in the cash flow and financial forecast provided by the Borrower;</p> <p>(c) the Borrower fails or neglects to observe or perform any term, covenant, condition or obligation contained or referred to in the DIP Term Sheet or any other document between the Borrower and the DIP Lender;</p> <p>(d) the stay of proceedings expires without being extended or the Proceedings being dismissed or terminated or the Borrower becoming subject to a proceeding in bankruptcy or receivership or similar insolvency proceeding;</p> <p>(e) the entry of an order staying, amending, reversing, vacation or otherwise modifying or having a material adverse effect with respect to, in each case without the prior written consent of the DIP Lender, the DIP Loan, or the DIP Charge;</p> <p>(f) the Borrower undertakes any actions with respect to their assets, business operations and/or capital structure which would, in the sole determination of the DIP Lender, has a material adverse effect on the Borrower or the Collateral;</p> <p>(g) if the Borrower makes any payments of any kind not permitted by this DIP Term Sheet, or contemplated by the Approved Cash Flows;</p> <p>(h) the occurrence of any other event or circumstance that has, or could reasonably be expected to have, a material adverse effect on either of</p>

E151

DEBTOR-IN-POSSESSION FINANCING

October 21, 2024 **E152**

	<p>the Borrower or on the Collateral, including a material adverse change from the Approved Cash Flow budget as determined by the DIP Lender in its sole discretion; and</p> <p>(i) if there is a change in the ownership, control, existing senior operating management arrangements or governance of the Borrower that is not acceptable to the DIP Lender.</p> <p>Upon the occurrence of an Event of Default, without any notice, protest, demand or other act on the part of the DIP Lender, all indebtedness of the Borrower to the DIP Lender shall become immediately due and payable and the DIP Lender shall be able to take all steps necessary to enforce its security. The DIP Lender shall also have the right to exercise all other customary remedies, including, without limitation, the right to enforce and realize on any or all of the Collateral, in each case, upon providing two (2) days prior written notice to the Borrower and the Proposal Trustee, without the necessity of obtaining further relief or an order from the Court.</p>
<p>Fees and Expenses:</p>	<p>In addition to any principal and interest owing under the DIP Loan, the DIP Lender shall be entitled to recover all of its reasonable fees (including the Finance Fee), professional fees, expenses and out-of-pocket costs incurred, whether or not any of the transactions contemplated hereby are consummated and whether incurred prior to or after the date of the Closing Date, as well as all expenses of the DIP Lender in connection with the ongoing monitoring, interpretation, administration, protection an enforcement of the DIP Loan, and the enforcement of any and all of its remedies at law (collectively, the “DIP Expenses”).</p>
<p>Conditions Precedent, to first advance:</p>	<p>The conditions precedent to the DIP Loan, include but are not limited to:</p> <ul style="list-style-type: none"> (a) the Court approving the DIP Term Sheet; (b) the granting of the DIP Charge; (c) the Court approving a sale and investment solicitation process (“SISP”), in a form satisfactory to the DIP Lender, including the approval of the Stalking Horse Agreement as the “Stalking Horse Bid” in the SISP; (d) the DIP Lender shall have received and approved the Approved Cash Flows, and the Borrower shall be in material compliance with respect to same; and (e) the DIP Lender shall be satisfied that the Borrower has complied with and are continuing to comply in all material respects with all applicable laws, regulations and orders of the Court in the Proceedings; (f) no Event of Default shall have occurred or shall be reasonably expected to occur; and (g) the representations and warranties made by the Borrower in this DIP Term Sheet being true and correct as of the date given.
<p>Taxation:</p>	<p>All payments of principal, interest and fees will be made free and clear of all present and future taxes, levies, duties or other deductions of any nature whatsoever, levied either now or at any future time.</p>
<p>Governing Law and Forum</p>	<p>This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in such Ontario. The DIP Lender and Borrower hereby irrevocably submit to the exclusive</p>

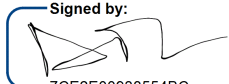
DEBTOR-IN-POSSESSION FINANCING

October 21, 2024 **E153**

	jurisdiction of the courts of the Province of Ontario with respect to all matters arising under or in connection with this DIP Term Sheet.
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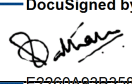
IN WITNESS HEREOF, the parties hereby execute this DIP Term Sheet as of the date first written above.

DATEC COATING CORPORATION

Signed by:
Per: 
7CE2E00038554BC...

Name: Dominic Talalla
Title: President

URECKA CANADA CORPORATION

DocuSigned by:
Per: 
E2200A93B9564BD...

Name: Prashant Pathak
Title: Director

**IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED AND**

Bankruptcy Court File No. BK-24-03137745-0032
Estate No. 32-3137745

**AND IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF DATEC COATING CORPORATION OF
THE CITY OF MISSISSAUGA IN THE PROVINCE OF ONTARIO**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced at *Toronto*

**AFFIDAVIT OF DOMINIC TALALLA
(sworn October 21, 2024)**

RECONSTRUCT LLP
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Tel: 416.304.6589

Lawyers for the Applicant

TAB 3

Bankruptcy Court File No. BK-24-03137745-0032
Estate File No. 32-3137745

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE)	WEDNESDAY, THE 23 RD
)	
JUSTICE BLACK)	DAY OF OCTOBER, 2024

**IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED**

**AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
DATEC COATING CORPORATION OF THE CITY OF MISSISSAUGA IN THE PROVINCE
OF ONTARIO**

**ORDER
(Approval of Stalking Horse SISP, DIP Facility, Administration Charge, and Stay
Extension)**

THIS MOTION, made by Datec Coating Corporation (the “**Company**”) pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c B-3, as amended (the “**BIA**”) for an order, among other things: (i) extending the time to file a proposal pursuant to s. 50.4(9) of the BIA up to and including December 18, 2024; (ii) approving the sale and investment solicitation process substantially in the form attached hereto as Schedule “A”; (iii) granting an Administration Charge (as defined herein); and (iv) approving the DIP Facility (as defined herein) and granting a DIP Lender’s Charge (as defined herein) on the Property (as defined herein) in favour of the DIP Lender, was heard on the 23rd day of October, 2024.

ON READING the affidavit of Dominic Talalla, sworn October 21, 2024 (the “**Talalla Affidavit**”), and the exhibits thereto, and the First Report of Dodick Landau Inc. in its capacity as proposal trustee of the Company (the “**Proposal Trustee**”).

ON HEARING the submissions of counsel for the Company, the Proposal Trustee, and such other counsel that were present, no one else appearing for any other person although duly

served:

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the materials filed, as set out in the Affidavit of Service of ● sworn October ●, 2024, is hereby deemed adequate notice so that this Motion is properly returnable today and hereby dispenses with further service thereof.

STAY OF PROCEEDINGS

2. **THIS COURT ORDERS** that pursuant to Section 50.4(9) of the BIA, the time for the Company to file a proposal with the official receiver be and is hereby extended to and including December 18, 2024 (the “**Stay Period**”).

APPROVAL OF SALE AND INVESTMENT SOLICITATION PROCESS

3. **THIS COURT ORDERS** that the terms of the Sale and Investment Solicitation Process (“**SISP**”) attached as **Schedule “A”** to this Order (the “**SISP Terms**”) are hereby approved.

4. **THIS COURT ORDERS** that the Company and Proposal Trustee are hereby authorized, empowered and directed to take any and all actions as may be necessary or desirable to implement and carry out the SISP in accordance with the SISP Terms and the terms of this Order.

5. **THIS COURT ORDERS** that the Company, the Proposal Trustee, and their respective affiliates, officers, directors, partners, employees, advisors, counsel and agents shall have no liability with respect to any and all losses, claims, damages or liability, of any nature or kind, to any person in connection with or as a result of performing their duties under the SISP, except to the extent such losses, claims, damages or liabilities result from the gross negligence or willful misconduct of the Company and the Proposal Trustee, as applicable, as determined by this Court.

6. **THIS COURT ORDERS** that the Proposal Trustee or the Company may apply to this Court for directions with respect to the SISP at any time during the term thereof.

7. **THIS COURT ORDERS** that, pursuant to section 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS), the Proposal Trustee and the Company are authorized and permitted to send, or cause or permit to be sent, commercial electronic

messages to an electronic address of prospective bidders or offerors and to their advisors, but only to the extent required to provide information with respect to the SISP in these proceedings.

8. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c. 5, the Company and the Proposal Trustee are authorized and permitted to disclose personal information of identifiable individuals (“**Personal Information**”) to prospective bidders or offerors and to their advisors, including human resources and payroll information, records pertaining to the Company’s past and current employees, and information on specific customers, but only to the extent desired or required to negotiate or attempt to complete a transaction under the SISP. Each prospective bidder or offeror to whom any Personal Information is disclosed shall maintain and protect the privacy of such Personal Information with security safeguards appropriate to the sensitivity of the Personal Information and as may otherwise be required by applicable federal or provincial legislation. Each prospective bidder or offeror to whom any Personal Information is disclosed shall also limit the use of such Personal Information to its participation in the SISP.

APPROVAL OF THE STALKING HORSE AGREEMENT

9. **THIS COURT ORDERS** that the Stalking Horse Asset Purchase Agreement between the Company and Urecka Canada Corporation (the “**Stalking Horse Agreement**”), which is attached as Exhibit “I” to the Talalla Affidavit, is hereby approved, including the break fee and expense reimbursement provisions set out therein, and the Company is hereby authorized and directed to execute the Stalking Horse Agreement for purposes of constituting the “stalking horse” bid in respect of the SISP. For the avoidance of doubt, nothing contained in this Order approves the sale or the vesting of the assets as contemplated in the Stalking Horse Agreement and it is understood that this Court’s approval of any transaction will be considered on a subsequent motion made to this Court in accordance with the SISP.

CONTINUATION OF SERVICES

10. **THIS COURT ORDERS** that during the Stay Period, all persons having oral or written agreements with the Company or statutory or regulatory mandates for the supply of goods and/or services are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Company, provided in each case that the normal prices or charges for such goods or services rendered after the date of this Order are paid by the Company in accordance with normal payment

practices of the Company or other practices as may be agreed upon by the supplier or service provider and each of the Company and the Proposal Trustee, or as may be ordered by this Court.

ADMINISTRATION CHARGE

11. **THIS COURT ORDERS** that the Proposal Trustee, counsel to Proposal Trustee and counsel to the Company shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Company as part of the costs of these proceedings. The Company is hereby authorized and directed to pay the accounts of the Proposal Trustee, counsel for the Proposal Trustee and counsel for the Company as such accounts are rendered. The Proposal Trustee and its counsel shall be authorized to immediately apply any such payments made by the Company to their fees and disbursements and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

12. **THIS COURT ORDERS** that, pursuant to Section 64.2 of the BIA, the Proposal Trustee, counsel to the Proposal Trustee, and the Company's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on all of the Company's current and future assets, undertakings and properties of every nature and kind whatsoever and wherever situate including all proceeds thereof (the "**Property**"), which charge shall not exceed an aggregate amount of \$75,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Proposal Trustee and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 19 and 21 hereof.

DIP FINANCING

13. **THIS COURT ORDERS** that the Company is hereby authorized and empowered to obtain and borrow under a credit facility (the "**DIP Facility**") from Urecka Canada Corporation or an affiliated entity (the "**DIP Lender**") to finance the Company's working capital requirements and its general corporate purposes, provided that borrowings under the DIP Facility shall not exceed \$125,000 unless permitted by further order of this Court.

14. **THIS COURT ORDERS** that the DIP Facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Company and the DIP Lender dated October 21, 2024 (the "**Commitment Letter**").

15. **THIS COURT ORDERS** that the Company is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the “**Definitive Documents**”), as contemplated by the Commitment Letter or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Company is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

16. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the “**DIP Lender’s Charge**”) on the Property, which DIP Lender’s Charge shall not secure an obligation that exists before this Order is made. The DIP Lender’s Charge shall have the priority set out in paragraphs 19 and 21 herein.

17. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender’s Charge or any of the Definitive Documents;
- b) upon the occurrence of an event of default under the Commitment Letter or the Definitive Documents, the DIP Lender, upon 5 days’ notice to the Company and the Proposal Trustee, may exercise any and all of its rights and remedies against the Company or the Property under or pursuant to the Commitment Letter, the Definitive Documents and the DIP Lender’s Charge, including without limitation, to cease making advances to the Company and set off and/or consolidate any amounts owing by the DIP Lender to the Company against the obligations of the Company to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender’s Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Company and for the appointment of a trustee in bankruptcy of the Company; and
- c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver or receiver and manager of the Company or the Property.

18. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any proposal filed by the Company under the BIA, with respect to any advances made under the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

19. **THIS COURT ORDERS** that the priorities of the Administration Charge and the DIP Lender's Charge (together, the "**Charges**"), as among them, shall be as follows:

- a) First – Administration Charge (to the maximum amount of \$75,000); and
- b) Second – DIP Lender's Charge (to the maximum principal amount of \$125,000).

20. **THIS COURT ORDERS** that the filing, registration, or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

21. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any individual, firm, corporation, governmental agency, or any other entities (each and any, a "**Person**").

22. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with the Charges, unless the Company obtains the prior written consent of the Proposal Trustee, the DIP Lender and the beneficiaries of the Charges, or further Order of this Court.

23. **THIS COURT ORDERS** that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (the "**Chargees**") shall not otherwise be limited or impaired in any way by: (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other

similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds the Company, and notwithstanding any provision to the contrary in any Agreement:

- a) the creation of the Charges shall not create or be deemed to constitute a breach by the Company of any Agreement to which it is a party;
- b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
- c) the payments made by the Company pursuant to this Order, and the granting of the Administration Charge, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

24. **THIS COURT ORDERS** that the Charges created by this Order over leases of real property in Canada shall only be a charge in the Company’s interests in such real property leases.

GENERAL

25. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada and as against all Persons against whom it may otherwise be enforced.

26. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or in any other foreign jurisdiction to give effect to this Order and to assist the Company, the Proposal Trustee and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Company and the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to recognize and give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist the Company, the Proposal Trustee and their respective agents in carrying out the terms of this Order.

27. **THIS COURT ORDERS** that each of the Company and the Proposal Trustee be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or

administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

28. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Time on the date of this Order.

Schedule "A"

Sale Process

Sale and Investment Solicitation Process for Datec Coating Corporation

1. On October 4, 2024, Datec Coating Corporation (the “**Company**”) filed a Notice of Intention to make a proposal (the “**NOI**”) under the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the “**BIA**”). Dodick Landau Inc. was appointed as proposal trustee of the Company (the “**Proposal Trustee**”).
2. On October 23, 2024, the Court granted an order (the “**SISP Approval Order**”) that, among other things, authorizes the Company to implement a sale, refinancing and investment solicitation process (“**SISP**”) in accordance with the terms hereof. Capitalized terms that are not otherwise defined herein have the meanings ascribed to them in the SISP Approval Order.
3. This SISP sets out the manner in which: (a) binding bids for a sale or other strategic investment or transaction (a “**Transaction**”) involving the business, assets and/or equity of the Company (the “**Opportunity**”), will be solicited from interested parties; (b) any such bids received will be addressed; (c) any Successful Bid (as defined below) will be selected; and (d) Court approval of a Successful Bid will be sought.
4. The Company has received a Transaction bid from Urecka Canada Corporation (the “**Stalking Horse Bidder**”) pursuant to a purchase agreement in substantially the form attached to the Affidavit of Dominic Talalla dated October 21, 2024 (the “**Stalking Horse Agreement**”) which constitutes a Qualified Bid for all purposes and at all times under this SISP (the “**Stalking Horse Bid**”). The Stalking Horse Bid shall serve as the “stalking horse” bid for the purposes of the SISP.
5. Notwithstanding the receipt of the Stalking Horse Bid, all interested parties are encouraged to submit bids for a Transaction pursuant to this SISP.
6. The SISP shall be conducted by the Proposal Trustee in consultation with the Company.

Commencement of the Sale Process

7. The Proposal Trustee, will:
 - (a) disseminate marketing materials and a copy of the SISP to potentially interested parties identified by the Company and the Proposal Trustee, or any other interested party who contacts the Company or the Proposal Trustee;
 - (b) arrange for notice of the SISP (and such other relevant information as the Proposal Trustee considers appropriate) (the “**Notice**”) to be published in *Insolvency Insider* and other such newspaper(s), publication(s) or journal(s) as the Proposal Trustee may consider appropriate;
 - (c) solicit interest from interested parties with a view to such parties entering into non-disclosure agreements (each an “**NDA**”). Parties shall only obtain access to the virtual data room (the “**VDR**”) and be permitted to participate in the SISP if they execute an NDA, in form and substance satisfactory to the Company and the Proposal Trustee; provided that those parties that have already executed an NDA

with the Company shall not be required to execute a further NDA provided that such prior NDA has not expired or will not expire during the SISP;

- (d) provide interested parties who have executed an NDA with access to the VDR containing diligence information in respect of the Opportunity; and
- (e) request that parties submit a binding offer that meets at least the requirements set forth in Section 9 below, as determined by the Proposal Trustee, in consultation with the Company (each a “**Qualified Bid**”), by the Qualified Bid Deadline (as defined below).

Key Milestones

- 8. The SISP shall be conducted subject to the terms hereof and the following key milestones, each of which can be extended by up to seven (7) days by the Proposal Trustee, in consultation with the Company, or for a longer period with the consent of the Stalking Horse Bidder or by Court order:
 - (a) the Court issues the SISP Approval Order approving the SISP by no later than October 23, 2024;
 - (b) the Proposal Trustee, with the assistance of the Company, commences the solicitation process by no later than October 31, 2024, it being understood that the Proposal Trustee, in consultation with the Company, shall be at liberty to provide marketing materials and commence discussions with interested parties prior to such date as it considers appropriate;
 - (c) deadline to submit a Qualified Bid – by no later than 5:00 p.m. (Toronto time) on December 2, 2024 (the “**Qualified Bid Deadline**”);
 - (d) date of the Auction (as defined below), if any – December 3, 2024;
 - (e) deadline to select a Qualified Bid as the Successful Bid (as defined below) if no Auction is required – by no later than 5:00 p.m. (Toronto time) on December 3, 2024;
 - (f) Approval Order (as defined below) hearing – by no later than December 13, 2024, subject to Court availability; and
 - (g) closing of the Successful Bid – as soon thereafter as possible and, in any event, by no later than December 27, 2024 (the “**Outside Date**”).

Qualified Bid Requirements

- 9. In order to constitute a Qualified Bid, a bid must comply with the following:
 - (a) it provides for cash consideration sufficient to pay in full on closing of the Transaction: (i) a minimum incremental amount of \$20,000 in excess of the aggregate purchase price contemplated by the Stalking Horse Agreement; and (ii) a break fee in the amount of \$10,000 (the “**Consideration Value**”);

- (b) it includes an executed binding Transaction document(s) (a “**Definitive Agreement**”), including all exhibits and schedules contemplated thereby, together with a blackline against the Stalking Horse Agreement (which shall be posted by the Company in Word format in the VDR), describing the terms and conditions of the proposed Transaction, including any liabilities proposed to be assumed, the Consideration Value, the structure and financing of the proposed Transaction, and any regulatory or other third-party approvals required;
- (c) it contains the legal name and identity (including jurisdiction of existence) and contact information of the bidder, full disclosure of its direct and indirect principals, and the name(s) of its controlling equity holder(s);
- (d) it discloses any past or current connections or agreements with the Company, any known, potential, prospective bidder participating in the SISP, or any current or former officer, manager, director, member or known current or former equity security holder of any of the Company;
- (e) it includes or is accompanied by evidence satisfactory to the Company and Proposal Trustee of the financial ability of the bidder to consummate the Transaction;
- (f) it includes full details of the bidder’s intended treatment of the Company’s stakeholders under or in connection with the proposed bid, including the Company’s secured creditors, unsecured creditors, employees, customers, suppliers, contractual counterparties and equity holders;
- (g) it is binding and irrevocable until the earlier of (i) the approval of the Successful Bid by the Court, and (ii) thirty (30) calendar days following the Qualified Bid Deadline, provided that if such bid is selected as a Successful Bid, it shall remain irrevocable until the closing of the Transaction contemplated by the Successful Bid;
- (h) it is not conditional upon any condition or contingency relating to due diligence, financing or an other material conditions precedent to the bidder’s obligation to complete the transaction;
- (i) it does not include any request for or entitlement to any break fee, expense reimbursement, or similar type of payment;
- (j) it includes an acknowledgment and representation that the bidder: (i) has had an opportunity to conduct any and all required due diligence prior to making its bid, and has relied solely upon its own independent review, investigation and inspection in making its bid; (ii) is not relying upon any written or oral statements, representations, promises, warranties, conditions, or guaranties whatsoever, whether express or implied (by operation of law or otherwise), made by any person or party, including the Company, the Proposal Trustee, and their respective employees, officers, directors, agents, advisors (including legal counsel) and other representatives, regarding the proposed Transaction, this SISP, or any information (or the completeness of any information) provided in connection therewith, except as expressly stated in the proposed Transaction documents; (iii) is making its bid on an “as is, where is” basis and without surviving representations or warranties of

any kind, nature, or description by the Company, the Proposal Trustee, or any of their respective employees, officers, directors, agents, advisors and other representatives, except to the extent set forth in the proposed Transaction documents; (iv) is bound by this SISP and the SISP Approval Order; and (v) is subject to the exclusive jurisdiction of the Court with respect to any disputes or other controversies arising under or in connection with the SISP or its bid;

- (k) it is accompanied by a cash deposit (the “**Deposit**”) by wire transfer of immediately available funds in an amount equal to at least 10% of the Consideration Value, which Deposit shall be retained by the Proposal Trustee in a non-interest-bearing trust account in accordance with the terms hereof;
- (l) it includes a statement that the bidder will bear its own costs and expenses (including all legal and advisor fees) in connection with the proposed Transaction;
- (m) it contemplates closing of the Transaction by not later than the Outside Date;
- (n) it includes such other information as may be reasonably requested by the Company or Proposal Trustee; and
- (o) it is received by the Proposal Trustee, with a copy to the Company, by the Qualified Bid Deadline at the email addresses specified on Schedule “A” hereto.

Assessment of the Bids and Selection of the Successful Bid

10. Following the Bid Deadline, the Proposal Trustee shall assess the bids received and determine whether such bids constitute a Qualified Bid (the “**Qualified Bidder**”). The Proposal Trustee may waive compliance with any one or more of the requirements specified in Section 9 above and deem a non-compliant bid to be a Qualified Bid.
11. Following the receipt of any bid, the Proposal Trustee may seek clarification with respect to any of the terms or conditions of such bid and/or request one or more amendments to such bid prior to determining if such bid should be considered a Qualified Bid. Each Qualified Bidder shall comply with all reasonable requests for additional information by the Proposal Trustee regarding the Qualified Bidder or the Qualified Bid. Failure of a Qualified Bidder to comply with such requests for additional information will be a basis for the Proposal Trustee to reject a Qualified Bid.
12. In the event that the Proposal Trustee, in consultation with the Company, determines that there are no Qualified Bids, the Proposal Trustee shall promptly proceed to declare the Stalking Horse Bid as the Successful Bid (as such term is defined below).
13. If the Proposal Trustee receives one or more Qualified Bids which are superior to the Stalking Horse Bid based on the Consideration Factors, it shall proceed with an auction (“**Auction**”) to select the highest or otherwise best bid in the SISP (the “**Successful Bid**” and the bidder making such bid, the “**Successful Bidder**”), and the Stalking Horse Bidder and each Qualified Bidder that submitted a Qualified Bid will be invited to attend the Auction. Each bidder invited to participate in the Auction will be deemed an “**Auction Bidder**”.

14. If an Auction is conducted, it shall be conducted in accordance with the following procedures:
- (a) The Auction shall be conducted at a time and date to be designated by the Proposal Trustee by electronic communication means (including videoconference, teleconference or such other reasonable means as the Proposal Trustee deems appropriate);
 - (b) The identity of each Auction Bidder participating in the Auction will be disclosed, on a confidential basis, to each other Auction Bidder;
 - (c) Except as otherwise permitted in the Proposal Trustee's discretion, only the Proposal Trustee, the Company and the Auction Bidders, and in each case their respective professional advisors, shall be entitled to attend the Auction. Each Auction Bidder shall appear at the Auction through a duly authorized representative that shall be designated by the Auction Bidder as its spokesperson;
 - (d) Except as otherwise set forth herein, the Proposal Trustee may waive and/or employ and announce at the Auction additional procedures that the Proposal Trustee deems reasonable under the circumstances for conducting the Auction, provided that such procedures are (i) not inconsistent with this SISP, the Stalking Horse Agreement or any order of the Court granted in the within proceedings, (ii) disclosed to each Auction Bidder, and (iii) designed, in the Proposal Trustee's judgement, to result in the solicitation of the highest and best offer;
 - (e) Not less than one (1) business day prior to the Auction, the Proposal Trustee shall:
 - (i) identify the highest or otherwise best Qualified Bid received, which shall constitute the opening bid for purposes of the Auction (the "**Opening Bid**"), and (ii) provide the Definitive Agreement in respect of the Opening Bid to all Auction Bidders, on a confidential basis. Subsequent bidding at the Auction will continue in minimum increments of \$25,000. Each Auction Bidder shall, if requested by the Proposal Trustee, provide evidence of its financial wherewithal and ability to consummate the Transaction at the increased consideration bid at the Auction;
 - (f) Each Auction Bidder shall be given a reasonable opportunity to submit an overbid at the Auction to any then-existing overbids; and
 - (g) The Auction shall continue until the bidding has concluded and there is one remaining Auction Bidder that the Proposal Trustee has determined has submitted the highest or otherwise best bid of the Auction. At such time, the Auction shall be closed and the Auction Bidder that submitted the highest or otherwise best bid shall be designated by the Proposal Trustee as the Successful Bidder.

Finalizing the Successful Bid and the Approval Order

15. Following selection of the Successful Bid, if any, the Proposal Trustee, with the assistance of its advisors, and in consultation with the Company, shall seek to finalize any remaining necessary definitive agreement(s) with respect to the Successful Bid in accordance with the milestones set out in Section 8. Once the necessary definitive agreement(s) with respect to a Successful Bid have been finalized, as determined by the Company in consultation with the Proposal Trustee, the Company shall apply to the Court, on notice

to the service list, for an order or orders approving such Successful Bid and/or the mechanics to authorize the Company to complete the Transaction contemplated thereby, as applicable, and authorizing the Company to: (a) enter into any and all necessary agreements and related documentation with respect to the Successful Bid; (b) undertake such other actions as may be necessary to give effect to such Successful Bid; and (c) implement the Transaction contemplated in such Successful Bid (each, an “**Approval Order**”).

Treatment of Deposits

16. If a Successful Bid is selected and an Approval Order authorizing the consummation of the Transaction contemplated thereunder is granted by the Court, any Deposit paid in connection with such Successful Bid will be non-refundable and shall, upon closing of the Transaction contemplated by such Successful Bid, be applied to the cash consideration to be paid in connection with such Successful Bid or be dealt with as otherwise set out in the Definitive Agreement entered into in connection with such Successful Bid. Any Deposit delivered with a Qualified Bid that is not selected as a Successful Bid will be returned to the applicable bidder by the Proposal Trustee as soon as reasonably practicable (but not later than ten (10) business days) after the date upon which the Successful Bid is approved pursuant to an Approval Order or such earlier date as may be determined by the Proposal Trustee.

General

17. The Proposal Trustee, shall be permitted, in its discretion, to provide general updates and information in respect of the SISP to any other creditor (each a “**Creditor**”) and its legal and financial advisors, if applicable, on a confidential basis, upon: (a) the irrevocable confirmation in writing from such Creditor that it will not submit any bid in the SISP; and (b) such Creditor executing a confidentiality agreement or undertaking with the Company in form and substance satisfactory to the Company and the Proposal Trustee.
18. Subject to the SISP Approval Order or any other order of the Court, the Proposal Trustee, in consultation with the Company, shall have the right to adopt such other rules for, or extend any deadlines in, the SISP that, in its sole discretion, will better promote the goals of the SISP, provided that if such modification or amendment materially deviates from this SISP, such modification or amendment may only be made with the written consent of the Company or by order of the Court.
19. Unless otherwise set out herein, participants and prospective participants in this SISP shall not be permitted to receive any information that is not generally available to all participants relating to the number or identity of Qualified Bidders or the details of any confidential discussions or correspondence between the Proposal Trustee and Qualified Bidders in connection with this SISP.
20. The Proposal Trustee may, with the consent of the applicable participants, disclose such information to other bidders for the purpose of seeking to combine separate bids.
21. At any time during this SISP, the Company or the Proposal Trustee may apply to the Court for advice and directions regarding the implementation and completion of this SISP.

SCHEDULE "A": E-MAIL ADDRESSES FOR DELIVERY OF BIDS

To counsel for the Company:

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and with a copy to the Proposal Trustee and his Counsel:

rahn.dodick@dodick.ca; pcho@weirfoulds.com

IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED AND

Bankruptcy Court File No. BK-24-03137745-0032
Estate No. 32-3137745

E172

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF DATEC COATING CORPORATION OF THE CITY OF
MISSISSAUGA IN THE PROVINCE OF ONTARIO

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced at *Toronto*

**ORDER
(Approval of Stalking Horse SISP, Administration Charge,
DIP Facility, and Stay Extension)**

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IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, RSC
1985, c B-3, AS AMENDED

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF DATEC COATING CORPORATION OF THE CITY OF MISSISSAUGA IN
THE PROVINCE OF ONTARIO

Court File No. BK-24-0313774-~~0032~~^{E173}
Estate No. 32-3137745

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced at Toronto

MOTION RECORD OF THE APPLICANT
(Returnable October 23, 2024)

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