

COURT FILE NUMBER 1703-12765

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE EDMONTON

PLAINTIFF SERVUS CREDIT UNION

DEFENDANTS CRELOGIX ACCEPTANCE CORPORATION, CRELOGIX  
PORTFOLIO SERVICES CORP., CRELOGIX CREDIT GROUP  
INC., KARL SIGERIST, NICHOLAS CARTER, MIKE MCKAY  
AND MICHAEL MILLS

DOCUMENT **THIRD REPORT OF THE RECEIVER**

**OCTOBER 24, 2017**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

**RECEIVER**  
ALVAREZ & MARSAL CANADA INC.  
Bow Valley Square IV  
Suite 1110, 250 – 6<sup>th</sup> Avenue SW  
Calgary, Alberta T2P 3H7  
Attention: Jill Strueby/Tim Reid  
Telephone: (403) 538-7529 / (403) 538-4756  
Email: [jstrueby@alvarezandmarsal.com](mailto:jstrueby@alvarezandmarsal.com)  
[treid@alvarezandmarsal.com](mailto:treid@alvarezandmarsal.com)

**COUNSEL**  
Parlee McLaws LLP  
1700 Enbridge Centre  
10175-101 Street NW  
Edmonton, Alberta T5J 0H3  
Attention: Jeremy Hockin, QC  
Telephone: (780) 423-8532  
Fax: (780) 423-2870  
Email: [jhockin@parlee.com](mailto:jhockin@parlee.com)  
File: 73150-2

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## INTRODUCTION

1. Effective July 6, 2017 (the “Receivership Date”), pursuant to an order of the Court of Queen’s Bench of Alberta (the “Court”) granted in Action No. 1703-12765 (the “Consent Receivership Order”), Alvarez & Marsal Canada Inc. was appointed receiver and manager (the “Receiver”), without security, of all of the current and future assets, undertakings and properties of every nature and kind whatsoever, including but not limited to trust property and wherever situate including all proceeds thereof (the “Property”) of Crelogix Acceptance Corporation (“CAC”), Crelogix Portfolio Services Corp. (“CPS”) and Crelogix Credit Group Inc. (“CCG”) (together, the “Company” or “Crelogix”) pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c. B-3, as amended (the “BIA”) and sections 13(2) of the *Judicature Act*, RSA 2000, c. J-2, 99(a) of the *Business Corporations Act*, RSA 2000, c. B-9 and 65(7) of the *Personal Property Security Act*, RSA 2000, c. P-7 in the within action (the “Receivership Proceedings”).
2. The Receivership Order empowers and authorizes, but does not obligate, the Receiver to, among other things, manage, operate and carry on the business of the Company and to take possession and control of its Property and of any and all proceeds, receipts and disbursements arising out of or from the Property, and to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business subject to Court approval as necessary.
3. The purpose of this third report of the Receiver (the “Third Report” or “this Report”) is to provide this Honourable Court with information in respect of the following:
  - a) the activities, generally, of the Receiver since the Second Report;
  - b) the Receiver’s agreement to dispose of substantially all of the Company’s Property, subject to approval of the Court and the granting of a vesting order;

- c) the actual cash flow results for the period from July 6, 2017 to September 30, 2017 (the “Reporting Period”);
  - d) the proposed distribution of Trust Funds (the “Proposed Second Interim Distribution”);
  - e) status of the priority of certain loans made to consumers prior to the receivership that were not funded to the Merchant;
  - f) the proposed allocation of costs to the various stakeholders; and
  - g) the Receiver’s recommendations.
4. Capitalized words or terms not defined or ascribed a meaning in this Report are as defined or ascribed a meaning in the Receivership Order or the previous two reports of the Receiver.
5. All references to dollars are in Canadian currency unless otherwise noted.

#### **TERMS OF REFERENCE**

6. Prior to the Receivership Date, Alvarez & Marsal Canada ULC (“A&M”) was engaged as a financial advisor to Servus Credit Union (“Servus”) and this engagement was consented to by the Respondents, except Nicholas Carter. The engagement commenced on September 2, 2016 and terminated immediately prior to the Receivership Date. In that role, A&M from time to time reviewed, assessed and reported to Servus on the operations and ongoing viability of the Company, including the strategic review process undertaken by the Company with the assistance of Raymond James (“RJ”), (the “Strategic Review Process”).
7. In preparing this Third Report, the Receiver has relied primarily upon information obtained prior to the Receivership Proceedings in its role as financial advisor, the representations of certain management and employees of the Company and financial and other information contained in the Company’s books and records.

The Receiver has not performed an audit, review or other verification of such information.

## **BACKGROUND AND OVERVIEW**

8. CAC and its sister company CPS are the main operating entities. A corporate organization chart is attached as Appendix A to the First Report.
9. The Company is a non-bank consumer financial services corporation. It provided a range of credit, insurance, and product protection solutions through customer programs ("Loan Agreements") it had established with a diverse group of retailers, wholesalers, manufacturers and franchisors (collectively referred to as the "Merchants"). As advised in previous reports the loan origination portion of the business was not continued by the Receiver.
10. Crelogix also, through CPS administers the collection of the indebtedness due on the Loan Agreements on behalf of the Funders in consideration of a monthly administration fee of \$5.00 a loan ("Administration Fee or Servicing Fee"). The Receiver has continued the administration of the Loan Agreements.
11. Further background to the Company and its financial circumstances is contained in the First Report, Second Report and the materials filed in support of and relating to the Receivership Order. These documents and other relevant information have been posted by the Receiver on its website at: [www.alvarezandmarsal.com/crelogix](http://www.alvarezandmarsal.com/crelogix) (the "Receiver's Website").

## **ACTIVITIES OF THE RECEIVER**

12. Since the Second Report, the Receiver's activities have included the following, but are not limited to:
  - a) attending weekly at the Burnaby office to supervise operations and former Crelogix staff engaged by the Receiver and addressing various matters that arise as a result of the Receivership, particularly to

address the administration of the Legacy Portfolio and collection and reconciliation of loan payments;

- b) following up on unsolicited calls from parties expressing interest in acquiring the Property of Crelogix;
- c) finalizing employee claims under the *Wage Earner Protection Program Act* (“WEPPA”) and completion of the statutory filings including T4’s and record of employments;
- d) attending various calls and meetings with the Funders and secured creditors concerning operational and financial updates of the Company and other matters involving the Receivership Proceedings, generally;
- e) retaining and providing instructions to the Receiver’s independent legal counsel, Parlee McLaws LLP (“Parlee”) & Borden Ladner Gervais (“BLG”), in respect of the Receivership Proceedings, generally;
- f) continuing the review and investigation of 440 unfunded Loan Agreements (“Unfunded Loan Agreements”) made just prior to the Receivership to determine whether Crelogix has any right to continue to collect payments from Unfunded Loan Agreements;
- g) continued analysis of trust account sub-ledgers and reconciliation of amounts due to each Funder, reporting thereon and distributing funds to the Funders;
- h) ongoing discussions with Funders, research and analysis to provide for an orderly sale or transition of the Legacy Portfolio;
- i) undertaking day to day management of operations of the Company, including employee supervision and monitoring cash flow to ensure

timely payment of trade creditors for services rendered and approved by the Receiver;

- j) attending the Montreal office to manage the moving of furniture and equipment, sell the office assets, and complete the closure of the office;
- k) attending to negotiations and preparation of agreements for the sale of the property of Crelogix; and
- l) attending to calls and emails from various creditors (or their representatives), legal counsel to the Receiver, interested parties, and other stakeholders regarding the Receivership Proceedings, generally.

13. CPS was not in compliance with all of the regulatory requirements particularly relating to providing periodic financial information. The Receiver continues to review the licensing to the extent possible to maintain proper regulatory approvals.

## **FUNDING AGREEMENTS AND FUNDS IN TRUST**

### **Overview of Funding and Securitization Process**

14. An overview of the funding and securitization process is set out in the previous two (2) reports of the Receiver. In summary, Crelogix had agreements with five (5) separate credit unions to purchase Loan Agreements (“Funding Agreements”) that Crelogix would originate with consumers across Canada. The amounts outstanding to the Funders and the related amount receivable from the Loan Agreements at June 30, 2017 aggregated \$234 million and \$192 million respectively.

### **Amounts in trust for Funders for May through September 2017 Collections**

15. At the time of the Receivership the Company had not made the monthly remittances to the Funders for May and June 2017 Loan Agreement Collections

and those funds were recovered by the Receiver and with Court approval distributed to the Funders.

16. Since the Receivership Date the Receiver has continued to fulfill the servicing obligations for the Funders. The Receiver has collected and with Court approval distributed July 2017 Loan Agreement Collections to the Funders. The Receiver continues to administer and collect loan payments and now holds in its trust accounts the loan payments for August and September, 2017 as well as loan payments received to date for October, 2017.

#### **Reconciliation of Loan Agreement Receipts**

17. The Receiver has now completed the reconciliation of the consumer loan payment receipts for August and September, 2017 and the amount collected and payable to each Funder versus the contractual payment and a continuity of the Trust accounts to August 31 and September 30 is as follows:

<b>Crelogix Acceptance Corp. Funder Payable Reconciliation for the Month ending August 31, 2017</b>				
	Consumer amount collected	Less \$5 Administration Fee per Loan	Trust Funds Available per Funder	Contractual Amount Payable per Funder
Beaumont Credit Union	69,230	1,790	67,440	89,135
Bow Valley Credit Union	106,902	3,075	103,827	106,630
Connect First/Chinook Credit Union	1,075,444	16,050	1,059,394	1,166,661
Prospera Credit Union	4,247,020	81,985	4,165,035	4,794,748
Servus/Community Credit Union	370,709	10,500	360,209	377,553
	<b>\$ 5,869,306</b>	<b>\$ 113,400</b>	<b>\$ 5,755,906</b>	<b>\$ 6,534,726</b>
Amounts in trust at July 31, 2017	21,333,044			
Amounts paid	(246,538)			
Other amounts in trust	58,908			
<b>Total in Trust on August 31, 2017</b>	<b>\$ 27,014,720</b>			



Crelogix Acceptance Corp. Funder Payable Reconciliation for the Month ending September 30, 2017				
	Consumer amount collected	Less \$5 Administration Fee per Loan	Trust Funds Available per Funder	Contractual Amount Payable per Funder
Beaumont Credit Union	87,463	1,725	85,738	97,288
Bow Valley Credit Union	123,634	3,035	120,599	139,518
Connect First/Chinook Credit Union	827,878	15,710	812,168	973,549
Prospera Credit Union	3,999,286	80,855	3,918,431	4,266,749
Servus/Community Credit Union	411,990	10,190	401,800	437,984
	<b>\$ 5,450,251</b>	<b>\$ 111,515</b>	<b>\$ 5,338,736</b>	<b>\$ 5,915,088</b>
Amounts in trust at August 31, 2017	27,014,720			
Paid to funders	(20,441,356)			
Servicing fees paid	(234,222)			
Other amounts paid	(86,789)			
Other amounts in trust	116,402			
Total in Trust on September 30, 2017	<b>\$ 11,819,005</b>			

#### STATUS OF UNFUNDED PRERECEIVERSHIP LOAN ORIGINATIONS

18. As discussed in the previous reports of the Receiver there are a number of unfunded Loan Agreements (referred to as Contract 1's) aggregating \$1.6 million for which the Receiver is of the view that Crelogix had acquired rights ("Unfunded Loan Agreements"). Therefore Crelogix, by its Receiver has continued to collect the loan payments until it could be further investigated.
19. An updated analysis and breakdown of the Unfunded Contract 1's by province is as follows:

Crelogix Acceptance Corp. Unfunded Contract 1's by Province as at October 10, 2017									
Province	Original # of Loans	# of Closed Accounts	# of Loans to Collect	Original Loan Amount	Less Closed Accounts	Amount to Collect	Payments Received	# of Delinquencies	Amount of Delinquencies
Alberta	44	3	41	\$485,397	(\$45,802)	\$439,595	\$40,083	1	\$ 172
British Columbia	17	9	8	\$162,683	(\$56,065)	\$106,618	\$5,418	1	\$ 233
Manitoba	4		4	\$29,891		\$29,891	\$1,518		\$ -
New Brunswick	6	1	5	\$25,832	(\$3,750)	\$22,082	\$4,412	1	\$ 188
Newfoundland	2	1	1	\$13,982	(\$9,082)	\$4,900	\$365		\$ -
Nova Scotia	3	1	2	\$26,612	(\$4,886)	\$21,726	\$981		\$ -
Ontario	39	4	35	\$310,648	(\$53,385)	\$257,263	\$14,954	11	\$ 4,488
Quebec	59	5	54	\$709,552	(\$57,846)	\$651,706	\$68,775	16	\$ 5,186
Saskatchewan	7		7	\$38,841		\$38,841	\$3,477		\$ -
Total	181	24	157	\$1,803,438	\$ (230,816)	\$ 1,572,621	\$139,983	30	\$ 10,267

20. Contract 1 Merchants have been advised that Crelogix acquired rights in the Loan Agreement and therefore will expect the consumer to honor the Loan Agreement and make the required monthly payments to Crelogix. Crelogix has begun to take monthly payments using the PAP provided. The Merchants have also been advised that due to the intervening Receivership they are unsecured creditors in the proceedings and they should not interfere with the Loan Agreement. A number of Merchants have contested that position and it may be that the Quebec Civil Code provides some additional rights to Merchants and consumers. Accordingly, the collections are being held in trust until a determination is made on the entitlement to these collections.
21. Recently, Quebec counsel acting for a number of consumers and Merchants filed an application in the Quebec courts seeking to have the Quebec Court determine the matter with respect to a number of the Quebec Contract 1's. We have advised the Quebec counsel that we object to the application being brought in Quebec and that the Alberta Court is the appropriate jurisdiction to determine the matter for all Contract 1's. It was agreed that the Contract 1 issue would be adjourned sine die in both Quebec and Alberta to allow the parties to see if an agreement on jurisdiction can be reached.

## **MARKETING AND SALE OF CRELOGIX AND ITS PROPERTY**

### **The Receivership Marketing Efforts**

22. As discussed in the Second Report, the Receiver was working closely with the major Funders to ensure continuity of the Legacy Portfolio and a means to sell or transition that to a third party to administer the Legacy Portfolio. One Funder had submitted a proposal to the Receiver to purchase the Property including taking over the administration of the Legacy Portfolio and the Receiver was negotiating an agreement with that Funder.
23. An agreement with that Funder, Prospera Credit Union, has now been substantially agreed to subject to approval of the Court. A draft copy of the Asset

Purchase Agreement (“APA”) is attached as Appendix A. An executed copy in substantially the same form will be provided to the Court prior to an application for its approval. The purchase price is \$500,000 and is for substantially all of the assets of Crelogix.

#### **Considerations to Accepting and Executing the APA**

24. The Receiver considered the following when evaluating and excepting accepting the APA:

- a) the Receiver was authorized to market and sell the Company’s Property pursuant to section 3(k) and 3(l) of the Receivership Order;
- b) the collective Property was adequately exposed to the market by Raymond James prior to the Receivership and although non binding bids were received, Crelogix was unable to close on any of the bids;
- c) as discussed in the previous reports of the Receiver, the Receiver did not undertake a solicitation process due to the extensive process undertaken by Raymond James. The Receiver did however contact two of the parties that submitted proposals. Those parties submitted letters of intent (“LOI’s) to the Receiver, but the Receiver was unable to satisfy conditions in the LOI’s as they were not in control of the Receiver to do so;
- d) the purchase price in the LOI’s were not materially different then the APA purchase price;
- e) the Receiver did not have the authority to sell the loan administration business without the consent of the Funders and that could not be obtained;
- f) the fact that the APA is unconditional and is on an “as is where is” basis with minimal representations and warranties from the Receiver;

- g) the short time frame for closing the transaction if approved by the Court;
- h) the overall execution risk associated with closing; and
- i) the overall recovery to the stakeholders.

### **Receiver's Analysis and Recommendations**

25. The Receiver believes that approval of the APA is in the best interest of all stakeholders for the following reasons:

- a) There was an extensive broad marketing process for the assets conducted by Raymond James, an experienced marketing consultant, to a large number of prospective purchasers over a reasonable timeframe;
- b) Servus is the fulcrum creditor in these proceedings and are supportive of the transaction;
- c) The APA was negotiated between parties at arm's length and in good faith, and is commercially reasonable under the circumstances; and
- d) The Receiver is satisfied that the APA represents the highest and best unconditional offer received, with a sizeable non-refundable deposit, and was an offer with the least amount of closing risk, in the circumstances.

26. The Receiver notes that the APA is not subject to any material conditions other than approval by this Court. As a result, should the Court approve the APA, the Receiver believes that the APA is considered the highest and best offer and it is in the best interest of its stakeholders to complete a sale. The Receiver considers the closing risk associated with the APA to be minimal. There was no other unconditional offer received by the Company or Receiver that was "better" or "higher".

## RECEIPTS AND DISBURSMENTS – JULY 6, 2017 TO SEPTEMBER 30, 2017

27. The following is a statement of the Receiver's consolidated receipts and disbursements of the Company from the Receiver's operating trust account:

<b>Crelogix Acceptance Corp.</b>	
<b>Statement of Receipts and Disbursements</b>	
<b>For The Period from July 6, 2017 to September 30, 2017</b>	
	<b>Total</b>
<b>Receipts</b>	
Receiver's borrowings	\$ 1,000,000
Servicing fees	471,025
Interest received	43,900
Other receipts	250
<b>Total Receipts</b>	<b>1,515,175</b>
<b>Disbursements</b>	
Lease for offices	84,400
Utilities and services	34,738
Software	52,834
Insurance	14,397
Pre Receivership employee arrears	103,932
Pre Receivership employee benefits	21,893
Salaries and wages	275,666
Employee benefits	20,080
Bank charges	8,158
Pre Receivership professional fees and costs	17,850
Professional fees and costs	
Receiver (A&M)	413,074
Receiver disbursements (A&M)	41,825
Receiver's counsel	68,498
Net GST paid	37,975
<b>Total Disbursements</b>	<b>\$ 1,195,320</b>
<b>Net Cash Flow</b>	<b>\$ 319,854</b>
<b>Cash Position</b>	
Opening Cash Position	-
<b>Change in cash flow</b>	<b>319,854</b>
<b>Closing Cash Position</b>	<b>\$ 319,854</b>

28. The Receiver is authorized to borrow \$2.0 million pursuant to the Receivership Order and has initially borrowed \$1.0 million to fund ongoing operations as noted in the above table including:
- a) Service fees collected from the trust accounts for the months of May through August 2017;
  - b) Certain agreed Pre-Receivership employee salary and benefit arrears;
  - c) Crelogix re-engaged employee salaries and costs and some retention payments are paid to September 30, 2017;
  - d) Professional fees and out of pocket of approximately \$523,397, of which approximately:
    - i. \$454,899 relates to the Receiver's fees and out of pocket costs. The Receiver's fees and costs have been paid up to and including August 31, 2017;
    - ii. \$68,498 relates to the Receiver's counsels' fees and costs of which have been paid up to and including August 31, 2017.
29. Total cash on hand held by the Receiver as at September 30, 2017 excluding trust funds is approximately \$319,854.
30. Total cash held in trust by the Receiver as at October 20, 2017 is approximately \$15.7 million.

#### **RECEIVER'S BORROWINGS, CHARGES AND ALLOCATION OF COSTS**

31. Pursuant to paragraph 20 of the Receivership Order, the Receiver has been empowered to borrow up to a cumulative amount of \$2,000,000 (or such greater amount as this Court may further Order). The same paragraph provides that Crelogix' Property shall be and is hereby charged by way of a fixed and specific charge (the "Crelogix Borrowings Charge") as security for the payment of the

monies borrowed, together with interest and charges, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, but subordinate in priority to the Receiver's Charge (as defined in the Receivership Order). Paragraph 17 provides a Receiver's Charge for its fees and disbursements and those of its counsel which forms a first charge in priority to all other charges and trust claims.

32. On July 6, 2017 the Receiver issued a Receiver's Certificate in the amount of \$1,000,000 to Servus to fund initial costs of the Receiver. A copy of the Receiver's Certificate is attached as Appendix B to the First Report. Pursuant to paragraph 20 of the Receivership order, the Receiver's Certificate No. 1 has a charge over the whole of Crelogix Property by way of a fixed and specific charge as security for the advance.
33. Other than the trust funds, there is not likely to be significant realizations to the estate. The Receiver has had discussion with the Funders and with Servus as the senior secured lender about allocation of the costs to each of the Funders. Although no agreement has been reached among the Funders, the majority believe that some allocation to each Funder is reasonable, but they have not been willing to commit to an amount or methodology until the costs are better known.
34. The Receiver has prepared an updated proposed allocation of the estimated costs and it is attached as Appendix B. The analysis provides an estimate of the costs and will have to be adjusted from time to time.
35. In summary, the Receiver proposes that the total Receivership costs be allocated to the Funders and to Servus, the senior secured lender as follows;
  - a) firstly, \$160,000 of professional fees has been allocated to Servus as an agreed estimate of professional time spent on asset recoveries in respect of the security interest of Servus;

- b) secondly, an amount of \$25,000 has been allocated to Beaumont and Bow Valley Credit unions to reflect that some costs are fixed and the allocation of costs should not be solely pro rata; and
- c) lastly, the remainder of costs pro rata based on the average of the amount and volume of loans and distributions to the parties of the amounts recovered during the receivership. A pro rata allocation is reasonable in the circumstances for the following reasons:
  - i. the Receiver was appointed for the benefit of all Funders and Servus to ensure that all Property, including trust property, was protected; to provide for an orderly continuity in the administration of the Legacy Portfolio and to deal with the assets in a fair process;
  - ii. activities of the Receiver in managing the affairs of Crelogix have been equally intensive and advantageous to all Funders and Servus;
  - iii. each of the Funders and Servus will continue to enjoy the direct benefit of the Receiver's activities; and
  - iv. a pro rata basis is the most uniform and readily determinable method of allocating costs amongst those parties benefiting from the Receivership.

#### **PROPOSED INTERIM DISTRIBUTION**

36. Pursuant to paragraph 12 of the Receivership Order, the monies collected during the Receivership Proceedings, shall be held by the Receiver to be paid or distributed in accordance with the terms of the Receivership Order or any order of this Court.



37. The Receiver was previously authorized by the Court to distribute collections received for May, June and July 2017 and has made those distributions to the Funders.
38. The Receiver has continued to collect loan payments and again has substantial funds held in trust for the benefit of the Funders and does not require all the funds for the ongoing administration of the estate. Accordingly, the Receiver recommends that it be allowed to distribute to the Funders the collections received for August and September 2017 (the "Second Interim Distribution") as estimated above, less the \$5.00 a loan administration fee per loan per month ("Service Fee") and an amount, to be determined at the Receiver's sole discretion, to be retained to cover the Receiver's Borrowings, potential claims and future costs of the administration of the estate. The Monthly Service fee for September will be distributed to the Receiver's general trust account for ongoing administration costs.
39. The Receiver also requests the Court grant it discretion to distribute to Crelogix, by its Receiver, Merchants and other parties any amounts due on Loan Agreements Crelogix has been servicing on their behalf and accumulating in the trust accounts.
40. Lastly, any Interim Distributions to be made by the Receiver can, at the Receiver's discretion be made on the basis that the funds may be clawed back in accordance with the Clawback Protocol Order in the event of an error or omission in the Second Interim Distribution made.

## **RECOMMENDATIONS**

41. The Receiver respectfully recommends that this Court approve:
- a) its activities since the Second Report;
  - b) the cost allocation;
  - c) the proposed Second Interim Distributions set out in paragraphs 38;

d) the APA and grant a Vesting Order;

All of which is respectfully submitted this 24<sup>th</sup> day of October, 2017.

**ALVAREZ & MARSAL CANADA INC.,  
in its capacity as Receiver of Crelogix and not in  
its personal or corporate capacity**

A handwritten signature in black ink, appearing to read 'Tim Reid', with a stylized flourish at the end.

Tim Reid, CPA, CA, CIRP, LIT  
Senior Vice President

## **APPENDIX A**

### **Asset Purchase Agreement**

## ASSET PURCHASE AGREEMENT

THIS AGREEMENT is made as of the 24<sup>th</sup> day of October, 2017 (the “**Execution Date**”),

BETWEEN:

**ALVAREZ & MARSAL CANADA INC.**, in its capacity as court-appointed receiver of all assets and undertaking of Crelogix Acceptance Corporation, Crelogix Credit Group Inc. and Crelogix Portfolio Services Corp., and having an office at Bow Valley Square 4, Suite 1110, 250 6<sup>th</sup> Avenue SW, Calgary, Alberta, T2P 3H7

(the “**Vendor**”)

AND:

**PROSPERA CREDIT UNION**, and having an office at 500 - 32017 South Fraser Way, Abbotsford, British Columbia V2T 1W3

(the “**Purchaser**”)

### BACKGROUND

- A. Crelogix Acceptance Corporation (“**CAC**”), Crelogix Credit Group Inc. (“**CCG**”) and Crelogix Portfolio Services Corp. (“**CPS**”) (collectively, the “**Crelogix Group**”) were engaged in the business of purchasing chattel paper and making loans to consumers, selling off to and administering loans on behalf of various Funders in Canada (the “**Business**”);
- B. Pursuant to an Order (the “**Receivership Order**”) of the Court of Queen’s Bench of Alberta (the “**Court**”) made on July 6, 2017, (the “**Receivership Action**”), the Court appointed the Vendor as the Receiver of all of the current and future assets, undertakings and properties of the Crelogix Group, with the power and authority to, among other things, sell the Purchased Assets (as defined below); and
- C. Subject to the issue of the Vesting Order (as defined below) and other terms and conditions of this Agreement, the Vendor wishes to sell, and the Purchaser wishes to purchase, all of the right, title, and interest of the Debtor (as defined below) in and to the Purchased Assets.

### TERMS OF AGREEMENT

In consideration of the premises and the covenants, agreements, representations, warranties and payments contained in this Agreement, the Parties agree with one another as follows:

## ARTICLE 1 DEFINITIONS

### 1.1 Definitions

In this agreement, the following terms have the following meanings:

- (a) **"Accounts Receivable"** means all accounts receivable, bills receivable, trade accounts, book debts and insurance claims directly or indirectly used in, arising from, or relating in any manner to the Business together with any unpaid interest accrued on such items;
- (b) **"Agreement"** means this asset purchase agreement, including all Schedules, as made as of the date first written above;
- (c) **"Ancillary Agreements"** means the Bill of Sale and Assignment, the Assignment and Assumption Agreement and any other agreement, document or instrument contemplated in this Agreement or that the Vendor or the Purchaser enter into in connection with the consummation of the transactions contemplated hereby.
- (d) **"Applicable Law"** means, in relation to any Person, property or circumstance, all laws, statutes, rules, regulations, official directors and orders of Governmental Authorities, including judgments, orders and decrees of courts, commissions or bodies exercising similar functions, as amended, and includes the provisions and conditions of any permit, licence or other governmental or regulatory authorization, that are in effect as at the relevant time and are applicable to such Person, property or circumstance;
- (e) **"Assignment and Assumption Agreement"** means an assignment and assumption agreement in form and substance satisfactory to the parties to this Agreement, acting reasonably, evidencing the assignment to and assumption by the Purchaser of all of the Assumed Obligations.
- (f) **"Assumed Obligations"** means all obligations and liabilities of the Crelogix Group under the Contracts that the Purchaser has agreed to assume as of the Closing Time;
- (g) **"Banking Facilities and Operating Accounts"** means the banking facilities and operating accounts listed in Schedule "G" hereto
- (h) **"Bill of Sale and Assignment"** means a bill of sale and assignment substantially in the form attached as Schedule "J";
- (i) **"Books and Records"** means all personnel records, inspection records and other records, books and accounting records, documents and databases relating to the Purchased Assets or operation of the Business as are in the possession or under the control of the Vendor;
- (j) **"Burnaby Lease"** means the lease for the Burnaby Premises between Crelogix Credit Group Inc. and Appia Developments (2001) Limited dated for reference the 11<sup>th</sup> day of March 2011;

- (k) **"Burnaby Premises"** means the office premises located at Suite #900, 4445 Lougheed Highway, Burnaby, BC;
- (l) **"Business"** has the meaning ascribed thereto in Recital A;
- (m) **"Business Day"** means any day other than a Saturday, a Sunday or any other statutory holiday in British Columbia;
- (n) **"Business Names"** means "Crelogix";
- (o) **"Capital Stock"** means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation and any and all ownership interests in a person (other than a corporation), including membership interests, limited liability company interests, partnership interests, joint venture interests and beneficial interests, and any and all warrants, options or other rights to purchase any of the foregoing;
- (p) **"Closing"** means the successful completion of the Transaction;
- (q) **"Closing Date"** means November , 2017, or as otherwise agreed upon in writing by the Vendor and the Purchaser, but in no event will the Closing Date be later than December 31, 2017.
- (r) **"Closing Time"** means 3:00 pm, Edmonton, Alberta, time on the Closing Date;
- (s) **"Confidential Information"** means any and all data and information, financial or otherwise, with respect to the Business disclosed by the Vendor, its representatives or agents, to the Purchaser other than data or information which was in the public domain prior to the date of receipt by the Purchaser;
- (t) **"Contracts"** means the agreements listed in Schedule "A" hereto;
- (u) **"Court"** has the meaning ascribed thereto in Recital B;
- (v) **"Dealer Reserve Book Debts"** means third party guarantees provided by the merchants in consideration of buying down the interest rate of customers;
- (w) **"Debtor"** means, collectively CAC, CPS and CCG;
- (x) **"Effective Time"** means 12 midnight on October 31, 2017;
- (y) **"Employees"** means the employees of the Crelogix Group or the Vendor employed in connection with the Business;
- (z) **"Encumbrance"** means any encumbrance or interest against or in the Purchased Assets of any kind whatsoever and includes, without limitation, a security interest, mortgage, lien, hypothec, pledge, assignment, charge, title retention agreement, option, trust or deemed trust (whether contractual, statutory or otherwise arising), licence and any

covenant or other agreement, restriction or limitation relating to the Purchased Assets or the transfer of the Purchased Assets to the Purchaser pursuant to this Agreement;

- (aa) **"Equipment"** means the machinery, equipment spare parts, tools, tool boxes, dies, computer hardware, furniture, fixtures and furnishings owned by the Debtor and used in the Business of the Debtor, listed and as described in Schedule "C".
- (bb) **"ETA"** means the *Excise Tax Act* (Canada);
- (cc) **"Excluded Assets"** has the meaning set forth in Section 2.2;
- (dd) **"Execution Date"** has the meaning set forth in the preamble.
- (ee) **"Fundors"** mean the following five credit unions who provided funding to CAC so as to enable it to purchase loan agreements from its merchant network: the Purchaser; Prospera Holding Ltd, Connect First, Bow Valley Credit Union, Beaumont Credit Union and Servus Credit Union.
- (ff) **"General Intangibles"** means all intangible assets now owned (or acquired by Vendor prior to the Closing Date), including all right, title and interest, if any, the Vendor has in or under any Contract, all payment intangibles, interest in business associations, licenses, Permits, approvals and authorizations which the Vendor holds for the Business from any Governmental Entity that relate to the Business, proprietary or confidential information, technical information, procedures, uncertificated securities, chequing and any other bank accounts, rights of the Crelogix Group to receive payments, rights to receive dividends, distributions, cash, instruments, investment property and rights of indemnification.
- (gg) **"Government Entity"** means any Canadian, foreign, domestic, federal, territorial, provincial, state, municipal or local governmental authority, quasi-governmental authority, instrumentality, court, government or self-regulatory organization, bureau, commission, tribunal or organization or any regulatory, administrative or other agency, or any political or other subdivision, department or branch of any of the foregoing having jurisdiction under or for the account of the foregoing, the Purchased Assets or any other matter that is the subject of this Agreement;
- (hh) **"GST"** means the goods and services tax payable pursuant to the ETA, and any applicable federal or provincial regulations associated therewith, as may be amended from time to time;
- (ii) **"Intangibles"** means the choses in action and other similar rights or claims directly related to the Purchased Assets;
- (jj) **"Intellectual Property"** means the intellectual property rights owned by or licensed to the Debtor, including but not limited to the Trade-marks, the Software, patents, service marks, industrial designs, utility models, design patents, copyright (including copyright in computer software), database rights, circuit topography rights, mask works, inventions, trade secrets, inventions, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, business and marketing plans and proposals,

assembly, test, installation, service and inspection instructions and procedures, technical, operating and service and maintenance manuals and data, hardware reference manuals and engineering, programming, service and maintenance notes and logs, the Confidential Information, know-how, business or trade names (including internet domain names and social media accounts), all quality manuals, certificates, management systems, health safety environment manuals, quality control procedures, certificates, licenses, telephone and facsimile numbers, email addresses, internet service provider contracts, web pages, processes, data, goodwill related to all of the foregoing, and all other intellectual and industrial property and rights of a similar or corresponding nature including the Business Names, listed and as described in Schedule "B" hereto;

- (kk) **"Law"** means any federal, state, provincial, county, territorial, district, municipal, local, foreign, supranational or international law, statute, ordinance, regulation, by-law, rule, code, treaty or rule of common law or otherwise of, or any order, judgment, injunction, decree or similar authority enacted, issued, promulgated, enforced or entered by, any Governmental Entity.
- (ll) **"Leased Premises"** means the lands and premises which are leased or subleased by the Crelogix Group pursuant to a Real Property Lease;
- (mm) **"Lien"** means any lien, mortgage, charge, hypothec, deemed trust, pledge, security interest, prior assignment, option, warrant, lease, sublease, right to possession, encumbrance, claim, right or restriction which affects, by way of a conflicting ownership interest or otherwise, the right, title or interest in or to any particular property;
- (nn) **"Loan Reserve Fund"** means a designated trust account held by the Purchaser representing loan losses or other funder losses associated with customer loans acquired by the Purchaser from the Crelogix Group;
- (oo) **"PAD"** means a pre-authorized debit issued by the Crelogix Group that is drawn on an account of a Payor;
- (pp) **"Party"** means either the Vendor or the Purchaser, as applicable, and **"Parties"** means both the Vendor and the Purchaser;
- (qq) **"Payor"** means a person whose account is to be, or has been, debited with the amount of a PAD and whose loan was acquired or funded by the Purchaser as a Funder;
- (rr) **"Permit"** means all certificates of occupancy or other certificates, permits, authorizations, filings, approvals and licenses used, useable and useful in the operation of the Business or the use or enjoyment or benefit of the Purchased Assets.
- (ss) **"Permitted Encumbrances"** means the permitted Encumbrances listed and described in Schedule "E" hereto, if any, which shall be accepted and/or assumed on Closing by the Purchaser;



- (tt) **“Person”** means any individual, corporation, partnership, limited partnership, limited liability company, joint venture, association, joint-stock company, trust, society, incorporated organization or any other similar entity;
- (uu) **“Permits”** means all authorizations, registrations, permits, certificates of approval, approvals, grants, licences, quotas, consents, commitments, rights or privileges issued or granted by any Governmental Authority to the Debtor in respect of the Purchased Assets.
- (vv) **“Purchase Price”** has the meaning ascribed thereto in Section 2.6(a);
- (ww) **“Purchased Assets”** means all of the Crelogix Group’s right, title, and interest in and to:
  - (i) Accounts Receivable arising after the Effective Time;
  - (ii) Banking Facilities and Operating Accounts;
  - (iii) Books and Records;
  - (iv) Contracts;
  - (v) Equipment;
  - (vi) Intangibles;
  - (vii) customer loans acquired by the Purchaser that were written off by the Vendor after July 6, 2017 pursuant to the terms of the Funder Agreements (generally 120 days without a payment as against the customer account) pursuant to which title to the loan reverted to the Vendor;
  - (viii) the Loan Reserve Fund;
  - (ix) all rights under or pursuant to all warranties, representations and guarantees made by suppliers, manufacturers and contractors to the extent relating to products sold, or services provided, in connection with the Business or to the extent affecting any Purchased Asset;
  - (x) all goodwill and other General Intangibles associated with the Business and the Purchased Assets, including customer and supplier lists;
  - (xi) all furniture, trade fixtures, chattels and other tangible property owned by the Crelogix Group, including those in possession of third parties;
  - (xii) all rights under or arising out of all insurance policies relating to the Purchased Assets and all claims thereunder, unless non-assignable as a matter of law;
  - (xiii) Intellectual Property;
  - (xiv) all rights under non-disclosure or confidentiality, non-compete, or non-solicitation agreements with employees and agents or with third parties;

- (xv) Permits, to the extent such Permits are assignable under applicable Law;
- (xvi) all claims, rights, actions, causes, or choses in action that the Crelogix Group has or may have, whether or not asserted, against any Person based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the granting of the Order; and
- (xvii) all proceeds of any or all of the foregoing received or receivable after the Closing Date;

but specifically excludes the Excluded Assets.

- (xx) **"Purchaser's Solicitors"** means the firm of McMillan LLP, Royal Centre, 1055 West Georgia Street, Suite 1500, P.O. Box 11117, Vancouver, British Columbia, V6E 4N7, Telephone No. 604.689.9111, Fax No. 604.685.7084;
- (yy) **"Real Property Leases"** means all leases between the Debtor, as tenant, and a landlord, relating to the leasing by the Debtor of the any premises, including for greater certainty, the Burnaby Lease;
- (zz) **"Receivership Action"** has the meaning ascribed thereto in Recital B;
- (aaa) **"Receivership Order"** has the meaning ascribed thereto in Recital B;
- (bbb) **"Representatives"** means, with respect to any Person, the directors, officers, employees, agents, consultants, and professional advisors and solicitors of such Person, and with respect to the Crelogix Group, the Receiver, any trustee, trustee in bankruptcy or similar official, and the directors, officers, employees, agents, consultants and professional advisors and solicitors of the Receiver.
- (ccc) **"Sales Taxes"** means all transfer, sales, excise, stamp, license, production, value-added and other like taxes, assessments, charges, duties, fees, levies or other governmental charges of any kind, and includes without limitation additions by way of penalties, interest and other amounts with respect thereto, including provincial sales tax and GST;
- (ddd) **"Regulatory Approvals"** means any approval, consent, ruling, authorization notice or acknowledgement from any Governmental Authority pursuant to Applicable Law or required to convey, assign and transfer the right, title and interest of the Debtor in and to the Purchased Assets to the Purchaser.
- (eee) **"Software"** means all software owned or licensed by the Debtor for use in connection with the Business, including but not limited to all custom developed applications, listed and described in Schedule "B";
- (fff) **"Trade-mark Assignment Agreement"** means the assignment agreement between the Crelogix Group and the Purchaser with respect to the assignment of the Trade-marks and substantially in the form attached as Schedule "D";

- (ggg) **"Trade-marks"** means the trade-marks of the Debtor described in Schedule "B" and registrations and applications for registration of such trade-marks;
- (hhh) **"Transaction"** means the transaction of purchase and sale contemplated by this Agreement;
- (iii) **"Vendor's Certificate"** means a certificate executed by an officer of the Vendor in substantially the form attached hereto as Schedule "H";
- (jjj) **"Vendor's Solicitors"** means Parlee McLaws LLP; and
- (kkk) **"Vesting Order"** means an Order of the Court in the Receivership Action in form and content satisfactory to the Purchaser and the Vendor, each acting reasonably, approving the entry into this Agreement by the Vendor and the consummation of the Transaction, and vesting in the Purchaser or its nominee(s) all right, title and interest in and to the Purchased Assets free and clear of all Encumbrances, except for the Permitted Encumbrances upon payment of the Purchase Price.

## **1.2 Currency and Form of Payment**

All references to currency shall mean Canadian Dollars unless otherwise expressly provided. All payments to be made by the Purchaser to the Vendor to effect the Transaction are to be payable by certified cheque, bank draft or wire transfer to the Vendor's Solicitors, "In Trust".

# **ARTICLE 2 PURCHASE AND SALE AND ASSIGNMENT**

## **2.1 Purchase and Sale of Purchased Assets**

Subject to the timely fulfillment or waiver of the conditions precedent herein, including the granting of the Vesting Order, the Vendor agrees to sell, assign and transfer to the Purchaser free and clear of all Encumbrances, except for the Permitted Encumbrances, and the Purchaser agrees to purchase from the Vendor, all right, title and interest in and to the Purchased Assets upon the terms hereof.

## **2.2 Excluded Assets.**

Notwithstanding anything to the contrary in this Agreement, nothing herein shall be deemed to sell, transfer, assign or convey the following assets (collectively, the "Excluded Assets"):

- (a) any asset that otherwise would constitute a Purchased Asset but for the fact that it is conveyed, leased or otherwise disposed of in the ordinary course of business prior to the Closing Date not in violation of this Agreement;

- (b) the corporate books and records of internal corporate proceedings, tax records, work papers and other records that the Vendor is required by Law to retain, provided that copies of such books and records will be provided to the Purchaser at the Closing;

(c) the rights of the Vendor under this Agreement or any Ancillary Agreements and all cash and non-cash consideration payable or deliverable to the Vendor under this Agreement or any Ancillary Agreements, but excluding cash flows and all other Purchased Assets under any Contract or any net profits generated by operation of the Business on or after the Closing Date;

(d) the Capital Stock of the Crelogix Group;

(e) all rights under or arising out of insurance policies not relating to the Purchased Assets or non-assignable as a matter of law;

(f) income tax refunds and other Tax refunds receivable by the Vendor or the Crelogix Group and all tax attributes of the Vendor or the Crelogix Group;

(g) all Real Property Leases;

(h) unfunded loan agreements entered into as between the Vendor and third party customers pursuant to merchants agreements between June 1, 2017 and July 6, 2017, which loans were neither syndicated to a Funder nor were the merchants paid pursuant to the provisions of the merchant agreements;

(i) loan agreements entered into as between the Vendor and third party customers pursuant to merchants agreements up to July 6, 2017, which loans were not syndicated to a Funder; however, pursuant to which the merchants were paid pursuant to the provisions of the merchant agreements;

(j) customer loans acquired by the Funders that were written off by the Vendor prior to July 6, 2017 pursuant to the terms of the Funder Agreements (generally 120 days without a payment as against the customer account) pursuant to which title to the loan reverted to the Vendor;

(k) any data or information related to loan agreements owned by Funders who have not consented to the transfer of the data or information to Prospera;

(l) cash from third party customers paid on customer loans syndicated to a Funder prior to the Closing Date, which third party customer loan payments will be distributed by the Vendor in accordance with a future distribution Order of the Court;

(m) all cash on hand and in any bank account at the Effective Time;

(n) Accounts Receivable outstanding at the Effective Time;

(o) Dealer Reserve Book Debts of all Funders, excluding those of the Purchaser; and

(p) all causes of action which arise from loss, damage or facts occurring prior to the Closing and any insurance proceeds or claims payable for losses or damages incurred prior

to the Closing other than any insurance proceeds or rights thereto assigned to the Purchaser in accordance with this Agreement.

### **2.3 "As is, Where is"**

- (a) The Purchaser acknowledges that the Vendor is selling the Purchased Assets on an "as is, where is" basis as they exist on the Closing Date. The Purchaser further acknowledges that it has entered into this Agreement on the basis that the Vendor does not guarantee title to the Purchased Assets and that the Purchaser has conducted or will have conducted such inspections of the condition of and title to the Purchased Assets as it deems 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, assignability or in respect of any other matter or thing whatsoever concerning the Purchased Assets or the right of the Vendor to sell them save and except as expressly represented or warranted in this Agreement. The description of the Purchased Assets contained in this Agreement is for purposes of identification only.
- (b) The Purchaser hereby assumes and agrees to comply with all responsibilities for the Purchased Assets without any recourse whatsoever against the Vendor therefor. Without limiting the generality of this Section, the Purchaser acknowledges and agrees with the Vendor that:
  - (i) the Purchaser is entering into this Agreement relying entirely upon its own inspections and there are no representations, warranties or covenants or conditions, whether direct or collateral, or express or implied, which induced the Purchaser to enter into this Agreement or on which reliance is placed by the Purchaser, or which affect this Agreement or the Purchased Assets, other than as expressly set out in this Agreement; and
  - (ii) the Purchaser is relying on its own due diligence in reviewing the documents and other materials in respect of the Purchased Assets made available to it by the Vendor and that such documents and other materials are not intended to constitute a representation or warranty as to any of the contents thereon of the part of the Vendor.
- (c) The Vendor shall have no obligations or responsibility to the Purchaser after Closing with respect to any matter relating to the Purchased Assets or the condition thereof, save as otherwise expressly provided in or contemplated by this Agreement.
- (d) This Section 2.3 shall survive Closing and shall be restated or incorporated by reference, where applicable, in the closing documents.

### **2.4 Assumed Obligations**

- (a) In connection with its acquisition of the Purchased Assets, the Purchaser covenants and agrees to assume all of the Debtor's right, title and interest in, as well as the corresponding responsibilities and obligations in regard to, the Assumed Obligations on



the Closing Time. The Purchaser will be responsible for and pay, satisfy, discharge, perform and fulfil, as and when due, the Assumed Obligations from and after the Closing Time.

- (b) On Closing, to the extent necessary, the Purchaser will enter into an Assignment and Assumption Agreement. Notwithstanding anything to the contrary contained in this Agreement or any document delivered in connection with this Agreement, the Purchaser will only assume the obligations of the Crelogix Group in respect of the Assumed Obligations and the Purchaser will have the same rights as the Crelogix Group would have had to contest in good faith the nature and extent of any such liability or obligation vis-à-vis the third party beneficiary of such liability or obligation.
- (c) The Purchaser acknowledges that the Vendor will have no responsibility whatsoever for curing any defaults, paying any arrears, or performing any obligations under or with respect to the Assumed Obligations, save and except as otherwise specified herein.

## **2.5 Assignment and Assumption of Contracts**

Subject to the terms and conditions of this Agreement, the Vendors will assign to the Purchaser all of their rights, benefits and interests in and to the Contracts. 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 party if that consent has not been obtained and that assignment or attempted assignment would constitute a breach of such Contract or, in the alternative, if an order of the Court authorizing and approving the assignment of the Contracts to the Purchaser without such consent has not been obtained. The Vendor will use its commercially reasonable efforts to obtain the consents, approvals and waivers that are required to assign the Contracts to the Purchaser, on terms satisfactory to the Purchaser, acting reasonably and the Purchaser will co-operate in obtaining such consents, approvals and waivers. The Vendor makes no representations or warranties with respect to any of the Contracts as to the validity, enforceability, assignability or whether they are in good standing.

## **2.6 Purchase Price and Payment**

- (a) The aggregate cash consideration payable by the Purchaser to the Vendor for the Purchased Assets is \$500,000.00 (the "**Purchase Price**") plus or minus any adjustments pursuant to paragraph 2.7 plus all applicable Sales Taxes.
- (b) The Parties acknowledge and agree that the Purchase Price shall be allocated in accordance with Schedule "F" and the Vendor and the Purchaser will report the sale and purchase of the Purchased Assets for all tax purposes in a manner consistent with such allocation and shall not file any return that is inconsistent with such allocation.
- (c) Subject to the terms and conditions of this Agreement, the Purchase Price shall be paid by payment at or prior to the Closing Time to the Vendor or as it may otherwise direct in writing by way of certified cheque, bank draft or wire transfer.

## **2.7 Adjustments to the Purchaser Price**

- (a) The purchaser will reimburse the Vendor for all office and salary costs from 12:01 AM on November 1, 2017 to Closing and will receive all servicing fees earned after October 31, 2017. [NTD: Parlee to insert adjustment clause and mechanism for a statement of adjustments up to closing.

## **2.8 Taxes**

- (a) The Parties acknowledge that the Purchase Price is exclusive of all Sales Taxes. The Purchaser will be solely liable for and shall pay all Sales Taxes, including, without limitation, provincial sales taxes and GST payable upon and in connection with the sale and transfer of the Purchased Assets by the Vendor to the Purchaser, and will file all necessary documentation with respect to such Sales Taxes when due. If the Vendor is required under any Applicable Law to pay any such Sales Taxes, the Purchaser shall promptly reimburse the Vendor the full amount of such Sales Taxes upon delivery to the Purchaser of copies of receipts showing payment of such Sales Taxes.
- (b) The Parties will, on the Closing Date, elect jointly under Subsection 167(1) of the ETA, in the prescribed form and containing the prescribed information to permit the Purchased Assets to be conveyed without GST being payable in respect of the purchase and sale thereof hereunder, and the Parties will jointly complete the election forms in respect of such election. The Parties agree that: (a) they will claim the benefit of any provision of Applicable Laws which allows all or any part of the Purchased Assets to be transferred by the Vendor to the Purchaser without payment of any Sales Taxes; and (b) they will, upon reasonable request from the other, cooperate fully in connection with the preparation and filing of any documents or tax returns with any Governmental Entity, and to use their commercially reasonable efforts to obtain any certificate or other document from any Governmental Entity, or any other Person, as may be necessary or commercially advisable to mitigate, reduce or eliminate any tax that could be imposed (including, but not limited to, taxes with respect to the Transaction). The Purchaser shall indemnify and save harmless the Vendor from and against any and all GST, penalties, costs and/or interest which may become payable by or assessed against the Vendor arising out of the failure of the Vendor to collect, pay or remit GST in respect of the purchase and sale of the Purchased Assets, including any GST that may be collectible by the Vendor if the joint election under section 167(1) of the ETA is not made or unavailable for any reason.

## **ARTICLE 3 REPRESENTATIONS AND WARRANTIES**

### **3.1 Vendor's Representations and Warranties**

The Vendor represents and warrants to the Purchaser that:

- (a) subject to the Vesting Order being granted, the Vendor has the power, authority and capacity to enter into this Agreement and to complete the Transaction;

- (b) subject to the Vesting Order being granted, this Agreement and each ancillary agreement to which the Vendor is or will become a party have been, or when executed will be, duly and validly executed and delivered by the Vendor and (assuming the due authorization, execution and delivery by the other parties hereto) this Agreement and each ancillary agreement to which the Vendor is or will become a party constitute, or will constitute, when executed and delivered, valid and binding obligations of the Vendor enforceable against the Vendor in accordance with their respective terms, except as enforcement may be limited by Laws of general application and bankruptcy, insolvency and other similar laws affecting creditors' rights generally and general principles of equity
- (c) subject to the Vesting Order being granted, no consent, waiver, approval, order, Permit or authorization of, or declaration or filing with, or notification to, any Person or Governmental Entity is required on the part of the Vendor in connection with the execution, delivery and performance of this Agreement or any other agreement, document or instrument contemplated hereby or thereby to which it is or will become a party, the compliance by the Vendor with any of the provisions hereof or thereof, the consummation of the transactions contemplated hereby or thereby, or the assignment or conveyance of the Purchased Assets
- (d) to the best of the Vendor's knowledge, no actions or proceedings are pending and none have been threatened to restrain or prohibit the completion of the Transaction;
- (e) none of the Vendor or the Crelogix Group is a non-resident of Canada within the meaning of the *Income Tax Act* (Canada); and
- (f) the Crelogix Group and the Vendor are registered for harmonized sales tax purposes under Part IX of the *Excise Tax Act* (Canada) with the following registration numbers: CAC( #10537 2338 RT0001) and CPS(#84212 8266 RT0001).

### **3.2 Purchaser's Representations and Warranties**

#### **The Purchaser represents and warrants to the Vendor that:**

- (a) the Purchaser is a corporation duly incorporated, validly existing and in good standing under the jurisdiction of its incorporation and in accordance with applicable legislation governing corporations in the jurisdiction of its incorporation, and has the power and capacity to enter into this Agreement and carry out its terms;
- (b) the execution and delivery of this Agreement and the completion of the Transaction have been duly and validly authorized by all necessary corporate action on the part of the Purchaser, and this Agreement constitutes a legal, valid and binding obligation of the Purchaser;
- (c) except for the Vesting Order, the Regulatory Approvals, no authorization or approval or any other action by, and not notice to or filing with, any Governmental Authority or regulatory body exercising jurisdiction over the Purchased Assets is required for the due execution, delivery and performance by the Purchaser of this Agreement;



- (d) the Purchaser is not a party to, bound or affected by or subject to any indenture, agreement, instrument, charter or by-law provision, order, judgment or decree which would be violated, contravened or breached by the execution and delivery by it of this Agreement or the performance by it of any of the terms contained in this Agreement;
- (e) the Purchaser is not a non-resident of Canada within the meaning of the *Income Tax Act* (Canada) and is not a non-Canadian person for the purposes of the *Investment Canada Act* (Canada);
- (f) the Purchaser is registered for goods and services sales tax purposes under Part IX of the *Excise Tax Act* (Canada).
- (g) except for the representations and warranties contained in this Section, neither the Purchaser nor any other Person makes any other express or implied representation or warranty on behalf of the Purchaser and any such other representations and warranties are hereby expressly disclaimed and none shall be implied at law or in equity.

### **3.3 Survival of Representations**

All representations and warranties made by the Vendor and the Purchaser in Sections 3.1 and 3.2, respectively, shall survive the Closing and shall continue for a period of six months after the Closing and after such period neither Party shall have any further liability hereunder with respect to such representations and warranties except with respect to any claims made by the other Party within such period or in the case of fraud.

### **3.4 Pre-Closing Covenants of the Vendor**

The Vendor covenants to the Purchaser that, during the period from and including the Execution Date through and including the Closing Date or the earlier termination of this Agreement:

- (a) Permits. The Vendor shall, without payment of funds to counterparties, use reasonable efforts to obtain, and assist the Purchaser in obtaining, any Permits required for the consummation of the transactions contemplated hereby or the operation of the Business by the Purchaser from and after the Closing in the ordinary course of business. For greater certainty, if any Permit is required but not obtained, neither the Vendor nor the Purchaser shall be in breach of this Agreement nor shall the Purchase Price be adjusted or the Closing delayed.
- (b) Access to Records and Properties. The Vendor shall, subject to any confidentiality or safety restrictions, (i) provide the Purchaser and its Representatives, at the Purchaser's sole and exclusive risk, reasonable access during normal business hours upon reasonable notice to the offices and personnel of the Crelogix Group and to the computers, books and records of the Crelogix Group related to the Purchased Assets or otherwise reasonably requested by the Purchaser if reasonably necessary to comply with the terms of this Agreement or the Ancillary Agreements or any applicable Law, including access to perform inspections of the Purchased Assets, (ii) furnish the Purchaser with such financial and operating data and other information with respect to the condition (financial or otherwise), businesses, assets, properties or operations of the Crelogix Group as the

Purchaser shall reasonably request, (and (iii) to the extent permitted by applicable Law, permit the Purchaser to make such reasonable inspections and copies thereof as the Purchaser may require; provided, however, that the Purchaser shall indemnify the Vendor and any of its Representatives from and against any claims arising from the Purchaser's access in accordance with this Section.

- (c) Pre-Authorized Debits. The Vendor shall use commercially reasonable efforts to cause the notice in the form attached hereto as Schedule "I" to be delivered to all Payors no less than 10 days prior to the Closing Date.
- (d) Conduct Prior to Closing.
  - (i) Without the Purchaser's prior written consent, the Vendor shall not offer, agree or commit (in writing or otherwise) to any of the Purchased Assets becoming subject, directly or indirectly, to any Lien or Encumbrance, except for Liens or Encumbrances existing on the Execution Date and Permitted Liens.
  - (ii) Without the Purchaser's prior written consent, the Vendor shall not terminate, amend or modify in any manner any lease for the Leased Property.
  - (iii) Without the Purchaser's prior written consent, the Vendor shall not waive or release any right of the Vendor or the Debtor that constitutes a Purchased Asset.

### **3.5 Pre-Closing Covenants of the Purchaser.**

The Purchaser covenants to the Vendor that, during the period from the Execution Date through and including the Closing Date or the earlier termination of this Agreement:

- (a) Cooperation. The Purchaser shall take, or cause to be taken, all commercially reasonable actions and to do, or cause to be done, all things necessary or proper, consistent with applicable Law, to consummate and make effective as soon as possible the transactions contemplated hereby.
- (b) Orders. The Purchaser shall take such actions as may be reasonably requested by the Vendor to assist the Vendor in obtaining the Court's issuance of the Vesting Order and any other order of the Court reasonably necessary to consummate the transactions contemplated by this Agreement.
- (c) Sufficient Funds. The Purchaser shall ensure that, on the Closing Date, the Purchaser will have sufficient funds to pay the Purchase Price and all of its fees and expenses incurred in connection with the transactions contemplated hereby.
- (d) Permits and Contracts. The Purchaser shall use reasonable efforts to cooperate with the Vendor to obtain or consummate the transfer to the Purchaser of any Permit or Contract required to own or operate the Purchased Assets under applicable Laws.

### **3.6 Other Covenants of the Vendor and the Purchaser.**

- (a) Access to Records after Closing. Following Closing, the Purchaser and the Vendor agree to permit their Representatives to have access, at reasonable times and in a manner so as not to unreasonably interfere with their normal business operations, to the books and records of the Vendor or relating to the Business or the Purchased Assets so as to enable the Purchaser and the Vendor to prepare Tax, financial or court filings or reports, to pursue causes of action which form part of the Excluded Assets, to respond to court orders, subpoenas or inquiries, investigations, requests, notices, audits or other proceedings of Governmental Entities, to prosecute and defend legal actions or for other like purposes, and for the purposes of winding-down or administering the estates of the Crelogix Group. If either party desires to dispose of any such records, such party shall, prior to such disposition, provide the other party with a reasonable opportunity to remove such of the records to be disposed of at the removing party's expense. For the purposes of this Section, a Vendor Representative shall include any trustee in bankruptcy appointed in respect of the Crelogix Group.
- (b) Post-Closing Accounts Receivable. Any Accounts Receivable related to the Business collected by the Vendor (or other proceeds collected or derived from a Purchased Asset by the Vendor) from and after the Closing Date shall be a Purchased Asset herein and shall be held in trust for the benefit of the Purchaser, and such funds shall not form part of the Debtor's estate or otherwise be made available to the Debtor's stakeholders, and, upon receipt following the Closing, shall promptly be paid to, and for the benefit of, the Purchaser in accordance with its rights under this Agreement.
- (c) Change of Name. The Vendor agrees immediately after Closing, to change the name of each of CAC, CCG and CPS such that the name of each entity not contain the word "Crelogix".
- (d) Employees, Agents and Contractors. The Vendor remains responsible for (and Purchaser does not assume) any obligations to Employees relating to or arising from their employment with Vendor or the Crelogix Group, including any obligations that may arise by contract or Applicable Law as a result of Vendor's termination of their employment prior to, on, or after the Closing, and without regard to whether any such termination occurs as a result of or in connection with these transactions (including, without limitation, any obligations to provide any severance or change-of-control payments or prior notice of the termination of employment).

## **ARTICLE 4 MOTION FOR VESTING ORDER**

### **4.1 Motion for Vesting Order.**

The Vendor shall file with the Court, within five (5) Business Days after the execution and delivery of this Agreement, a motion or motions seeking the Court's issuance of the Vesting

Order, and affixing a true and complete copy of this Agreement to such motion(s), subject to any redaction to protect confidential information in accordance with Section 7.12 hereof.

#### **4.2 Procedure.**

The Vendor agrees to diligently prosecute the entry of the Vesting Order. In the event the entry of the Vesting Order shall be appealed, the Vendor and the Purchaser shall use their respective reasonable efforts to defend such appeal.

### **ARTICLE 5 CONDITIONS**

#### **5.1 Conditions of the Purchaser**

The obligations of the Purchaser to complete the Transaction are subject to the fulfillment of the following conditions precedent:

- (a) each of the representations and warranties of the Vendor set forth in Section 3.1 shall be true and correct as if restated on and as of the Closing Date;
- (b) the covenants and obligations contained in this Agreement to be complied with by the Vendor on or before the Closing Date shall have been complied with to the extent required and not been breached in any material respect; and
- (c) on or before the Closing Date, the Vendor will have delivered all items which it is required to deliver to the Purchaser pursuant to Section 6.3.

The Purchaser may, in its sole discretion, waive any of the foregoing conditions. Any waiver by the Purchaser must be in writing and delivered to the Vendor's Solicitors. If any one of the conditions precedent contained in Section 3.1 has not been satisfied or waived by the Purchaser on or before the Closing Date, the Purchaser may terminate this Agreement by written notice to the Vendor.

#### **5.2 Conditions of the Vendor**

The obligations of the Vendor to complete the Transaction are subject to the fulfillment of the following conditions precedent:

- (a) each of the representations and warranties of the Purchaser set forth in Section 3.2 shall be true and correct as if restated on and as of the Closing Date;
- (b) the covenants and obligations contained in this Agreement to be complied with by the Purchaser on or before the Closing Date shall have been complied with to the extent required and not been breached in any material respect; and
- (c) on or before the Closing Date, the Purchaser will have delivered all items which it is required to deliver to the Vendor pursuant to Section 6.2.

- (d) on or before the Closing Date the Vendor shall have satisfied itself acting reasonably that it has received all necessary consents and approvals from the Funders (excluding the Purchaser) to complete the transaction contemplated by this Agreement.

The Vendor may, in its sole discretion, waive any of the foregoing conditions. Any waiver by the Vendor must be in writing and delivered to the Purchaser's Solicitors. If any one of the conditions precedent contained in Section 5.2 has not been satisfied or waived by the Vendor on or before the Closing Date, the Vendor may terminate this Agreement by written notice to the Purchaser.

### **5.3 Mutual Conditions Precedent**

Notwithstanding anything herein contained, the obligations of the Parties under this Agreement are subject to the following mutual conditions precedent:

- (a) the Vesting Order having been granted by the Court; and
- (b) there shall be in effect no order, injunction, judgment, decree, ruling, writ, assessment or arbitration award of the Court or other court of competent jurisdiction or of a relevant Government Entity prohibiting the consummation of the Transaction which has not been withdrawn or terminated.

The Parties may agree to amend or waive any the foregoing conditions. Any amendment or waiver by the Parties must be in writing and delivered to one another's solicitors. Unless otherwise agreed to by the Parties in writing, if any of the conditions precedent contained in Section 5.3 has not been satisfied, then this Agreement and the obligations of the Parties hereunder shall automatically terminate without any further action on the part of either Party.

### **5.4 Efforts to Fulfill Conditions Precedent**

Each Party shall proceed diligently and in good faith and use commercially reasonable efforts to satisfy and comply with and assist in the satisfaction of and compliance with their respective conditions precedent contained herein.

### **5.5 Exclusive Dealings**

Until the Closing Date, the Vendor shall not take any action, directly or indirectly, to encourage, initiate or engage in discussions or negotiations with, or provide any information to any Person, other than the Purchaser and its designated and authorized representatives, concerning any sale, transfer, assignment, licence, merger or similar transaction involving the Purchased Assets.



## **ARTICLE 6 CLOSING**

### **6.1 Closing**

Subject to the terms and conditions of this Agreement, and the satisfaction or the waiver of the conditions precedent in Sections 5.1 through 5.3, the purchase and sale of the Purchased Assets will be completed at the Closing Time at the offices of the Vendor's Solicitors.

### **6.2 Purchaser's Deliveries on Closing**

At the Closing Time the Purchaser will deliver, or cause to be delivered to the Vendor:

- (a) the Purchase Price plus all applicable Sales Taxes;
- (b) a certificate of a senior officer of the Purchaser dated the Closing Date, confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true as of the Closing Date, with the same effect as though made on and as of the Closing Date; and
- (c) such further and other documentation as is referred to in this Agreement or as the Vendor may reasonably require to give effect to this Agreement.

### **6.3 Vendor's Deliveries on Closing**

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

- (a) all of the Debtor's right, title and interest in and to the Purchased Assets free and clear of all Encumbrances, except for the Permitted Encumbrances, in accordance with the Vesting Order;
- (b) a Court-certified copy of the Vesting Order;
- (c) an executed copy of the Vendor's Certificate;
- (d) an executed copy of the Office Use & Services Agreement;
- (e) executed copies of the Ancillary Agreements;
- (f) an executed copy of the Trade-mark Assignment Agreement;
- (g) a receipt for the Purchase Price and all applicable Sale Taxes;
- (h) certified copies of resolutions of the Crelogix Group changing the names of the entities to names not containing the word "Crelogix" and copies of all documentation reasonably requested by counsel for the Purchaser regarding the filing of such changes of names with the applicable Government Authority; and

- (i) all such assignments, instruments of transfer, deeds, assurances, consents, registrations and other documents executed by the Vendor as requested by the Purchaser in respect of transferring the Purchased Assets to the Purchaser and registrations in connection therewith, and the Purchaser shall be entitled to possession of the Purchased Assets, in accordance with the Vesting Order, upon payment of the Purchase Price in accordance with this Agreement.

#### **6.4 Risk**

The Purchased Assets will be at the Vendor's risk until the completion of the Transaction on the Closing Date and thereafter at the Purchaser's risk.

#### **6.5 Termination**

This Agreement may be terminated prior to or at the Closing Time as follows:

- (a) by mutual written agreement of the Parties;
- (b) by the Vendor in accordance with Section 5.2;
- (c) by the Purchaser in accordance with Section 5.1;
- (d) in accordance with Section 5.3;
- (e) at any time after **December 31, 2017** if the Closing shall not have occurred and the Vendor is not in breach and has performed all of its obligations under this Agreement required to be performed prior to Closing, and all conditions precedent required to be performed by the Vendor have been satisfied or waived; or
- (f) automatically and without any action or notice by either the Vendor to the Purchaser, or the Purchaser to the Vendor, immediately upon the issuance of a final and nonappealable order, decree, or ruling or any other action by a Governmental Entity to restrain, enjoin or otherwise prohibit the transfer of the Purchased Assets contemplated hereby

Each Party's right of termination under this Section 6.5 is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of a right of termination will not be an election of remedies. Nothing in this Section 6.5 limits or affects any other rights or causes of action any Party may have with respect to the representations, warranties, covenants and indemnities in its favour contained in this Agreement. If a Party waives compliance with any of the conditions, obligations or covenants contained in this Agreement, the waiver will be without prejudice to any of its rights of termination in the event of non-fulfilment, non-observance or non-performance of any other condition, obligation or covenant in whole or in part.

#### **6.6 Vendor Liability**

The Purchaser hereby expressly acknowledges and agrees that the Vendor is acting only in its representative capacity as appointed Receiver of the assets, undertakings and properties of the Crelogix Group and shall have no personal liability under or as a result of entering into or

carrying out the Transaction except in such capacity and without limitation to the generality of the foregoing the Vendor shall have no liability under or as a result of entering into or carrying out of such Transaction in its personal capacity.

#### **6.7 Transition Services Agreement**

Subject to the Vesting Order being granted, the Parties agree that on the Closing Date they shall enter into a transition services agreement substantially in the form attached as Schedule K for a period ending no later than January 31, 2018 and pursuant to which the Vendor will provide certain services to the Purchaser.

#### **6.8 Accounts Receivable**

If the Vendor receives any cash or other form of payment related to the Purchased Assets within 180 days following the Closing Date, then the Vendor will within three Business Days after receipt of such payment properly deliver (and endorse as necessary) such payment to the Purchaser.

### **ARTICLE 7 GENERAL**

#### **7.1 Further Assurances**

The Parties will execute such further and other documents and do such further and other things as may be necessary to carry out and give effect to the intent of this Agreement.

#### **7.2 Notice**

Any notice, direction or other communication (each a “**Notice**”) given regarding the matters contemplated by this Agreement must be in writing, sent by personal delivery or courier (but not by facsimile or electronic mail) and addressed:

(a) to the Vendor at:

Bow Valley Square 4

Suite 1110, 250 6<sup>th</sup> Avenue SW  
Calgary, Alberta, T2P 3H7

Attention: Tim Reid

with a copy to:

Parlee McLaws  
100 Enbridge Centre  
10175-101 Street NW



Edmonton, AB, T5J 0H3

Attention: Jeremy Hockin QC

(b) to the Purchaser at:

500 - 32017 South Fraser Way  
Abbotsford, British Columbia  
V2T 1W3

Attention: Michael Kerdachi, Chief Financial Officer

with a copy to:

McMillan LLP  
Royal Centre, Suite 1500  
1055 West Georgia Street  
Vancouver, British Columbia V6E 4N7

Attention: Vicki Tickle / Janet Derbawka

A Notice is deemed to be delivered and received (i) if sent by personal delivery, on the date of delivery if it is a Business Day and the delivery was made prior to 5:00 p.m. (local time in place of receipt) and otherwise on the next Business Day, (ii) if sent by same-day service courier, on the date of delivery if sent on a Business Day and delivery was made prior to 5:00 p.m. (local time in place of receipt) and otherwise on the next Business Day or (iii) if sent by overnight courier, on the next Business Day. A Party may change its address for service from time to time by providing a Notice in accordance with the foregoing. Any subsequent Notice must be sent to the Party at its changed address. Any element of a Party's address that is not specifically changed in a Notice will be assumed not to be changed. The failure to send a copy of a Notice to legal counsel in accordance with the foregoing shall not invalidate any Notice given to a Party in accordance with this Section.

### **7.3 Entire Agreement**

This Agreement constitutes the entire agreement between the Parties and there are no representations or warranties, express or implied, statutory or otherwise and no collateral agreements other than as expressly set forth or referred to in this Agreement.

### **7.4 Amendment**

No supplement, modification, amendment, waiver, discharge or termination of this Agreement will be binding unless made in writing and signed by both Parties. No waiver of, failure to exercise or delay in exercising, any provision of this Agreement constitutes a waiver of any other provision (whether or not similar) nor does such waiver constitute a continuing waiver unless otherwise expressly provided.

## **7.5 Assignment**

This Agreement may not be assigned by any Party hereto without the prior written consent of the other Party hereto, which consent may be arbitrarily withheld, provided that the Purchaser may designate one or more nominees to take title in and to the Purchased Assets, or any part thereof, by giving the Vendor written notice of such assignment at least two (2) clear Business Days prior to the date of the hearing of the application for the Vesting Order.

## **7.6 Time of the Essence**

Time will be of the essence of this Agreement.

## **7.7 Applicable Law and Court Jurisdiction**

This Agreement shall be governed by, and construed in accordance with, the laws of the Province of British Columbia and the laws of Canada applicable therein, and the Parties hereby irrevocably attorn to the exclusive jurisdiction of the courts of British Columbia in relation to any matter relating to this Agreement.

## **7.8 Successors and Assigns**

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

## **7.9 Headings**

The headings appearing in this Agreement are inserted for convenience of reference only and will not affect the interpretation of this Agreement.

## **7.10 Severability**

If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination shall not impair or affect the validity, legality or enforceability of the remaining provisions hereof and each provision is hereby declared to be separate, severable and distinct. To the extent that any provision is found to be invalid, illegal or unenforceable, the Parties shall act in good faith to substitute for such provision, to the extent possible, a new provision with content and purpose as close as possible to the provision so determined to be invalid, illegal or unenforceable.

## **7.11 Counterparts**

This Agreement may be signed in counterparts and each such counterpart will constitute an original document and such counterparts, taken together, will constitute one and the same instrument. A counterpart may be delivered by facsimile, email or any other form of electronic transmission.

## **7.12 Confidentiality**

The parties shall treat as confidential the terms of this Agreement, except for disclosures which may be required by Law or as the Vendor considers appropriate in connection with obtaining the Vesting Order. All information provided to a party by the other party or its Representatives shall be kept by the receiving party in the strictest confidence and shall not be disclosed to any third party or used by the receiving party except for the purpose of consummating the transactions under this Agreement. The foregoing restriction does not apply to any information which is or becomes generally available to the public, or was known to the receiving party prior to receipt of information from the other party or which such party obtained from an independent third party who obtained the information lawfully and was under no obligation of confidentiality with respect to such information

AS EVIDENCE OF THEIR AGREEMENT the Parties have executed this Agreement as of the day and year first above written.

**ALVAREZ & MARSAL CANADA INC** in its capacity as court-appointed receiver of all assets and undertakings of The Crelogix Group, and not in its personal or corporate capacity

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

**PROSPERA CREDIT UNION**

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

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

## **SCHEDULE "A"**

### **CONTRACTS**

1. Licensed User Agreement between Recombo Inc. and CAC dated July 14, 2014;
2. Software Subscription Agreement between Casitron Limited and CCG dated December 6, 2012.
3. Agreement with Salesforce and Crelogix for Pardot-DataBase-Pro for a period starting 1/26/2015 and expiring 1/25/2017.
4. Software Subscription Agreement dated December 6, 2012 between Casitron Limited and CCD
5. Services Agreement dated August 14, 2015 between Clarilogic Inc dba DecisionLogic and CAC;
6. Services Agreement with CyberRidge, LLC and CAC dated November 30, 2015
7. Services Agreement between AVS Systems Inc and CAC made as of the 19<sup>th</sup> day of October, 2011 as may be amended or replaced.

**SCHEDULE "B"**  
**INTELLECTUAL PROPERTY**

1. Trademark Registration Number TMA812417 for "Crelogix"
2. Domain name and website for crelogix.com
3. All software licenses including, but not limited to:
4. Acrobat 11.0 WIN AOO License UE (65197414)
5. Software Upgrade Maintenance program from Brooks Internet Software, Inc.
6. Telephone Number for CAC

## SCHEDULE "C"

### EQUIPMENT

	Item	Qty as at October 18, 2017
1	4Ch Digital Video Recorder	1
2	Boardroom Cabinets	3
3	Boardroom Chairs	49
4	Boardroom Sitting Benches	2
5	Boardroom Speakers	2
6	Boardroom Tables	6
7	Bookshelf	1
8	Café Chairs	24
9	Café Table	6
10	Coat Racks	7
11	Coffee Machine	2
12	Computer Arms	70
13	Computer Monitors	97
14	Computer Terminals	59
15	Desk Chairs	55
16	Desktop Printer	8
17	Dishware (Plates, Bowls, Cups Utensils)	Various
18	Fax Machine	1
19	Filing Cabinets	64
20	Food Cart	1
21	Fridge	1
22	Headsets	42
23	Internet Connect Boxes	4
24	Kettle	1
25	Keyboards	70
26	Ladder	1
27	Laptop	3
28	Lobby Side Table	1
29	Lobby/Board Large Chairs	7
30	Mice	58
31	Microwave	2
32	Mini Fridge	1
33	Mobile Printer	1
34	Modems/Ethernet Routers	12
35	Outdoor Patio Chairs	10
36	Outdoor Patio Tables	5
37	Photocopiers	2
38	POE Switch	1
39	Portable Projector Screen	1
40	Postage Machine	1

41	Power Backup	1
42	Presentation Board	4
43	Projector	1
44	Projector Screen	1
45	Remote Desktop Deposit (TD)	1
46	Shaw Digital Boxes	12
47	Shelfing Units	2
48	Shortel VPN	9
49	Side Chairs	17
50	Slim Servers	21
51	Stereo Receiver	1
52	Tablet	1
53	Telephones	61
54	Televisions	21
55	Toaster	1
56	Toaster Over	1
57	Tower Servers	6
58	VLAN	1
59	Water Cooler	2
60	Webcam	9
61	Whiteboards	13
62	Workstation Desks	52



## **SCHEDULE “D”**

### **ASSIGNMENT – CANADA**

WHEREAS, ALVAREZ & MARSAL CANADA INC., in its capacity as court-appointed receiver of all assets and undertaking of Crelogix Acceptance Corporation, Crelogix Credit Group Inc. and Crelogix Portfolio Services Corp. (the “Assignor”), wishes to assign and transfer to Prospera Credit Union (the “Assignee”), any and all rights that it may have acquired in the trade-marks identified in Schedule “A” attached hereto.

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS that for the sum of ONE (\$1.00) DOLLAR and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the said Assignor acknowledges that it has and does hereby sell, assign, transfer and quit claim to the said Assignee all the right, title and interest of the said Assignor, in and to the said trade-marks in Canada, the goodwill associated therewith, and in and to the registrations of such trade-marks identified in Schedule “A” attached hereto, as fully and entirely as the same would have been held and enjoyed by the Assignor, had this sale, assignment, transfer and quit claim not been made.

The Assignor further agrees to execute and deliver such other or further documents or instruments as may be necessary, at the discretion of the Assignee’s counsel, to perfect the Assignee’s rights in and to the trade-marks.

EXECUTED at Vancouver, BC, this \_\_\_\_\_ day of ▼, 2017.

**ALVAREZ & MARSAL CANADA INC.**, in its capacity as court-appointed receiver of all assets and undertaking of Crelogix Acceptance Corporation, Crelogix Credit Group Inc. and Crelogix Portfolio Services Corp.

By: \_\_\_\_\_

Name:

Title:

## **SCHEDULE "A"**

**Trade-mark**

**Registration No.**

Crelogix

TMA812417

**SCHEDULE "E"**  
**PERMITTED ENCUMBRANCES**

NIL

## **SCHEDULE "F"**

### **PURCHASE PRICE ALLOCATION**

Goodwill - \$1.00

Loan Reserve Fund - \$1.00

Software and IP - \$400,000

Fixed Assets - \$99,998

## **SCHEDULE "G"**

### **BANKING FACILITIES AND OPERATING ACCOUNTS**

<b>Bank Account Name</b>	<b>Bank ID Number</b>	<b>Account Number</b>
TD - Trust Account CPS	TD227	0987-5253227

## SCHEDULE "H"

### FORM OF VENDOR'S CERTIFICATE

TO: PROSPERA CREDIT UNION (the "**Purchaser**")

RE: Asset Purchase Agreement dated ●, 2017 (the "**Agreement**") between Alvarez & Marsal Canada Inc. in its capacity as court-appointed receiver of the assets, undertakings and properties of Crelogix Acceptance Corporation, Crelogix Credit Group Inc. and Crelogix Portfolio Services Corp (collectively, the "**Crelogix Group**") and not in its personal or corporate capacity (the "**Vendor**") and the Purchaser.

Unless otherwise defined herein, the definitions provided for in the Agreement are adopted in this certificate (the "**Certificate**").

I, ●, a Senior Vice President of Alvarez & Marsal Canada Inc, hereby certify that as of the date of this Certificate:

1. I am personally familiar with the matters hereinafter mentioned.
2. Each of the representations and warranties of the Vendor contained in Section 3.1 of the Agreement were true and correct in all material respects when made and are true and correct in all material respects as of the Closing Date.
3. All obligations of the Vendor contained in the Agreement to be performed prior to or at the Closing Time have been timely performed in all material respects.
4. This Certificate is made by Alvarez & Marsal Canada Inc. solely in its capacity as the receiver of the assets, undertakings and properties of the Crelogix Group and not in its personal or corporate capacity, and is binding upon the Vendor.
5. This Certificate is made with full knowledge that the Purchaser is relying on the same for the closing of the Transaction.

IN WITNESS WHEREOF I have executed this Certificate this \_\_\_\_ day of \_\_\_\_\_, 2017.

**ALVAREZ & MARSAL CANADA INC IN ITS  
CAPACITY AS COURT-APPOINTED RECEIVER  
OF ALL ASSETS AND UNDERTAKINGS OF  
THE CRELOGIX GROUP, AND NOT IN ITS  
PERSONAL OR CORPORATE CAPACITY**

PER: \_\_\_\_\_  
NAME:  
TITLE:

**SCHEDULE "I"**  
**FORM OF NOTICE**

**Dear <Name>:**

**Re: Crelogix account number <reference number>**

We are writing to let you know that pursuant to an Order of the Court of Queen's Bench of Alberta (the "Court") made on July 6, 2017, the Court appointed the Alvarez & Marsal Canada Inc as the Receiver of all of the current and future assets, undertakings and properties of Crelogix Credit Group Inc., Crelogix Acceptance Corporation and Crelogix Portfolio Services Corp. (the "Crelogix Group"). Subject to the issuance of a further Order of the Court acceptable to Prospera Credit Union ("Prospera"), Prospera will acquire the assets pertaining to the administration of your loan from Crelogix Acceptance Corp. Going forward, after the closing of the acquisition, the only change to your account is that your loan payment will be collected by Prospera and/or its appointed agent for such purpose. **NO ACTION IS REQUIRED BY YOU TO IMPLEMENT THIS CHANGE.**

If you have any questions regarding your loan transfer, please contact Alvarez & Marsal Canada Inc. at 1xxx xxx xxxx or Prospera Credit Union at 1-800-xxx-xxxx. When you call in, please let the representative know you received this letter so they can best assist you.

Thank you for your cooperation as we facilitate this transfer.

**ALVAREZ & MARSAL CANADA INC  
IN ITS CAPACITY AS COURT-  
APPOINTED RECEIVER OF ALL  
ASSETS AND UNDERTAKINGS OF  
THE CRELOGIX GROUP, AND NOT IN  
ITS PERSONAL OR CORPORATE  
CAPACITY**

**PER:** \_\_\_\_\_  
**NAME:**  
**TITLE:**

## SCHEDULE J

### Bill of Sale

**THIS BILL OF SALE** is made as of ▲, 2017.

**WHEREAS PROSPERA CREDIT UNION** (the “**Purchaser**”), and **ALVAREZ & MARSAL CANADA INC IN ITS CAPACITY AS COURT-APPOINTED RECEIVER OF ALL ASSETS AND UNDERTAKINGS OF THE CRELOGIX GROUP, AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY** (the “**Vendor**”) are, *inter alia*, parties to that certain asset purchase agreement, dated October ▼, 2017 (“**APA**”), pursuant to which, amongst other things, the Vendor agreed to sell and transfer to the Purchaser, and the Purchaser agreed to purchase from the Vendor, all right, title and interest in and to the Purchased Assets, all on the terms and conditions more particularly set out therein;

**NOW THEREFORE** in consideration of the mutual covenants, promises and provisos contained in the APA, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the APA.
2. As and from the Closing Date , the Vendor hereby absolutely and irrevocably grant, bargain, sell, assign, transfer, convey and set over its interest, if any, in the Purchased Assets to the Purchaser.
3. This Bill of Sale is delivered pursuant to, and is subject to, all of the terms and conditions contained in the APA. In the event of any inconsistency between the provisions of this Bill of Sale and the provisions of the APA, the provisions of the APA shall prevail. For greater certainty, the parties hereto expressly acknowledge and agree that the execution and delivery of this Bill of Sale and the transfer and sale of the Purchased Assets hereunder shall not operate to merge the rights or liabilities of the parties under the APA, all of which rights and liabilities shall survive the execution and delivery of this Bill of Sale in accordance with the terms of the APA.
4. This Bill of Sale shall be governed, construed and interpreted in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.
5. This Bill of Sale shall be binding upon the Vendor and its successors and permitted assigns, and shall enure to the benefit of the Purchaser and its successors and permitted assigns.
6. This Bill of may be executed in any number of counterparts, and delivered via facsimile or by electronic transmission in portable document format (PDF), and each such counterpart so executed and delivered shall be deemed an original and all of which taken together shall constitute one and the same instrument.

*[Signature page follows]*



**IN WITNESS WHEREOF** the parties hereto have executed this Bill of Sale as of the date first written above.

**PROSPERA CREDIT UNION**

**ALVAREZ & MARSAL CANADA INC IN  
ITS CAPACITY AS COURT-APPOINTED  
RECEIVER OF ALL ASSETS AND  
UNDERTAKINGS OF THE CRELOGIX  
GROUP, AND NOT IN ITS PERSONAL  
OR CORPORATE CAPACITY**

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

*Name:*

*Title:*

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

*Name:*

*Title:*

**SCHEDULE “K”**

**TRANSITION SERVICES AGREEMENT**

## TRANSITION SERVICES AGREEMENT

THIS AGREEMENT is made effective as of the Closing Time.

BETWEEN:

**ALVAREZ & MARSAL CANADA INC.**, in its capacity as court-appointed receiver of all assets and undertaking of Crelogix Acceptance Corporation, Crelogix Credit Group Inc. and Crelogix Portfolio Services Corp., and having an office at Bow Valley Square 4, Suite 1110, 250 6<sup>th</sup> Avenue SW, Calgary, Alberta, T2P 3H7

(the “**Vendor**”)

AND:

**PROSPERA CREDIT UNION**, and having an office at 500 - 32017 South Fraser Way, Abbotsford, British Columbia V2T 1W3

(the “**Purchaser**”)

### BACKGROUND

- A. Crelogix Acceptance Corporation (“**CAC**”), Crelogix Credit Group Inc. (“**CCG**”) and Crelogix Portfolio Services Corp. (“**CPS**”) (collectively, the “**Crelogix Group**”) were engaged in the business of purchasing chattel paper and making loans to consumers, selling off to and administering loans on behalf of various Funders in Canada (the “**Business**”);
- B. Pursuant to an Order (the “**Receivership Order**”) of the Court of Queen’s Bench of Alberta (the “**Court**”) made on July 6, 2017, (the “**Receivership Action**”), the Court appointed the Vendor as the Receiver of all of the current and future assets, undertakings and properties of the Crelogix Group, with the power and authority to, among other things, sell the Purchased Assets;
- C. Subject to the Vesting Order, the Vendor and the Purchaser are parties to an Asset Purchase Agreement dated the 24<sup>th</sup> day of October, 2017 providing for the purchase and sale of certain of the assets, undertakings and properties of Crelogix Group, upon the terms and conditions contained therein as amended (the “**Asset Purchase Agreement**”);
- D. Pursuant to Section 6.7 of the Asset Purchase Agreement, the parties are to enter into a transition services agreement whereby the Vendor is to provide certain services the Purchaser as part of the transition of the for the Term,
- E. Pursuant to an order of the Court Made on October 26, 2017( the “**Vesting Order**”), the Court approved the Asset Purchase Agreement, the services to be provided by the Vendor

to the Purchaser as part of the transition of the Business as contemplated by this Agreement; and

- F. All terms denoted with an initial capital letter defined in the Asset Purchase Agreement and not otherwise defined in this Agreement shall have the same meaning in this Agreement;

**NOW THEREFORE THIS AGREEMENT WITNESSETH** that in accordance with the Asset Purchase Agreement, the parties hereto covenant and agree as follows:

## **1. TRANSITION OF BUSINESS**

- 1.1 "Term" in this Agreement shall mean the period of time commencing at 12:00 p.m. on the Closing Date to and including 11:59 p.m. on January 31, 2018 or such earlier termination date and time as the parties may agree in writing.
- 1.2 The Vendor shall assist with the transition of the business to the Purchaser by using its reasonable efforts to provide the existing office space and existing staff and other services as the parties may agree in writing.
- 1.3 As of the Closing as contemplated in the Asset Purchase Agreement, except as provided in this Agreement or the Vesting Order to the contrary, the Vendor shall be relieved of all liability with respect to the administration of the Business as it relates to the Purchased Assets and Purchaser shall become fully obligated and liable with respect to such aspects of the Business, as of the Closing Time.

## **2. REVENUES AND PAYMENT OBLIGATIONS**

- 2.1 As of the Closing as contemplated in the Asset Purchase Agreement, the Purchaser shall be entitled to receive any and all revenues and monies generated by the Business during the Term.
- 2.2 As of the Closing as contemplated in the Asset Purchase Agreement, the Purchaser shall pay on the first of each month to the Vendor an estimate of any expenses to be incurred by the Vendor, without limitation, actual rent, utilities, telephone, internet, license fees and employee services together with a 10% administration fee incurred by the Vendor in assisting with the transition of the Business during the Term pursuant to this Agreement or the Vesting Order.

### **3. INDEMNITY**

- 3.1 The Purchaser shall indemnify and hold harmless the Vendor against all damages, losses and costs, including third party claims (and including the reasonable cost of defending third party claims, on a solicitor and client basis), arising as of the Closing Time from:
- 3.1.1 the Purchaser's breach of any provisions of this Agreement, the Asset Purchase Agreement or the Vesting Order;
  - 3.1.2 the negligence or tortious conduct of the Purchaser or any official, director, officer, employee or agent of the Purchaser; or
  - 3.1.3 Any action brought by vendors of chattel paper, consumers or related to the administration of loans held by the Crelogix Group on behalf of other Funders, as contemplated by the Receivership Order.

### **4. OFFICE SPACE**

- 4.1 Subject to the terms of the Burnaby Office Lease, the Purchaser and its staff and invitees may access and use the Burnaby Premises for the purpose of transitioning the Business from the Vendor to the Purchaser during the Term. The Purchaser shall be responsible for all damage, costs, and losses to the Vendor caused by the Purchaser or its staff or invitees while using the Burnaby Premises.

### **5. PURCHASED ASSETS**

- 5.1 As of the Closing as contemplated in the Asset Purchase Agreement, the Vendor shall have assigned and transferred to the Purchaser all of the right title and interest of the Vendor on behalf of Crelogix Group in the Purchased Assets and the Purchaser shall have assumed all of the obligations of the Vendor on behalf of the Crelogix Group with respect to the Purchased Assets. Notwithstanding the foregoing, as of the Closing, the Vendor shall be entitled to assess and use such Purchased Assets under license as the exclusive agent of the Purchaser pursuant to this Agreement.
- 5.2 The books and records and intellectual property included in the Purchased Assets that are required by the Purchaser for its operations as of the Closing Time, will be available to the Vendor, immediately after the Closing Date. During the Term, the Purchaser shall retain and safeguard the Books and Records and the Intellectual Property.

### **6. GENERAL**

- 6.1 This Agreement shall enure to the benefit of and be binding upon and enforceable by the parties hereto and their respective successors and permitted assigns.
- 6.2 The parties agree during the Term to do all such acts and provide such further assurances and instruments as may be reasonably be required in order to carry out the provisions of

this Agreement according to the spirit and intent of the Asset Purchase Agreement and the Vesting Order.

- 6.3 No amendment of this Agreement is effective unless made in writing and signed by a duly authorised representative of each party. No waiver of any provisions of this Agreement is effective unless made in writing and such waiver has effect only in respect of the particular provision or circumstance stated in the waiver.
- 6.4 This Agreement, together with the Asset Purchase Agreement and the Vesting Order constitutes the entire agreement between the Vendor and the Purchaser regarding the subject matter of this Agreement and supersedes any previous agreements, discussions negotiations and understandings. There are no agreements, representations, warranties, terms, conditions or commitments regarding the subject matter of this Agreement except as provided in this Agreement.
- 6.5 Any notice, approval, consent or other communication under this Agreement shall be made in accordance with the provisions of the Asset Purchase Agreement.
- 6.6 This Agreement may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

**IN WITNESS WHEREOF** this Agreement has been executed as of the day and year first above written.

**PROSPERA CREDIT UNION**

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

Authorized Signatory

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

Authorized Signatory

**ALVAREZ & MARSAL CANADA INC.,**  
in its capacity as court-appointed receiver  
and manager of the undertaking, property  
and assets of Crelogix Acceptance  
Corporation, Crelogix Credit Group Inc. and  
Crelogix Portfolio Services Corp.

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

(not in its personal capacity)



## **APPENDIX B**

### **Proposed Cost Allocation**

Crelogix Acceptance Corp.

Estimated Receivership Costs/Funding Requirements

Proposed Allocation of Costs

23-Oct-17

**DRAFT FOR DISCUSSION PURPOSES ONLY**  
**PRIVILEGED & CONFIDENTIAL**

Estimated Total Costs to Allocate - see Note 1	\$ 1,250,000
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Funder	Various Balances (000's) at June 30, 2017			Receiver Distributions to July 31, 2017	Average See Note 2	
	Funder Loan Balance	Customer Loan Balance	Number of Loans			Percent
Prospera	\$ 174,238	\$ 143,125	17,890	\$ 15,043	350,296	73.6%
Connect First	37,921	30,865	3,565	3,501	75,852	15.9%
Servus	13,103	11,257	2,246	1,406	28,012	5.9%
Bow Valley	6,025	5,022	654	626	12,327	2.6%
Beaumont	2,473	2,106	373	208	5,160	1.1%
Servus - Loans not securitized	1,980	1,800	200	28	4,008	0.8%
<b>Total</b>	<b>\$ 235,740</b>	<b>\$ 194,175</b>	<b>24,928</b>	<b>\$ 20,812</b>	<b>475,655</b>	<b>100%</b>

Cost Allocation To:	Specific Allocation (Note 3)	Allocate to Funders Based On Average (see Note 2):					Total	
		Funder Loan Balance	Customer Loan Balance	Number of Loans	Distributions to July 31, 2017	Average	Allocation	Percent
Prospera		\$ 768,675	\$ 766,577	\$ 746,374	\$ 751,716	\$ 758,335	\$ 758,335	60.7%
Connect First		167,294	165,313	148,732	174,949	164,072	164,072	13.1%
Bow Valley	\$ 25,000	26,580	26,898	27,285	31,282	28,011	53,011	4.2%
Beaumont	25,000	10,910	11,280	15,562	10,394	12,036	37,036	3.0%
Sub Total							1,012,455	81.0%
Servus		57,806	60,292	93,703	70,259	70,515	70,515	5.6%
Servus - secured creditor realizations	160,000	8,735	9,641	8,344	1,399	7,030	167,030	13.4%
							237,545	19.0%
<b>Total</b>	<b>\$ 210,000</b>	<b>\$ 1,040,000</b>	<b>\$ 1,040,000</b>	<b>\$ 1,040,000</b>	<b>\$ 1,040,000</b>	<b>\$ 1,040,000</b>	<b>\$ 1,250,000</b>	<b>100%</b>

Note 1 - The Receiver has prepared an estimate of the costs anticipated to be incurred to complete the receivership and to be allocated to the Funders assuming an Asset Purchase Agreement is entered into with an effective date of October 31, 2017. The costs include operating costs for rent, payroll and other G&A and the Receiver's and its counsels fees and out of pocket costs. The costs are reduced by the monthly Service Fee received by Crelogix under the agreements with the Funders and interest on the trust accounts. No other realizations in the receivership have been applied to reduce the costs. A breakdown of the costs is available from the Receiver.

Note 2 - The costs are reasonably allocated on the basis of the Customer or Funder loan amount or volume of loans of each Funder at the date of the Receivership or on amounts available for distribution by the Receiver. The average of the four measures of activity is proposed as a reasonable basis to allocate costs in this situation as the volume of loans is directly related to the effort required by the Receiver.

Note 3 - Allocation of costs specifically to Servus as secured creditor and to allocate a minimum amount to Bow Valley and Beaumont.