Form 49 Rule 13.19

1701-10909 COURT FILE NUMBER

COURT OF QUEEN'S BENCH OF ALBERTA COURT

AUG 16 2017

JUDICIAL CENTRE OF CALGARY

Clerk's Stamp

**CALGARY** JUDICIAL CENTRE

RAZOR ENERGY CORP. APPLICANT

BLENDFORCE ENERGY SERVICES INC. AND RESPONDENT

FORTALEZA ENERGY INC.

AFFIDAVIT OF DOUG BAILEY **DOCUMENT** 

McCARTHY TÉTRAULT LLP ADDRESS FOR SERVICE

Barristers & Solicitors AND CONTACT

Sean Collins / Pantelis Kyriakakis INFORMATION OF PARTY Suite 4000, 421 - 7 Avenue S.W. FILING THIS DOCUMENT

Calgary, AB T2P 4K9

Phone: 403-260-3531 / 3536

403-260-3501

Email: scollins@mccarthy.ca / pkyriakakis@mccarthy.ca

# AFFIDAVIT OF DOUG BAILEY Sworn August 16, 2017

I, Doug Bailey, of the City of Calgary, in the Province of Alberta, MAKE OATH AND SAY THAT:

- I am the President & Chief Executive Officer of Razor Energy Corp. ("Razor") and have had primary responsibility for managing Razor's relationship with BlendForce Energy Services Inc. (the "Debtor") and Fortaleza Energy Inc. ("Fortaleza"), including Razor's efforts to purchase certain assets of the Debtor. As such, I have a personal knowledge of the facts and matters sworn to in this Affidavit, save where stated to be based on information and belief and, where so stated, I believe such information to be true.
- I am authorized by Razor to swear this Affidavit. 2.
- I swear this Affidavit in support of an application for orders seeking to: 3.
  - appoint FTI Consulting Canada Inc. ("FTI") as the receiver and manager (the (a) "Receiver" when acting in such capacity) of the assets, properties and

undertaking of the Debtor (collectively, the "Property") and for certain related relief;

- (b) authorize and empower the proposed Receiver to implement the SISP (as defined below); and,
- (c) authorize and empower the proposed Receiver to enter into the APA (as defined below), as contemplated pursuant to the SISP.

# The Debtor

- The Debtor is an Alberta corporation with its registered office in Calgary, Alberta, and is in the business of operating and maintaining certain mid-stream oil and gas assets. Specifically, the main assets of the Debtor are an oilfield chemical blending facility (the "Facility") and a Class 1B disposal well (the "Disposal Well") located in the town of Swan Hills, Alberta. Attached hereto and marked as Exhibit "A" to this my Affidavit is a true copy of the Alberta corporate search results in respect of the Debtor.
- 5. Fortaleza is an Alberta corporation with its registered office in Calgary, Alberta, and is the sole shareholder and parent company of the Debtor. Attached hereto and marked as Exhibit "B" to this my Affidavit is a true copy of the Alberta corporate search results in respect of Fortaleza.

# Secured Obligations

- 6. Pursuant to:
  - (a) a Secured Grid Promissory Note, dated February 28, 2015 (the "Bailey Grid Note"), as granted by the Debtor to J. Cameron Bailey ("Bailey"); and,
  - (b) a Secured Grid Promissory Note, dated February 28, 2015 (the "Jeffs Grid Note", the Jeffs Grid Note and the Bailey Grid Note are collectively referred to as, the "Grid Notes"), as granted by the Debtor to and in favour of James Jeffs ("Jeffs" Jeffs and Bailey are collectively referred to as, the "Assignors")

the Assignors agreed to provide services to the Debtor, on credit, in return for the Debtor agreeing to pay the Assignors, for such services, in accordance with the terms and conditions

set out in the Grid Notes. Copies of the Grid Notes are collectively attached hereto and marked as Exhibit "C" to this my Affidavit.

- 7. Pursuant to a \$50,000 Loan Agreement, dated May 1, 2015 (the "Loan Agreement" the Loan Agreement and the Grid Notes are collectively referred to as, the "Credit Documents"), between Fortaleza, as the borrower, Bailey, as the lender, and the Debtor, as the guarantor, Bailey lent funds to Fortaleza. A copy of the Loan Agreement is attached hereto and marked as Exhibit "D" to this my Affidavit.
- 8. The obligations and liabilities owed by Fortaleza to Bailey under the Loan Agreement are guaranteed by the Debtor and are furthermore secured against the Debtor's Property, pursuant to a Guarantee and General Security Agreement, dated May 11, 2015 (the "Secured Guarantee"), as granted by the Debtor to and in favour of Bailey. A copy of the Secured Guarantee is attached hereto and marked as Exhibit "E" to this my Affidavit.
- 9. The obligations and liabilities arising under the Credit Documents are repayable on demand.
- 10. In accordance with the terms and conditions of the Grid Notes, the liabilities and obligations due and owing by the Debtor to:
  - (a) Bailey, are secured by and in accordance with a General Security Agreement, dated October 8, 2015, as granted by the Debtor to and in favour of Bailey (the "Bailey GSA"). A copy of the Bailey GSA is attached hereto and marked as Exhibit "F" to this my Affidavit; and,
  - (b) Jeffs, are secured by and in accordance with a General Security Agreement, dated October 8, 2015, as granted by BlendForce to and in favour of Jeffs (the "Jeffs GSA" the Jeffs GSA and the Bailey GSA are collectively referred to as, the "GSAs"). A copy of the Jeffs GSA is attached hereto and marked as Exhibit "G" to this my Affidavit.
- 11. Pursuant to the Secured Guarantee and the GSAs (collectively the "Security Documents") the Debtor granted to each of the Assignors, a mortgage, pledge, charge, and security interest to and in favour of each of the Assignors in all of the Debtor's present and after-acquired property, assets, and undertakings. Furthermore, pursuant to the GSAs the Debtor mortgaged and charged all present and future real property, personal property, assets, and

undertaking of the Debtor of any nature or kind, including all real property which the Debtor at any time has any right or interest or to which the Debtor is or may at any time become entitled to.

- 12. The Assignors have perfected their security interests under the Security Documents by registration, against the Debtor, of financing statements and land charges in the Personal Property Registry (the "PPR") of Alberta. Specifically, the Assignors perfected their security interest by:
  - registration of a financing statement, in favour of Bailey, in the Alberta PPR, in accordance with the provisions of the *Personal Property Security Act* (Alberta) (the "PPSA"), bearing registration number 15100936426, and with a collateral description of "All present and after-acquired personal property of the debtors", dated October 9, 2015, and for a registration length of five (5) years;
  - (b) registration of a financing statement, in favour of Bailey and Jeffs, in the Alberta PPR, in accordance with the provisions of the PPSA, bearing registration number 15100936457, and with a collateral description of "All present and after-acquired personal property of the debtors", dated October 9, 2015, and for a registration length of five (5) years;
  - (c) registration of a land charge, in favour of Bailey, in the Alberta PPR, in accordance with the provisions of the *Law of Property Act* (Alberta) (the "**LPA**"), bearing registration number 15100936432, dated October 9, 2015; and,
  - (d) registration of a land charge, in favour of Bailey and Jeffs, in the Alberta PPR, in accordance with the provisions of the LPA, bearing registration number 15100936469, dated October 9, 2015;

A copy of the Alberta PPR Debtor Name Search Results with respect to the Debtor and Fortaleza are, collectively, attached hereto and marked as Exhibit "H" to this my Affidavit (the "PPR Search Results").

# The Debtor's Liquidity Issues

13. The Debtor has ceased carrying on business and is clearly insolvent. Specifically, since July 2016, based on the Debtor's PPR Search Results, writs in the current outstanding amount

of \$274,805.91 (the "Judgment Liabilities") have been registered by the following parties in the Alberta PPR against the Debtor:

- (a) Nexeo Solutions Canada Corp., in the original amount of \$62,990.24 of which \$37,186.15 remains outstanding;
- (b) Canadian Dewatering L.P., in the original amount of \$32,205.40 of which \$19,147.00 remains outstanding;
- (c) Flex Tank & Vac Trucks Ltd., in the original amount of \$15,251.32 of which \$14,880.12 remains outstanding;
- (d) 1521872 Alberta Ltd. and Enzo Energy Services, in the original amount of \$152,149.19 of which \$152,219.99 remains outstanding;
- (e) Haulin' Acid Inc., in the original amount of \$41,133.00 of which \$41,333.00 remains outstanding; and,
- (f) Scott Safety Supply Services Inc., in the original amount of \$9,409.82 of which \$10,039.65 remains outstanding;

(collectively, the "Judgement Creditors")

- The Debtor has also failed to pay the property taxes associated with the certain of the Debtor's Property, which property taxes (being a combination of linear and non-linear property taxes) currently amount to approximately \$173,060.09 (collectively, the "Property Tax Liabilities"). A copy of the Town of Swan Hills Property Tax and Utility Invoice is attached hereto and marked as Exhibit "I" to this my Affidavit.
- 15. In addition to the Judgment Liabilities and the Property Tax Liabilities, the Debtor has also accrued liabilities to the Canada Revenue Agency in the approximate amount of \$32,418 on account of unpaid source deductions and \$24,676 on account of unpaid GST (the "CRA Liabilities")

# Pre-filing Attempts to Purchase the Assets

16. In the spring of 2017 the Debtor retained NRG Divestitures Inc. ("NRG"), as the Debtor's marketing and sales agent, to complete a sales process with respect to the Debtor's Property

(the "**Pre-Filing Sales Process**"). The Pre-Filing Sales Process commenced on May 3, 2017, and had a bid deadline of May 31, 2017.

- 17. Razor took part in the Pre-Filing Sales Process. Specifically, on May 31, 2017, Razor submitted a non-binding letter of intent (the "Razor LOI") to the Debtor and NRG to purchase certain of the Debtor's real and personal property and assets (collectively, the "Assets") as set out and identified in the APA (as defined herein), free and clear of all security interests, charges, judgements, liens, levies, and related restrictions. A copy of Razor's non-binding letter of intent to purchase the Assets is attached hereto and marked as Confidential Exhibit "J" to this my Affidavit.
- 18. On or around June 2, 2017, NRG informed Razor that the Razor LOI was the winning bid in the Pre-Filing Sales Process. However, as a result of the quantum of the obligations arising under the Credit Documents, the Judgement Liabilities, the Property Tax Liabilities, the CRA Liabilities, NRG informed Razor that the Debtor was not in a position to sell the Assets free and clear of all security interests, charges, judgements, liens, levies, and related restrictions for the purchase price set out in the Razor LOI.

# Assignment of Credit and Security Documents and Early Restructuring Attempts

- 19. Following the Debtor's inability to close a sale of the Assets, as part of the Pre-Filing Sales Process, Razor attempted to work with the Debtor in order to pursue a restructuring of the Debtor's affairs. First, Razor purchased the Assignors' right, title, and interest in, to, and under the Credit Documents, the Security Documents, and any and all indebtedness arising in connection thereto (collectively, the "Assigned Documents") pursuant to an Assignment of Loan and Security, dated July 21, 2017 (the "Assignment Agreement"), between the Assignors, as the assignors, the Debtor, as a debtor and guarantor, Fortaleza, as a debtor, and Razor, as the purchaser/assignee. A copy of the corresponding Bare Assignment, as between the Assignors and Razor is attached hereto and marked as Exhibit "K" to this my Affidavit.
- As of June 30, 2017, the aggregate amount of the indebtedness owed by the Debtor to the Assignors, pursuant to the Assigned Documents, was Cdn.\$256,802 plus any and all interest, fees, costs, (including, without limitation, solicitor and client costs, on a solicitor and its own client indemnity basis) (collectively, the "Indebtedness"), which, as of June 30, 2017, was comprised of the following:

- (a) Bailey Grid Note Cdn.\$83,330 in outstanding principal and Cdn.\$17,902 in accrued interest;
- (b) Jeffs Grid Note Cdn.\$83,330 in outstanding principal and Cdn.\$17,902 in accrued interest; and,
- (c) Loan Agreement Cdn.\$50,000 in outstanding principal and Cdn.\$4,338 in accrued interest;
- 21. Following the assignment of the Assigned Documents, Razor, in consultation with FTI, as the potential proposal trustee, and Dentons Canada LLP, as counsel to the Debtor, attempted to assist and fund the Debtor's development of a Proposal under Division I of Part III of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the "BIA").
- 22. On August 3, 2017, Razor was informed by Mr. Lance Sauer, the sole remaining officer and director of the Debtor, that he had resigned from his capacity as the sole remaining officer and director of the Debtor.

# **Demand and NOI**

- 23. On or about July 31, 2017, Razor issued a demand (the "Demand") concerning repayment of the Indebtedness owing under the Assigned Documents and issued a corresponding notice of intention to enforce security pursuant to section 244 of the *BIA* (the "NOI"). A copy of the Demand and NOI is attached hereto and marked as Exhibit "L" to this my Affidavit.
- 24. The Debtor has failed to pay the Indebtedness in the timeframe specified in the Demand. Furthermore, as of the date of this Affidavit, the Debtor has failed to repay the Indebtedness, and, therefore, is currently in default under the Assigned Documents.

# Receivership

- 25. I believe it is just, convenient, and appropriate for a receiver and manager to be appointed over the Debtor and the Property, for the following reasons;
  - (a) the Debtor is unable to continue as a viable concern as it has ceased all operations and, following the resignation of Mr. Sauer, has no remaining officers or directors;

- (b) the Debtor has committed various defaults, including failing to pay the Indebtedness following the issuance of the Demand;
- (c) the GSAs, as assigned to Razor, stated that the secured party thereunder may appoint a receiver over the Debtor and the Property upon the occurrence of a default; and,
- (d) certain Judgement Creditors have commenced enforcement actions, including the registration of a writ of enforcement and seizure in the Alberta PPR by one Judgment Creditor, as against the Debtor, concerning certain personal property of the Debtor and Fortaleza.
- 26. Additionally, and of greater concern, due to the aforementioned issues, there is a significant risk of irreparable harm to the Debtor's Property and the corresponding Security Documents if a receiver and manager is not appointed over the Property, to ensure that the Property is properly maintained, that adequate insurance is in place, that the Debtor's obligations are paid in accordance with their respective priority, and to preserve the Property for the benefit of all stakeholders including, preventing further deterioration of the Property.

# Implementation of the SISP and Approval of the APA

- 27. Razor's LOI was the winning bid in the Pre-Filing Sales Process.
- 28. Due to: (i) the continued deterioration of the Property; (ii) the various costs and expenses incurred by Razor in connection with the acquisition of the Assets; and (iii) Razor's acquisition of the Assigned Documents and the Indebtedness, Razor has amended the consideration which Razor is willing to pay in order to purchase the Assets.
- 29. As a result of the change in consideration offered by Razor in connection with the purchase of the Assets, Razor has, in consultation with the proposed Receiver, developed the Sale and Investment Solicitation Procedures ("SISP"). Now shown to me and attached as Exhibit "M" to this, my Affidavit, is a copy of the SISP.
- 30. The SISP contemplates that NRG (the "Sales Agent" when acting in such capacity under the SISP) will be retained by the proposed Receiver, as the its sales agent, and that the proposed Receiver and the Sales Agent will proceed to market the Debtor's Property in an open, fair, public, and transparent manner.

- 31. The purpose of the SISP is to canvas the market for a Superior Offer (as defined in the SISP).
- Due to: (i) the Debtor's financial constraints; (ii) the fact that the Debtor's operations have been shut in for some time; (iii) the fact that the Debtor's Operations do not actually produce any cash; (iv) the ongoing deterioration of the Debtor's Property, due to a lack of maintenance; (v) the potential environmental issues that may arise due the lack of maintenance, supervision, and/or oversight; and, (vi) the Debtor completing the Pre-Filing Sales Process, in which the winning bid was the Razor LOI, Razor (as a prospective purchaser, the person most likely funding any receivership proceedings, and the senior secured creditor of the Debtor) and the proposed Receiver have agreed that a consolidated SISP timeline would be most beneficial to the various stakeholders of the Debtor.
- 33. The SISP contemplates the following milestone deadlines:
  - (a) a first phase deadline, for the delivery of non-binding letters of interest, by September 22, 2017;
  - a second phase deadline, by which qualifying bidders must submit a binding and definitive agreement to the Receiver, by September 29, 2017; and,
  - (c) a contemplated completion date, for the closing of any transaction arising out of the SISP, by October 6, 2017.
- 34. Due to the short timeframe provided for in the SISP, the first phase of the SISP will commence on or around August 18, 2017. Accordingly, the SISP is contemplated to run for a total of forty-nine (49) days from the date of commencement to the contemplated completion date.
- 35. As contemplated by the SISP, the proposed Receiver will need approval to enter into, execute, and deliver, the Asset Purchase Agreement, dated August 15, 2017 (the "APA"), between the Debtor, by and through the Receiver, as the vendor, and Razor, as the purchaser. Now shown to me and attached as Exhibit "N" to this, my Affidavit, is a true copy of the APA.
- 36. The APA contemplates the following:
  - (a) Razor shall purchase, be assigned, and acquire the Assets from the Debtor; and,

- (b) the consideration to be paid by Razor for the Assets shall be comprised of the following:
  - (i) cash, in an amount sufficient to repay any and all outstanding obligations and liabilities secured by charges customarily granted in connection with a receivership order, such as the Receiver's Charge and the Receiver's Borrowing Charge, if any; and,
  - (ii) cash, in an amount sufficient to repay any and all outstanding obligations and liabilities owed by the Debtor to the Canada Revenue Agency and which have priority over the Assigned Documents and the Indebtedness; and.
  - (iii) the assumption of any portion of the Property Tax Liabilities which have priority over the Assigned Documents and the Indebtedness; and,
  - (iv) a credit bid of the Indebtedness.
- 37. After a limited review, the proposed Receiver has estimated that the total consideration to be paid by Razor, pursuant to the APA, is approximately \$700,000.
- 38. Upon execution, the APA will be binding on Razor and conditional on obtaining Court approval of: (i) the APA; and, (ii) the vesting of the Assets in the name of Razor, free and clear of all liens other than any portion of the Property Tax Liabilities which is determined to have priority over the Indebtedness and the Assigned Documents.
- 39. The APA automatically terminates upon a Superior Offer being completed, pursuant to and in accordance with the terms and conditions of the SISP.
- 40. By entering into the APA, in conjunction with the commencement of the SISP, the APA provides the Debtor with a binding and definitive agreement, in the event that no Superior Offer arises, which will provide some security that the Debtor will be able to enter into a transaction for the benefit of its creditors and stakeholders.
- 41. Upon completing the SISP, pursuant to the terms therein, the proposed Receiver is entitled to seek: (i) approval of the vesting and transfer of the Assets to Razor, substantially in accordance with the terms of the APA; or, (ii) should a Superior Offer arise, approval of the

Superior Offer and any corresponding agreement and the vesting of the property, as contemplated therein.

42. The proposed Receiver will have complete authority to administer the SISP and to determine whether a Superior Offer has been made. If the proposed Receiver determines that a Superior Offer has been made the proposed Receiver will be entitled to proceed with the Superior Offer, in accordance with the terms of the SISP.

# Conclusion

- 43. FTI has consented to act as the receiver and manager of the Debtor and the Property. Deryck Helkaa, a senior managing director at FTI, is responsible for this mandate and is a licensed trustee in bankruptcy.
- 44. I make this Affidavit in support of Razor's application for an order:
  - (a) appointing FTI as the receiver and manager of the Debtor and the Property, together with such powers as set out in the draft receivership order, attached to the Notice of Application to be filed concurrently with this, my Affidavit;
  - (b) authorizing and empowering the proposed Receiver to retain the Sales Agent, implement the SISP, and take any and all actions necessary in connection thereto with respect to the marketing and potential sale of the Debtor's Property; and,
  - (c) authorizing and empowering the proposed Receiver to enter into the APA, as contemplated by the SISP.

SWORN BEFORE ME at the City of Calgary, in the Province of Alberta, this 16<sup>th</sup> day of August, 2017.

Commissioner for Oaths in and for the

Province of Alberta

Pantelis Kyriakakis Barrister and Solicitor DOUG BAILEY

# This is Exhibit "A" referred to in the Affidavit of

Doug Bailey

sworn before me this 16th day of August, 2017,

A Commissioner for Oaths in and for the Province of Alberta

Pantelis Kyriakakis
Barrister and Solicitor

# Government Corporation/Non-Profit Search of Alberta ■ Corporate Registration System

Date of Search: 2017/07/04 Time of Search: 04:52 PM

Search provided by: MCCARTHY TETRAULT LLP

Service Request Number: 27306127 Customer Reference Number: p.kyriakakis/rt

Corporate Access Number: 2013106394

**Legal Entity Name:** BLENDFORCE ENERGY SERVICES INC.

# Name History:

<b>Previous Legal Entity Name</b>	Date of Name Change (YYYY/MM/DD)
1310639 ALBERTA LTD.	2014/06/04

**Legal Entity Status:** Start

**Alberta Corporation Type:** Named Alberta Corporation

**Method of Registration:** Amalgamation

**Registration Date:** 2007/03/31 YYYY/MM/DD **Date of Last Status Change:** 2017/05/02 YYYY/MM/DD

### **Registered Office:**

**Street:** 1500, 850 - 2 STREET SW

City: CALGARY
Province: ALBERTA
Postal Code: T2P 0R8

### **Records Address:**

**Street:** 1500, 850 - 2 STREET SW

City: CALGARY
Province: ALBERTA
Postal Code: T2P 0R8

#### **Directors:**

Last Name: SAUER

First Name: LANCE

Street/Box Number: 7874 - 10 STREET NE

City: CALGARY
Province: ALBERTA
Postal Code: T2E 8W1

# **Voting Shareholders:**

**Legal Entity Name:** FORTALEZA ENERGY INC.

Corporate Access Number: 2013704560

**Street:** 802, 322 - 11 AVENUE SW

City: CALGARY
Province: ALBERTA
Postal Code: T2R 0C5

**Percent Of Voting Shares:** 100

# **Details From Current Articles:**

# The information in this legal entity table supersedes equivalent electronic attachments

Share Structure: THE CORPORATION IS AUTHORIZED TO ISSUE AN UNLIMITED NUMBER OF

**COMMON VOTING SHARES** 

Share Transfers NO SHARES OF THE CORPORATION SHALL BE TRANSFERRED WITHOUT THE

**Restrictions:** PRIOR WRITTEN CONSENT OF THE BOARD OF DIRECTORS

Min Number Of

Directors:

**Max Number Of** 7 **Directors:** 

Directors.

**Business** NONE

**Restricted To:** 

**Restricted** NONE

From:

Other

**Business** 

SEE ATTACHED SCHEDULE "B'

**Provisions:** 

# Other Information:

#### **Amalgamation Predecessors:**

Corporate Access Number	<b>Legal Entity Name</b>
2012966814	1296681 ALBERTA LTD.

# **Last Annual Return Filed:**

File Year	Date Filed (YYYY/MM/DD)
2015	2015/07/28

# **Outstanding Returns:**

Annual returns are outstanding for the 2017, 2016 file year(s).

# **Filing History:**

List Date (YYYY/MM/DD)	Type of Filing	
2007/03/31	Amalgamate Alberta Corporation	
2008/12/19	Change Address	
2014/06/04	Name Change Alberta Corporation	
2015/07/28	Enter Annual Returns for Alberta and Extra-Provincial Corp.	
2015/10/30	Change Director / Shareholder	
2017/05/02	Status Changed to Start for Failure to File Annual Returns	

# **Attachments:**

Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
<u>Director Schedule</u>	ELECTRONIC	2007/03/31
Other Rules or Provisions	ELECTRONIC	2007/03/31
Statutory Declaration	10000304100284414	2007/03/31
Amalgamation Agreement	10000504100284413	2007/03/31
Letter - For Legal Name Change	10000307115462989	2014/06/04

This is to certify that, as of this date, the above information is an accurate reproduction of data contained within the official records of the Corporate Registry.



# This is Exhibit "B" referred to in the Affidavit of Doug Bailey

sworn before me this 16<sup>th</sup> day of August, 2017.

A Commissioner for Oaths in and for the Province of Alberta

Pantelis Kyriakakis Barrister and Solicitor

# Government Corporation/Non-Profit Search of Alberta ■ Corporate Registration System

Date of Search: 2017/07/04 Time of Search: 04:52 PM

Search provided by: MCCARTHY TETRAULT LLP

Service Request Number: 27306133 Customer Reference Number: p.kyriakakis/rt

Corporate Access Number: 2013704560

**Legal Entity Name:** FORTALEZA ENERGY INC.

# Name History:

<b>Previous Legal Entity Name</b>	Date of Name Change (YYYY/MM/DD)
FORTRESS ENERGY INC.	2013/02/28
ALVOPETRO INC.	2013/11/19

**Legal Entity Status:** Active

Alberta Corporation Type: Named Alberta Corporation

**Method of Registration:** Amalgamation

**Registration Date:** 2008/01/01 YYYY/MM/DD **Date of Last Status Change:** 2017/06/27 YYYY/MM/DD

# **Registered Office:**

**Street:** 1500, 850 - 2 STREET SW

City: CALGARY
Province: ALBERTA
Postal Code: T2P 0R8

# **Records Address:**

**Street:** 1500, 850 - 2 STREET SW

City: CALGARY
Province: ALBERTA
Postal Code: T2P 0R8

### **Directors:**

**Last Name:** BAILEY

First Name: J.

Middle Name: CAMERON

Street/Box Number: 802, 322 - 11 AVENUE SW

City: CALGARY
Province: ALBERTA
Postal Code: T2R 0C5

Last Name: FRASER
First Name: RODERICK

Middle Name: L.

Street/Box Number: APT. 512, 421 HUDSON STREET

City: NEW YORK Province: NEW YORK

**Postal Code:** 10014

Last Name: MCINTOSH
First Name: RONALD

Middle Name: A.

Street/Box Number: 300, 505 - 3 STREET SW

City: CALGARY
Province: ALBERTA
Postal Code: T2P 3E6

Last Name: WATSON First Name: GEORGE

Street/Box Number: 160 STONEPINE DRIVE SW

City: CALGARY
Province: ALBERTA
Postal Code: T3Z 3B5

# **Transfer Agents:**

Legal Entity Name: COMPUTERSHARE TRUST COMPANY OF CANADA

Corporate Access Number: 309229359

**Street:** 600, 530 - 8 AVENUE SW

City: CALGARY
Province: ALBERTA
Postal Code: T2P 3S8

# **Details From Current Articles:**

# The information in this legal entity table supersedes equivalent electronic attachments

**Share Structure:** SEE SCHEDULE "A" ATTACHED HERETO.

**Share Transfers Restrictions: NONE** 

**Min Number Of Directors:** 1 **Max Number Of Directors:** 9

**Business Restricted To:** NONE **Business Restricted From:** NONE

**Other Provisions:** SEE SCHEDULE "B" ATTACHED HERETO.

# **Holding Shares In:**

Legal Entity Name
BLENDFORCE ENERGY SERVICES INC.

# **Other Information:**

# **Amalgamation Predecessors:**

Corporate Access Number	r Legal Entity Name	
2012939795	FORTRESS ENERGY INC.	
2011016025	MARAUDER RESOURCES WEST COAST INC.	
2011898760	PREDATOR EXPLORATION LTD.	

## **Last Annual Return Filed:**

File Year	Date Filed (YYYY/MM/DD)
2016	2017/06/27

# **Outstanding Returns:**

Annual returns are outstanding for the 2017 file year(s).

# **Filing History:**

List Date (YYYY/MM/DD)	Type of Filing	
2008/01/01	Amalgamate Alberta Corporation	
2011/07/21	Change Address	
2013/11/19	Name Change Alberta Corporation	
2015/10/13	Change Director / Shareholder	
2017/03/02	Status Changed to Start for Failure to File Annual Returns	
2017/06/27	Enter Annual Returns for Alberta and Extra-Provincial Corp.	

# **Attachments:**

Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
Share Structure	ELECTRONIC	2008/01/01
Other Rules or Provisions	ELECTRONIC	2008/01/01
Statutory Declaration	10000504100126843	2008/01/01
Letter - Spelling Error	10000304100126759	2008/05/29

This is to certify that, as of this date, the above information is an accurate reproduction of data contained within the official records of the Corporate Registry.



This is Exhibit "C" referred to in the Affidavit of Doug Bailey

sworn before me this 16<sup>th</sup> day of August, 2017.

Commissioner for Oaths in and for the Province of Alberta

Pantelis Kyriakakis Barrister and Solicitor

#### SECURED GRID PROMISSORY NOTE

Calgary, Alberta CDN\$8,333.00

February 28, 2015

For value received, BlendForce Energy Services Inc. (the "Corporation"), a corporation incorporated under the laws of Alberta with its principal place of business at 7478 – 10 Street N.E., Calgary, AB, T2E 8W1, promises to pay to the order of J. Cameron Bailey (the "Lender"), the aggregate principal sum equal to the lesser of:

- (a) CDN\$8,333.00, and
- (b) the amount of the principal balance from time to time owing by the Corporation to the Lender as recorded by or on behalf of the Lender on the grid attached hereto and any further grids attached hereto, all of which grids form part of this Note,

(in the case of (a) and (b), the "Principal Amount") together with any interest accrued on the Principal Amount as provided in Section 2 below (the Principal Amount and interest accrued thereon being collectively referred to as the "Indebtedness"), subject to the terms and conditions of this Secured Grid Promissory Note, as amended from time to time (this "Note").

#### TERM AND PAYMENT.

The term of this Note shall commence on the date hereof and end on demand upon ten (10) Business Day's written notice from the Lender (the "Maturity Date"). On the Maturity Date, the Indebtedness shall become immediately due and payable, without presentment, demand, protest or notice.

All payments received by the Lender hereunder will be applied first to costs of collection, if any, then to interest and the balance to principal.

#### INTEREST.

The Principal Amount advanced under this Note shall bear interest from the applicable date of advance on the terms and conditions set forth herein. While outstanding, the Principal Amount shall bear interest at the rate of four percent (4%) per annum, on the basis of the actual number of days elapsed in a three hundred and sixty-five (365) day year. The Principal Amount and interest accrued thereon shall be payable in lawful money of Canada, without any deduction of any nature by way of set off, counterclaim or otherwise. This Note may not be prepaid at any time without the prior written consent of the Lender.

#### SECURITY.

As continuing security for the due and timely payment by the Corporation of the Indebtedness hereunder, the Corporation hereby grants a security interest in favour of the Lender pursuant to the terms of the Security Agreement attached to this Note as **Schedule B**.

#### 4. REPRESENTATIONS AND WARRANTIES OF THE LENDER.

The Lender and Corporation represent, warrant and certify to the other party as follows:

- (a) The Principal Amount evidenced hereunder represents accrued salary due and payable to the Lender from the Corporation for past employment services. The Lender has no present intention of selling or otherwise disposing of, or granting any participation in, this Note, and has not entered into any contract, undertaking, agreement or arrangement with any person to do so.
- (b) It is a resident of the Province of Alberta.

#### MISCELLANEOUS.

The Corporation waives presentment for payment, demand, protest, notice of demand, notice of protest and notice of prepayment of this Note, and all other notices or demands of any kind in connection with the delivery, acceptance, performance, default or enforcement hereof, and hereby consent to any delays, extensions of time, renewals, waivers or modifications that may be granted or consented to by the holder hereof with respect to the time of payment or any other provision hereof or of the Security Agreement.

The Corporation agrees to reimburse the Lender for (i) its reasonable legal fees incurred up to the date of this Note in connection with entering into this Note, and (ii) for all reasonable costs and expenses of collection of the Indebtedness under this Note, including reasonable legal fees, court costs and other costs in connection with the enforcement of this Note, whether or not any suit is instituted. Should suit be commenced to collect this Note or any portion thereof, such sum as the court may deem reasonable shall be added hereto as legal fees, including any fees awarded on any appeal.

#### AMENDMENTS.

Except as specifically provided herein, any term or provision of this Note may be amended, modified or waived with the prior written consent of the Corporation and the Lender, and any such amendment, modification or waiver, subject as hereinafter provided, shall be binding on the Lender.

#### GOVERNING LAW.

This Note shall be governed by, and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein. This Note shall be treated, in all respects, as an Alberta contract and the parties hereto hereby submit to the jurisdiction of the courts of the Province of Alberta.

#### 8. BINDING OBLIGATION.

This Note shall enure to the benefit of and be binding upon the Corporation and the Lender and their respective successors and assigns; provided, however, that the Corporation may not transfer or assign its rights or obligations under this Note without the written consent of the Lender.

# 9. SEVERABILITY.

Each of the provisions of this Note is distinct and severable and a declaration of invalidity, illegality or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision of this Note.

[Signature Page Follows]

CORPORATION:	BLENDFORCE ENERGY SERVICES INC.
	By: Authorized Signatory
LENDER:	Dog
Witness	Name: J. CAMERON BAILEY

# Schedule A

# GRID TO BLENDFORCE ENERGY SERVICES INC. SECURED GRID PROMISSORY NOTE MADE AS OF FEBRUARY 28, 2015

Date	Amount of <u>Advance</u>	Principal <u>Balance</u>	Notation <u>Made By</u>
February 28, 2015	CDN\$8,333	CDN\$8,333	Corporation
March 31, 2015	CDN\$8,333	CDN\$16,666	Corporation
April 30, 2015	CDN\$8,333	CDN\$24,999	Corporation
May 31, 2015	CDN\$8,333	CDN\$33,332	Corporation
June 30, 2015	CDN\$8,333	CDN\$41,665	Corporation
July 31, 2015	CDN\$8,333	CDN\$49,998	Corporation
August 30, 2015	CDN\$8,333	CDN\$58,331	Corporation
TOTAL		CDN\$50,000	

# Schedule B

# Form of Security Agreement

See attached.

# GENERAL SECURITY AGREEMENT (BLENDFORCE ENERGY SERVICES INC.)

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Debtor, the Debtor hereby agrees as follows:

#### **Definitions and Interpretation**

- In this agreement, the following words shall, unless otherwise provided, have the meanings set out below:
  - "Business Day" means a day, other than a Saturday, Sunday or statutory holiday in the Province of Alberta;
  - "Collateral" means all present and future property, assets and undertaking of the Debtor pledged, assigned, mortgaged, charged, hypothecated or made subject to a security interest pursuant to this agreement;
  - "Contractual Right" means any agreement, right, franchise, licence, authorization, approval, privilege or permit (a) to which the Debtor is now or hereafter becomes a party, (b) in which the Debtor now or hereafter has any interest or (c) of which the Debtor is or hereafter becomes a beneficiary;
  - "Debtor" means BlendForce Energy Services Inc., and its successors and assigns;
  - "Intellectual Property" means all patents, trade-marks, trade names, business names, trade styles, logos and other business identifiers, copyrights, technology, inventions, industrial designs, know-how, trade secrets and other industrial and intellectual property in which the Debtor now or in the future has any right, title or interest;
  - "Investment Collateral" means all present and future Investment Property (as such term is defined in the PPSA) of the Debtor, including all present and future options and warrants of the Debtor and all other rights and entitlements arising therefrom or related thereto, and the Debtor's present and future interests in partnerships, limited partnerships, limited liability partnerships and limited liability companies, and including all substitutions for any of the foregoing and dividends and income derived therefrom or payable in connection therewith;
  - "Obligations" means all present and future indebtedness, liabilities and obligations, direct or indirect, absolute or contingent, matured or unmatured, joint or several, of the Debtor to the Secured Party;
  - "Permitted Encumbrances" means any and all liens, charges, mortgages, security interests, hypothecs and other encumbrances which affect all or any portion of the Collateral and which have been permitted or consented to in writing by the Secured Party;
  - "Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, limited partnership or other entity;

"PPSA" means the *Personal Property Security Act* (Alberta), as amended from time to time and any legislation substituted therefor and any amendments thereto;

"Receiver" means a receiver, receiver-manager and receiver and manager;

"Secured Party" means J. Cameron Bailey and his successors and assigns;

"Security Interest" means the pledges, assignments, mortgages, charges and hypothecations of and the security interests in the Collateral created in favour of the Secured Party hereunder; and

- References such as "this agreement", "hereof", "herein", "hereto" and like references refer to
  this agreement and any schedules, exhibits or appendices attached hereto (all of which
  schedules, exhibits and appendices form a part of this agreement) and not to any particular
  section, subsection, paragraph or other subdivision of this agreement.
- The division of this agreement into sections, subsections and paragraphs and the insertion of headings in this agreement are for convenience of reference only and shall not affect the construction or interpretation of this agreement.
- 4. Terms used herein which are defined in the PPSA shall have the same meanings herein as are ascribed to such terms in the PPSA, unless such terms are otherwise defined.
- 5. The word "Debtor", the personal pronoun "it" or "its" and any verb relating thereto and used therewith shall be read and construed as required by and in accordance with the context in which such words are used. The term "successors" shall include, without limiting its meaning, any corporation resulting from the amalgamation of a corporation with another corporation. Where the context so requires, words used herein (including defined terms) importing the singular shall include the plural and vice versa and words used herein (including defined terms) importing gender shall include all genders (including the neuter).
- Nothing herein (including the definition and use of the term Permitted Encumbrances) is intended or shall be deemed to subordinate the Security Interest to any Permitted Encumbrance or any other lien, charge, mortgage, security interest, hypothec or encumbrance affecting all or any portion of the Collateral.
- 7. If one or more of the provisions contained herein shall be invalid, illegal or unenforceable in any respect, such provision or provisions shall be severed from this agreement only to the extent necessary, and the validity, legality and enforceability of the remaining provisions hereof, including the provision or provisions remaining after such severance, shall not in any way be affected or impaired thereby.
- 8. Unless otherwise expressly provided in this agreement, if any matter in this agreement is subject to the determination, consent or approval of the Secured Party or is to be acceptable to the Secured Party, such determination, consent, approval or determination of acceptability will be in the sole discretion of the Secured Party, which means the Secured Party shall have sole and unfettered discretion. If any provision in this agreement refers to any action taken or to be taken by the Debtor, or which the Debtor is prohibited from taking, such provision will be interpreted to include any and all means, direct or indirect, of taking, or not taking, such action. When used in the context of a general statement followed by a reference to one or more

- specific items or matters, the term "including" shall mean "including, without limitation" and the use of the term "includes" shall mean "includes, without limitation".
- 9. This agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein. The Debtor hereby irrevocably and unconditionally attorns and submits to the non-exclusive jurisdiction of the courts of the Province of Alberta, provided that nothing herein shall prevent the Secured Party from proceeding at its election against the Debtor in the courts of any other province, country or jurisdiction.

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

- 10. As continuing security for the payment and performance of all Obligations, the Debtor hereby pledges, assigns, mortgages, charges and hypothecates to the Secured Party and grants to the Secured Party a security interest in the following:
  - (a) all present and future equipment of the Debtor, including all of its present and future machinery, fixtures, plant, tools, furniture, books, records, documents, vehicles of any nature, kind or description and all accessions to any of the foregoing, including all spare parts and accessories installed in or affixed or attached to any of the foregoing, and all drawings, specifications, plans and manuals relating to the forgoing;
  - (b) all present and future inventory of the Debtor, including all of its present and future raw materials, materials used or consumed in its business, work-in-progress, finished goods, goods used for packing and goods acquired or held for sale or lease or that have been leased or furnished or that are to be furnished under contracts of rental or service, and all accessions to any of the foregoing, including all spare parts and accessories installed in or affixed or attached to any of the foregoing;
  - (c) all present and future intangibles of the Debtor, including all of its present and future accounts and other amounts receivable, book debts, goodwill, Intellectual Property and choses in action of every nature and kind;
  - (d) all present and future documents of title, chattel paper, instruments and money of the Debtor:
  - (e) all present and future Investment Collateral;
  - (f) all present and future real property, personal property, assets, and undertaking of the Debtor of any nature or kind, including all real property, personal property, assets and undertaking at any time owned, leased or licenced by the Debtor or in which the Debtor at any time has any right or interest or to which the Debtor is or may at any time become entitled (other than the property, assets and undertaking of the Debtor validly pledged or assigned or subjected to a valid mortgage, charge, hypothec or security interest by subsection 10(a), 10(b), 10(c) 10(d) or 10(e) hereof and subject to the exceptions hereinafter contained); and

(g) all proceeds arising from the property, assets and undertaking of the Debtor referred to in this section 10, including insurance proceeds and any other payment representing indemnity or compensation for loss of or damage thereto.

#### **Limited Exceptions to Grant of Security Interest**

- Despite any other provision of this agreement, the last day of any term reserved by any lease of real property, oral or written, or any agreement therefor, now held or hereafter acquired by the Debtor, and whether falling within the general or particular description of the Collateral, is hereby and shall be excepted out of the Security Interest, but the Debtor shall stand possessed of the reversion of one day remaining in the Debtor in respect of any such term, for the time being demised, as aforesaid, upon trust to assign and dispose of the same as any purchaser of such term shall direct.
- Despite any other provision of this agreement, the Security Interest shall not attach to any Contractual Right to the extent that the granting of the Security Interest therein would constitute a breach of, or permit any Person to terminate such Contractual Right, but the Debtor shall hold its interest in each such Contractual Right in trust for the Secured Party and shall, after the Security Interest shall have become enforceable, specifically assign each such Contractual Right to the Secured Party, or as the Secured Party may otherwise direct. The Debtor agrees that it shall, upon the request of the Secured Party, whether before or after the Security Interest has become enforceable, use all commercially reasonable efforts to obtain any consent required to permit any such Contractual Right to be subjected to the Security Interest, and the Security Interest shall attach to such Contractual Right following the receipt of such consent.

#### Attachment

- 13. The Debtor confirms and agrees that:
  - (a) value has been given by the Secured Party to the Debtor;
  - (b) the Debtor has rights in all existing Collateral and power to transfer rights in the Collateral to the Secured Party; and
  - (c) the Debtor and the Secured Party have not postponed the time for attachment of the Security Interest, and the Security Interest shall attach to existing Collateral upon the execution of this agreement and shall attach to Collateral in which the Debtor hereafter acquires rights at the time that the Debtor acquires rights in such Collateral.

# Provisions with respect to Investment Collateral

- 14. Whenever any Investment Collateral is a certificated security, an uncertificated security or a security entitlement, the Debtor shall, or shall cause the issuer of such Investment Collateral to, or shall cause the securities intermediary that holds such Investment Collateral to, take all steps as are necessary to give exclusive control over such Investment Collateral to the Secured Party in a manner satisfactory to the Secured Party.
- 15. All certificates representing Investment Collateral may remain registered in the name of the Debtor, but the Debtor shall, promptly at the request of the Secured Party, duly endorse such

certificates in blank for transfer or execute stock powers of attorney in respect thereof and deliver such certificates or powers of attorney to the Secured Party; in either case with signatures guaranteed and with all documentation being in form and substance satisfactory to the Secured Party. Upon the request of the Secured Party:

- (a) the Debtor shall promptly cause the Investment Collateral to be registered in the name of the Secured Party or its nominee, and the Secured Party is hereby appointed the irrevocable attorney (coupled with an interest) of the Debtor with full power of substitution to cause any or all of the Investment Collateral to be registered in the name of the Secured Party or its nominee;
- (b) the Debtor shall promptly cause each securities intermediary that holds any Investment Collateral that is a security entitlement to record the Secured Party as the entitlement holder of such Investment Collateral; and
- (c) the Debtor shall promptly:
  - cause a security certificate to be issued for any Investment Collateral that is in the form of an uncertificated security or a security entitlement;
  - (ii) endorse such security certificate in blank;
  - (iii) deliver such security certificate to the Secured Party; and
  - (iv) take all other steps necessary to give exclusive control over such certificated security to the Secured Party,

in a manner satisfactory to the Secured Party.

- 16. Until further notice is given by the Secured Creditor to the Debtor terminating such rights of the Debtor, the Debtor shall be entitled to exercise all voting rights attached to the Investment Collateral and give consents, waivers and ratifications in respect thereof; provided that no vote shall be cast or consent, waiver or ratification given or action taken which would be prejudicial to the interests of the Secured Party or which would have the effect of reducing the value of the Investment Collateral as security for the Obligations, or imposing any restriction on the transferability of any of the Investment Collateral. All such rights of the Debtor to vote and give consents, waivers and ratifications shall cease immediately upon receipt by the Debtor of such notice by the Secured Party.
- 17. All dividends, distributions, interest and other income in respect of Investment Collateral and all proceeds received by the Debtor in respect of Investment Collateral may be received by the Debtor in the ordinary course and distributed in the ordinary course to the Debtor's shareholder or shareholders until further notice by the Secured Party. Upon receipt by the Debtor of such notice, the Debtor shall not be entitled to retain or distribute to its shareholder or shareholders any such dividends, distributions, interest or other income or proceeds and, if any such amounts are received by the Debtor after the Debtor receives such notice by the Secured Party, the Debtor shall hold such amounts in trust, as trustee for the Secured Party, and the Debtor shall forthwith pay such amounts to the Secured Party, to be applied to reduce the Obligations or, at the option of the Secured Party, to be held as additional security for the Obligations.

18. The responsibility of the Secured Party in respect of any Investment Collateral held by the Secured Party shall be limited to exercising the same degree of care which it gives valuable property of the Secured Party at the Secured Party's office where such Investment Collateral is held. The Secured Party shall not be bound under any circumstances to realize on any Investment Collateral or allow any Investment Collateral to be sold, or exercise any option or right attaching thereto, or be responsible for any loss occasioned by any sale of Investment Collateral or by the retention or other refusal to sell the same; nor shall the Secured Party be obliged to collect or see to the payment of interest or dividends thereon but, subject to section 17, all such interest and dividends, if and when received by the Debtor, shall be held by the Debtor in trust for the Secured Party and shall be forthwith paid to the Secured Party.

#### Representations and Warranties of the Debtor

- 19. The Debtor hereby represents and warrants to the Secured Party that:
  - (a) the Debtor has the capacity and authority to incur the Obligations, to create the Security Interest and to execute and deliver and perform its obligations under this agreement;
  - the execution and delivery of this agreement and the performance by the Debtor of its obligations hereunder have been duly authorized by all necessary proceedings;
  - (c) this agreement constitutes a legal, valid and binding obligation of the Debtor, enforceable against the Debtor in accordance with its terms subject only to bankruptcy, insolvency, reorganization, moratorium and other similar laws of general application affecting creditors' rights and the discretion exercisable by courts of competent jurisdiction in respect of the availability of equitable remedies;
  - except for the Security Interest and any Permitted Encumbrances, the Collateral is owned by the Debtor free from any mortgage, charge, lien, pledge, security interest or other encumbrance or claim whatsoever;
  - the sole place of business/chief executive office of the Debtor is located at the address listed in this agreement;
  - (f) the Debtor does not keep tangible Collateral at any location(s) except:
    - the location listed in this agreement, other than tangible Collateral in transit to or from such locations;
  - (g) the Debtor has made all necessary filings, registrations and recordations to protect all of its right, title and interest in the Intellectual Property including all relevant renewals; and all such filings, registrations and recordations have been duly and properly made and are in full force and effect and are not subject to dispute by any governmental authority or agency;
  - (h) all Contractual Rights relating to or affecting the Intellectual Property are in good standing;

- the Debtor owns directly or is entitled to use by Contractual Right or otherwise all of the Intellectual Property;
- no litigation is pending or threatened which contains allegations respecting the validity, enforceability, infringement or ownership of any of the Intellectual Property, including any of right, title or interest of the Debtor in the Intellectual Property; and
- (k) the Debtor has no Contractual Right which, because of the granting of the Security Interest therein, would be breached or could be terminated.

# Covenants of the Debtor

- 20. The Debtor agrees with the Secured Party that, until the Obligations have been satisfied and paid in full:
  - (a) it will:
    - (i) pay and satisfy the Obligations when due;
    - (ii) maintain the tangible Collateral in good condition and repair and allow the Secured Party or its agent access to all premises of the Debtor to inspect any and all Collateral;
    - (iii) make and maintain all filings, registrations and recordations necessary or desirable to protect its right, title and interest in the Collateral, including all filings, registrations and recordations necessary or desirable in respect of patents, trade-marks, copyrights and industrial designs included in the Intellectual Property;
    - (iv) defend the Collateral against any actions, claims and demands of any Person (other than the Secured Party or a party asserting a claim pursuant to a Permitted Encumbrance) claiming the Collateral (or any of it) or an interest therein:
    - (v) pay all taxes, rates, levies, assessments and other impositions and charges, of every nature and kind, which may now or hereafter be lawfully levied, assessed or imposed on or in respect of the Debtor or the Collateral (or any of it), including those which could result in the creation of a statutory lien or deemed trust affecting the Debtor or the Collateral, as and when the same become due and payable;
    - (vi) maintain its corporate existence and file or cause to be filed any returns, documents or other information necessary to preserve such corporate existence;
    - (vii) notify the Secured Party of any material loss or damage to the Collateral, any material change in any information provided in this agreement (including the schedules hereto) or any actual or, to the Debtor's knowledge, potential claim affecting the Debtor, the Collateral or the Security Interest;

- (viii) hold the proceeds received from any direct or indirect dealing with the Collateral in trust for the Secured Party after either the Security Interest becomes enforceable or any of the Collateral is sold other than in the ordinary course of business of the Debtor and for the purpose of carrying on such business;
- (ix) obtain from financially responsible insurance companies and maintain:
  - public liability insurance,
  - all risks property insurance in respect of the Collateral on a replacement cost basis,
  - C. business interruption insurance, and
  - insurance in respect of such other risks as the Secured Party may reasonably require from time to time,

and such policies of insurance shall be in such amounts as may be reasonably required by the Secured Party and shall include a standard mortgage clause approved by the Insurance Bureau of Canada; and to furnish the Secured Party with certificates of insurance and certified copies of such policies; all such policies of insurance shall neither permit nor provide for any amount of coinsurance by the Debtor;

- strictly comply with every covenant and undertaking heretofore or hereafter given by it to the Secured Party, whether contained herein or not;
- (xi) permit the Secured Party at any time and from time to time, both before and after the Security Interest shall have become enforceable, to require any account debtor of the Debtor to make payment to the Secured Party of any or all amounts owing by the account debtor to the Debtor and the Secured Party may take control of any proceeds referred to in subsection 10(g) hereof and may hold all amounts received from any account debtor and any proceeds as cash collateral as part of the Collateral and as security for the Obligations;
- (xii) prevent any Collateral from becoming an accession to any personal property not subject to the Security Interest, or becoming affixed to any real property;
- (xiii) deliver to the Secured Party, at the Secured Party's reasonable request, duly endorsed and/or accompanied by such assignments, transfers, powers of attorney or other documents as the Secured Party may reasonably request, all items of the Collateral comprising chattel paper, instruments, Investment Collateral and documents of title;
- (xiv) pay, on demand by the Secured Party, all costs and expenses (including all legal fees) incurred by the Secured Party in the preparation, perfection, administration and enforcement of this agreement (including expenses incurred in considering, protecting or improving the Secured Party's position, or

attempting to do so, whether before or after default) and all such costs and expenses shall bear interest at the highest rate applicable to the Obligations, shall form part of the Obligations and shall be secured by the Security Interest;

- (xv) at all times, both before and after the occurrence of a default, do or cause to be done such further and additional acts and things and execute and deliver or cause to be executed and delivered all such further and additional documents and agreements as the Secured Party may reasonably require to better pledge, assign, mortgage, charge and hypothecate the Collateral in favour of the Secured Party, to perfect the Security Interest and, without limiting the generality of the forgoing, to accomplish the intentions of this agreement;
- (xvi) preserve the Debtor's rights, powers, licences, privileges, franchises and goodwill, comply with all applicable laws, regulations and orders (including environmental laws, regulations and orders) affecting the Debtor or the Collateral and conduct its business in a proper and efficient manner so as to protect the Collateral, the Security Interest and the business and undertaking of the Debtor; and
- (xvii) without limiting the generality of any of the forgoing, perform all covenants required of the Debtor under any Contractual Right relating to or affecting the Intellectual Property (or any of it), including promptly paying all required fees, royalties and taxes, to maintain each and every item of Intellectual Property in full force and effect, and vigorously protect, preserve and maintain all of the value of, and all of the right, title and interest of the Debtor in, all Intellectual Property, by way of the prosecution of or defence against suits concerning the validity, infringement, enforceability or ownership of the Intellectual Property (or any of it) or otherwise; and
- (b) it will not, without the prior written consent of the Secured Party:
  - incur or create any further or additional indebtedness except to the Secured Party and except such normal indebtedness as may be incidental to the ordinary course of its business;
  - (ii) create any lien upon, assign or transfer as security, or pledge, hypothecate, charge, mortgage or grant a security interest in any Collateral except to the Secured Party and except for Permitted Encumbrances;
  - (iii) other than in the ordinary course of business and for the purpose of carrying on such business, sell, transfer, assign, or otherwise dispose of any Collateral or any group of property and assets forming part of the Collateral;
  - (iv) guarantee, endorse or otherwise become surety for or upon the obligations of others except to the Secured Party or by endorsement of negotiable instruments for deposit or collection in the ordinary course of the Debtor's business;

- declare or pay any dividends on or make any other payment or distribution in respect of any shares of its capital stock;
- (vi) pay any amount to officers or directors of the Debtor in their capacities as officers or directors by way of salary, bonus, commission, directors' fees or otherwise in excess of the scale of such payments to such officers or directors now being made by the Debtor;
- (vii) lend money to any Person in any way whatsoever;
- (viii) change its name;
- (ix) merge or amalgamate with any other corporation;
- (x) change the location of its sole place of business/chief executive office or create further place(s) of business in addition to its sole place of business without providing the Secured Party with thirty (30) Business Days' prior written notice thereof;
- (xi) keep tangible Collateral at any location other than the location(s) listed in this agreement without providing the Secured Party with thirty (30) Business Days' prior written notice thereof; or
- (xii) make payments to any shareholders of the Debtor, or any Persons related to the Debtor or any of its shareholders within the meaning of the *Income Tax Act* (Canada), whether by way of loans, advances, repayment of indebtedness owing by the Debtor, interest on such indebtedness, salaries, dividends, guarantees, compensation or benefits of any kind whatsoever, other than as contemplated by subsection 20(b)(vi).

#### Default

- 21. Without prejudice to any right which the Secured Party may now or hereafter have to demand payment of any of the Obligations, the Obligations shall, at the option of the Secured Party, become payable and the Security Interest shall become enforceable if any of the following events (each an "Event of Default") occurs:
  - (a) the Debtor defaults in the payment of any of the Obligations when due;
  - (b) a petition or application is filed, an order is made or a resolution passed for the windingup, liquidation or dissolution of the Debtor, or if a petition is presented or filed for the winding-up of the Debtor, whether pursuant to the Winding-up and Restructuring Act (Canada) or otherwise;
  - (c) the Debtor ceases or threatens to cease to carry on business or makes a bulk sale of its assets, or if a Receiver or trustee for the Debtor or any of its property or assets is appointed (whether privately or by court order);

- (d) the Debtor becomes insolvent or commits or threatens to commit any act of bankruptcy or if the Debtor makes an assignment or proposal in bankruptcy or files a notice of intention to make a proposal in bankruptcy or if a bankruptcy petition is filed or presented against the Debtor or if the Debtor otherwise becomes subject to proceedings under the Bankruptcy and Insolvency Act (Canada) or any other bankruptcy, insolvency or analogous law in any jurisdiction;
- (e) any proceedings with respect to the Debtor are commenced under the Companies'
   Creditors Arrangement Act (Canada) or if the Debtor seeks relief or consents to the filing
   of a petition against it under any law which involves any compromise of any creditor's
   rights against the Debtor;
- (f) an execution or any other process of any court becomes enforceable against the Debtor or if a distress or analogous process is initiated or levied against or upon the property of the Debtor or any part thereof;
- (g) the Debtor permits any sum which has been admitted as due by the Debtor or is not disputed to be due by it and which forms or is capable of being made a charge on any Collateral in priority to the Security Interest to remain unpaid after proceedings have been taken to enforce such charge;
- (h) any representation or warranty made by the Debtor or any of its officers, employees or agents to the Secured Party shall be false or inaccurate in any material respect;
- (i) the Debtor defaults in the observance or performance of any provision relating to the indebtedness or liability of the Debtor to any person other than the Secured Party; or
- (j) any licence, permit or approval required by any law, regulation or governmental policy or any governmental agency or commission for the operation by the Debtor of its business shall be withdrawn or cancelled.

## Remedies of the Secured Party

- 22. Whenever the Security Interest shall have become enforceable, and so long as it shall remain enforceable, the Secured Party may proceed to realize the Security Interest and the Collateral and to enforce its rights by doing any one or more of the following:
  - (a) entering upon the Collateral and any lands and premises where any Collateral is or may be located;
  - (b) taking possession of Collateral by any method permitted by law;
  - occupying any lands and premises owned or occupied by the Debtor and using all or any part of such lands and premises and the equipment and other Collateral located thereon;
  - (d) leasing, selling, licensing or otherwise disposing of the whole or any part or parts of the Collateral:

- (e) collecting, selling or otherwise dealing with any accounts or other amounts receivable of the Debtor, including notifying any person obligated to the Debtor in respect of an account, chattel paper or instrument to make payment to the Secured Party of all present and future amounts due thereon;
- (f) taking steps and expending such monies as it considers necessary or desirable in its sole discretion to maintain, preserve and protect the Collateral, including making payments on account of other security interests affecting the Collateral; provided that the Secured Party shall have no obligation to take any such actions or make any such expenditures; but any such amounts paid by the Secured Party shall be added to the Obligations and shall be secured by the Security Interest;
- (g) collecting any rents, income, and profits received in connection with the business of the
   Debtor or the Collateral, without carrying on such business;
- (h) exercising all voting rights attached to any Collateral constituting Investment Collateral (whether or not registered in the name of the Secured Party or its nominee) and giving or withholding all consents, waivers and ratifications in respect thereof and otherwise acting with respect thereto as though it were the absolute owner thereof;
- (i) exercising any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any Collateral constituting Investment Collateral as if it were the absolute owner thereof including the right to exchange at its sole discretion any and all of such Investment Collateral upon the merger, consolidation, reorganization, recapitalization or other readjustment of any issuer thereof, or upon the exercise by any issuer of any right, privilege or option pertaining to any such Investment Collateral, and in connection therewith, to deposit and deliver any such Investment Collateral with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine in its sole discretion, all without liability except to account for property actually received by it;
- (j) complying with any limitation or restriction in connection with any proposed sale or other disposition of Collateral constituting Investment Collateral as may be necessary in order to comply with applicable law or regulation or any policy imposed by any stock exchange, securities commission or other governmental or regulatory authority or official, and the Debtor agrees that such compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, and the Secured Party shall not be liable or accountable to the Debtor for any discount in the sale price of any such Investment Collateral which may be given by reason of the fact that such Investment Collateral are sold in compliance with any such limitation or restriction;
- (k) carrying on the business of the Debtor or any portion thereof;
- exercising any and all of the rights and remedies granted pursuant to the PPSA and any other applicable legislation, or otherwise available at law or in equity;
- demanding, commencing, continuing or defending any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining

possession or payment of the Collateral, and giving valid and effectual receipts and discharges therefor and to compromise or give time for the payment or performance of all or any part of the accounts or other amounts receivable of the Debtor or any other obligation of any third party to the Debtor;

- (n) borrowing money for the maintenance, preservation or protection of the Collateral or for the carrying on of the business of the Debtor, and charge and grant further security interests in the Collateral in priority to the Security Interest or otherwise, as security for the money so borrowed;
- (o) accepting the Collateral in satisfaction of the Obligations;
- appointing by instrument in writing a Receiver or Receivers of the Collateral or any part thereof;
- (q) bringing proceedings in any court of competent jurisdiction for the appointment of a Receiver or Receivers or for the sale of the Collateral or any part thereof; and
- (r) filing such proofs of claim and other documents as may be necessary or advisable in order to have its claim lodged in any bankruptcy, winding-up or other judicial proceedings relating to the Debtor or the Collateral.
- 23. Any Receiver appointed by the Secured Party may be any person or persons (including one or more officers or employees of the Secured Party), and the Secured Party may remove any Receiver so appointed and appoint another or others instead. Any such Receiver may exercise any and all of the rights, remedies and powers of the Secured Party provided in this agreement. The Secured Party shall not be responsible for the actions, errors or omissions of any Receiver it appoints and any such Receiver shall be deemed to act as agent for the Debtor for all purposes, including the occupation of any lands and premises of the Debtor and in carrying on the Debtor's business, unless the Secured Party expressly specifies in writing that the Receiver shall be agent for the Secured Party for one or more purposes. Without limiting the generality of the forgoing, for the purposes of realizing upon the Security Interest, any Receiver may sell, lease, or otherwise dispose of Collateral as agent for the Debtor or as agent for the Secured Party as the Secured Party may specify in writing in its sole discretion. The Debtor agrees to ratify and confirm all actions of any Receiver appointed by the Secured Party acting as agent for the Debtor, and to release and indemnify the Receiver in respect of all such actions.
- 24. Without limiting the ability of the Secured Party or any Receiver to dispose of Collateral in any other manner, the Debtor agrees that any sale, lease or other disposition of the Collateral hereunder may be completed by public auction, public tender or private contract, with or without notice, with or without advertising and with or without any other formality (except as required by law), all of which are hereby waived by the Debtor. Any such disposition of Collateral may involve all or part of the Collateral and may be on such terms and conditions as to credit or otherwise and as to upset or reserve bid or price as the Secured Party or any Receiver appointed by the Secured Party may, in its sole discretion, deem advantageous and may take place whether or not the Secured Party or any such Receiver has taken possession of such Collateral. Any purchaser or lessee of Collateral may be a customer of the Secured Party.

- 25. The Secured Party shall not be liable for any delay or failure to enforce any rights, powers or remedies available to it or to institute any proceedings for such purposes.
- 26. No right, power or remedy of the Secured Party (whether granted herein or otherwise) shall be exclusive of or dependent on or merge in any other right, power or remedy, but all such rights, powers and remedies may from time to time be exercised independently or in combination.
- 27. The Debtor agrees to pay to the Secured Party, forthwith on demand by the Secured Party, all costs and expenses reasonably incurred by the Secured Party in connection with the exercise by the Secured Party of its rights, powers and remedies hereunder, including:
  - any costs and expenses incurred by the Secured Party in taking, holding, moving, storing, recovering, possessing, repairing, processing, preparing for disposition or disposing of Collateral;
  - (b) any legal fees and expenses incurred by the Secured Party in enforcing it rights, powers and remedies, including those incurred in connection with any proceedings taken for the purpose of enforcing its rights, powers and remedies hereunder or otherwise relating to the non-payment or non-performance of any Obligations;
  - (c) the cost of borrowing amounts as hereinbefore provided (for the purpose of carrying on the Debtor's business or otherwise), including, the principal amount or any such amount borrowed, all interest thereon and fees relating thereto; and
  - (d) all costs and expenses of or incurred by any Receiver, agent or consultant appointed by the Secured Party (including any legal fees and expenses incurred by any such Receiver, agent or consultant).

All such sums shall bear interest at the highest rate applicable to the Obligations, shall form part of the Obligations and shall be secured by the Security Interest.

- 28. Any and all payments made in respect of the Obligations from time to time and moneys realized from any Collateral (including moneys realized on any enforcement of this agreement) may be applied to such part or parts of the Obligations as the Secured Party may see fit, and the Secured Party shall at all times and from time to time have the right to change any appropriation as the Secured Party may see fit.
- 29. The Debtor shall remain liable for all Obligations that are outstanding following realization of all or any part of the Collateral.

## Rights of the Secured Party

30. The Secured Party may pay the whole or any part of any liens, taxes, rates, charges or encumbrances now or hereafter existing in respect of any Collateral and such payments together with all costs, charges and expenses which may be incurred in connection with making such payments shall form part of the Obligations, shall bear interest at the highest rate applicable to the Obligations, and shall be secured by the Security Interest. Whenever the Secured Party pays any such lien, tax, rate, charge or encumbrance, it shall be entitled to all the equities and securities of the Person or Persons so paid and is hereby authorized to obtain any

discharge thereof and hold such discharge without registration for so long as it may deem advisable to do so.

- 31. If the Debtor fails to perform or comply with any covenant or other obligation of the Debtor under this agreement, the Secured Party may, but need not, perform or otherwise cause the performance or compliance of such covenant or other obligation, provided that any performance or compliance undertaken by the Secured Party will not constitute a waiver, remedy or satisfaction of such failure. The costs and expenses of the Secured Party incurred in connection with any such performance or compliance shall be payable by the Debtor to the Secured Party on demand, form part of the Obligations, bear interest at the highest rate applicable to the Obligations and be secured by the Security Interest.
- 32. The Debtor grants to the Secured Party the right to set off against the Obligations (or any portion thereof) any amount owed by the Secured Party to the Debtor, including the amount of any and all accounts, credits or balances maintained by the Debtor with the Secured Party.
- 33. The Secured Party, without exonerating in whole or in part the Debtor, may grant time, renewals, extensions, indulgences, releases and discharges to, may take securities from and give the same and any or all existing securities up to, may abstain from taking securities from or from perfecting securities of, may accept compositions from, and may otherwise deal with the Debtor and all other Persons and securities as the Secured Party may see fit.
- Nothing herein shall obligate the Secured Party to extend or amend any credit to the Debtor or to any other Person.
- 35. The Secured Party may assign, transfer and deliver to any transferee any of the Obligations or any security or any documents or instruments held by the Secured Party in respect thereof. The Debtor shall not assign any of its rights or obligations hereunder without the prior written consent of the Secured Party.

## **Amalgamation of Debtor**

- 36. If the Debtor amalgamates with any other corporation or corporations, this agreement shall continue in full force and effect and shall be binding on the amalgamated corporation and, for greater certainty:
  - (a) the Security Interest shall:
    - continue to secure payment of all obligations of the Debtor to the Secured Party;
    - secure payment of all obligations of each other amalgamating corporation to the Secured Party; and
    - (iii) secure payment of all obligations of the amalgamated corporation to the Secured Party arising on or after the amalgamation;

and the term "Obligations" shall include all such obligations of the Debtor, the other amalgamating corporations and the amalgamated corporation;

- (b) the Security Interest shall:
  - (i) continue to charge all property and assets of the Debtor;
  - (ii) charge all property and assets of each other amalgamating corporation; and
  - (iii) charge all property and assets of the amalgamated corporation in existence at the time of the amalgamation and all property and assets acquired by the amalgamated corporation after the amalgamation;

and the term "Collateral" shall include all such property and assets of the Debtor, the other amalgamating corporations and the amalgamated corporation;

- (c) all defined terms and other provisions of this agreement shall be deemed to have been amended to reflect such amalgamation, to the extent required by the context; and
- (d) the parties agree to execute and deliver all such further documents and assurances as may be necessary or desirable in connection with the foregoing.

## **Notices**

- 37. Any notice, demand or other communication permitted or required to be given hereunder shall be in writing and may be effectively given by delivering it to the address(es) hereinafter set forth or by sending the same by fax to such address(es). Any notice, demand or other communication so given prior to 5:00 p.m. (Toronto time) on a Business Day by personal delivery or by fax shall be deemed to have been given, received and made on such Business Day and if so given after 5:00 p.m. (Toronto time) on a Business Day or a day which is not a Business Day, such notice, demand or other communication shall be deemed to have been given, received and made on the next following Business Day. The addresses of the parties for the purposes hereof shall be:
  - (a) in the case of the Secured Party, addressed as follows:
    - J. Cameron Bailey c/o 7478 – 10<sup>th</sup> Street NE Calgary, AB T2E 8W1
  - (b) in the case of the Debtor, addressed as follows:

BlendForce Energy Servcies Inc. 7478 – 10<sup>th</sup> Street NE Calgary, AB T2E 8W1 Attention Chief Executive Officer

Either party may from time to time notify the other, in accordance with the provisions hereof, of any change of address which thereafter, until changed by like notice, shall be the address of such party for all purposes of this agreement.

## Miscellaneous

- 38. In the event that any day, on or before which any action is required to be taken hereunder, is not a Business Day, then such action shall be required to be taken on or before the first Business Day thereafter.
- 39. Time shall be of the essence of this agreement.
- 40. Upon payment and fulfillment by the Debtor, its successors or permitted assigns, of all Obligations and provided that the Secured Party is then under no obligation (conditional or otherwise) to make any further loan or extend any other type of credit to the Debtor or to any other Person, the payment of which is secured, directly or indirectly, by this agreement, the Secured Party shall, upon request in writing by the Debtor, delivered to the Secured Party at the Secured Party's address as set out in subsection 37(a) hereof and at the Debtor's expense, discharge this agreement.
- 41. This agreement is in addition to and not in substitution for any other security now or hereafter held by the Secured Party and shall be general and continuing security notwithstanding that the Obligations shall be at any time or from time to time fully satisfied or paid.
- 42. The Secured Party may in writing (and not otherwise) waive any default by the Debtor in the observance or performance of any provision of this agreement; provided that no waiver by the Secured Party shall extend to or be taken in any manner whatsoever to affect any subsequent default, whether of the same or a different nature, or the rights resulting therefrom.
- 43. This agreement shall enure to the benefit of the Secured Party, its successors and assigns, and shall be binding on the Debtor, its successors and permitted assigns.
- 44. The Debtor agrees that the Secured Party may from time to time provide information concerning this agreement (including a copy hereof), the Collateral and the Obligations to any Person the Secured Party in good faith believes is entitled thereto pursuant to applicable legislation.

[Signature Page Follows]

Odoby	this Security Agreement has been executed by the Debtor as of the $\_\emph{s}$ day of, 2015.
	BLENDFORCE ENERGY SERVCIES INC.
	By:Authorized signatory

## SECURED GRID PROMISSORY NOTE

Calgary, Alberta CDN\$8,333.00

February 28, 2015

For value received, BlendForce Energy Services Inc. (the "Corporation"), a corporation incorporated under the laws of Alberta with its principal place of business at 7478 – 10 Street N.E., Calgary, AB, T2E 8W1, promises to pay to the order of James Jeffs (the "Lender"), the aggregate principal sum equal to the lesser of:

- (a) CDN\$8,333.00, and
- (b) the amount of the principal balance from time to time owing by the Corporation to the Lender as recorded by or on behalf of the Lender on the grid attached hereto and any further grids attached hereto, all of which grids form part of this Note,

(in the case of (a) and (b), the "Principal Amount") together with any interest accrued on the Principal Amount as provided in Section 2 below (the Principal Amount and interest accrued thereon being collectively referred to as the "Indebtedness"), subject to the terms and conditions of this Secured Grid Promissory Note, as amended from time to time (this "Note").

#### TERM AND PAYMENT.

The term of this Note shall commence on the date hereof and end on demand upon ten (10) Business Day's written notice from the Lender (the "Maturity Date"). On the Maturity Date, the Indebtedness shall become immediately due and payable, without presentment, demand, protest or notice.

All payments received by the Lender hereunder will be applied first to costs of collection, if any, then to interest and the balance to principal.

## 2. INTEREST.

The Principal Amount advanced under this Note shall bear interest from the applicable date of advance on the terms and conditions set forth herein. While outstanding, the Principal Amount shall bear interest at the rate of four percent (4%) per annum, on the basis of the actual number of days elapsed in a three hundred and sixty-five (365) day year. The Principal Amount and interest accrued thereon shall be payable in lawful money of Canada, without any deduction of any nature by way of set off, counterclaim or otherwise. This Note may not be prepaid at any time without the prior written consent of the Lender.

### SECURITY.

As continuing security for the due and timely payment by the Corporation of the Indebtedness hereunder, the Corporation hereby grants a security interest in favour of the Lender pursuant to the terms of the Security Agreement attached to this Note as **Schedule B**.

## 4. REPRESENTATIONS AND WARRANTIES OF THE LENDER.

The Lender and Corporation represent, warrant and certify to the other party as follows:

- (a) The Principal Amount evidenced hereunder represents accrued salary due and payable to the Lender from the Corporation for past employment services. The Lender has no present intention of selling or otherwise disposing of, or granting any participation in, this Note, and has not entered into any contract, undertaking, agreement or arrangement with any person to do so.
- (b) It is a resident of the Province of Alberta.

## MISCELLANEOUS.

The Corporation waives presentment for payment, demand, protest, notice of demand, notice of protest and notice of prepayment of this Note, and all other notices or demands of any kind in connection with the delivery, acceptance, performance, default or enforcement hereof, and hereby consent to any delays, extensions of time, renewals, waivers or modifications that may be granted or consented to by the holder hereof with respect to the time of payment or any other provision hereof or of the Security Agreement.

The Corporation agrees to reimburse the Lender for (i) its reasonable legal fees incurred up to the date of this Note in connection with entering into this Note, and (ii) for all reasonable costs and expenses of collection of the Indebtedness under this Note, including reasonable legal fees, court costs and other costs in connection with the enforcement of this Note, whether or not any suit is instituted. Should suit be commenced to collect this Note or any portion thereof, such sum as the court may deem reasonable shall be added hereto as legal fees, including any fees awarded on any appeal.

#### AMENDMENTS.

Except as specifically provided herein, any term or provision of this Note may be amended, modified or waived with the prior written consent of the Corporation and the Lender, and any such amendment, modification or waiver, subject as hereinafter provided, shall be binding on the Lender.

#### GOVERNING LAW.

This Note shall be governed by, and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein. This Note shall be treated, in all respects, as an Alberta contract and the parties hereto hereby submit to the jurisdiction of the courts of the Province of Alberta.

## 8. BINDING OBLIGATION.

This Note shall enure to the benefit of and be binding upon the Corporation and the Lender and their respective successors and assigns; provided, however, that the Corporation may not transfer or assign its rights or obligations under this Note without the written consent of the Lender.

## 9. SEVERABILITY.

Each of the provisions of this Note is distinct and severable and a declaration of invalidity, illegality or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision of this Note.

[Signature Page Follows]

CORPORATION:

BLENDFORCE ENERGY SERVICES INC.

Ву:

**Authorized Signatory** 

LENDER:

Witness

Name: JAMES JEFFS

## Schedule A

# GRID TO BLENDFORCE ENERGY SERVICES INC. SECURED GRID PROMISSORY NOTE MADE AS OF FEBRUARY 28, 2015

<u>Date</u>	Amount of Advance	Principal <u>Balance</u>	Notation <u>Made By</u>
February 28, 2015	CDN\$8,333	CDN\$8,333	Corporation
March 31, 2015	CDN\$8,333	CDN\$16,667	Corporation
April 30, 2015	CDN\$4,167	CDN\$20,833	Corporation
May 31, 2015	CDN\$8,333	CDN\$29,167	Corporation
June 30, 2015	CDN\$4,167	CDN\$33,333	Corporation
July 31, 2015	CDN\$8,333	CDN\$41,667	Corporation
August 30, 2015	CDN\$8,333	CDN\$50,000	Corporation
TOTAL			

## Schedule B

## Form of Security Agreement

See attached.

## GENERAL SECURITY AGREEMENT (BLENDFORCE ENERGY SERVICES INC.)

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Debtor, the Debtor hereby agrees as follows:

## **Definitions and Interpretation**

- In this agreement, the following words shall, unless otherwise provided, have the meanings set out below:
  - "Business Day" means a day, other than a Saturday, Sunday or statutory holiday in the Province of Alberta;
  - "Collateral" means all present and future property, assets and undertaking of the Debtor pledged, assigned, mortgaged, charged, hypothecated or made subject to a security interest pursuant to this agreement;
  - "Contractual Right" means any agreement, right, franchise, licence, authorization, approval, privilege or permit (a) to which the Debtor is now or hereafter becomes a party, (b) in which the Debtor now or hereafter has any interest or (c) of which the Debtor is or hereafter becomes a beneficiary;
  - "Debtor" means BlendForce Energy Services Inc., and its successors and assigns;
  - "Intellectual Property" means all patents, trade-marks, trade names, business names, trade styles, logos and other business identifiers, copyrights, technology, inventions, industrial designs, know-how, trade secrets and other industrial and intellectual property in which the Debtor now or in the future has any right, title or interest;
  - "Investment Collateral" means all present and future Investment Property (as such term is defined in the PPSA) of the Debtor, including all present and future options and warrants of the Debtor and all other rights and entitlements arising therefrom or related thereto, and the Debtor's present and future interests in partnerships, limited partnerships, limited liability partnerships and limited liability companies, and including all substitutions for any of the foregoing and dividends and income derived therefrom or payable in connection therewith;
  - "Obligations" means all present and future indebtedness, liabilities and obligations, direct or indirect, absolute or contingent, matured or unmatured, joint or several, of the Debtor to the Secured Party;
  - "Permitted Encumbrances" means any and all liens, charges, mortgages, security interests, hypothecs and other encumbrances which affect all or any portion of the Collateral and which have been permitted or consented to in writing by the Secured Party;
  - "Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, limited partnership or other entity;

"PPSA" means the *Personal Property Security Act* (Alberta), as amended from time to time and any legislation substituted therefor and any amendments thereto;

"Receiver" means a receiver, receiver-manager and receiver and manager;

"Secured Party" means JAMES JEFFS and his successors and assigns;

"Security Interest" means the pledges, assignments, mortgages, charges and hypothecations of and the security interests in the Collateral created in favour of the Secured Party hereunder; and

- References such as "this agreement", "hereof", "herein", "hereto" and like references refer to
  this agreement and any schedules, exhibits or appendices attached hereto (all of which
  schedules, exhibits and appendices form a part of this agreement) and not to any particular
  section, subsection, paragraph or other subdivision of this agreement.
- The division of this agreement into sections, subsections and paragraphs and the insertion of headings in this agreement are for convenience of reference only and shall not affect the construction or interpretation of this agreement.
- 4. Terms used herein which are defined in the PPSA shall have the same meanings herein as are ascribed to such terms in the PPSA, unless such terms are otherwise defined.
- 5. The word "Debtor", the personal pronoun "it" or "its" and any verb relating thereto and used therewith shall be read and construed as required by and in accordance with the context in which such words are used. The term "successors" shall include, without limiting its meaning, any corporation resulting from the amalgamation of a corporation with another corporation. Where the context so requires, words used herein (including defined terms) importing the singular shall include the plural and vice versa and words used herein (including defined terms) importing gender shall include all genders (including the neuter).
- Nothing herein (including the definition and use of the term Permitted Encumbrances) is intended or shall be deemed to subordinate the Security Interest to any Permitted Encumbrance or any other lien, charge, mortgage, security interest, hypothec or encumbrance affecting all or any portion of the Collateral.
- 7. If one or more of the provisions contained herein shall be invalid, illegal or unenforceable in any respect, such provision or provisions shall be severed from this agreement only to the extent necessary, and the validity, legality and enforceability of the remaining provisions hereof, including the provision or provisions remaining after such severance, shall not in any way be affected or impaired thereby.
- 8. Unless otherwise expressly provided in this agreement, if any matter in this agreement is subject to the determination, consent or approval of the Secured Party or is to be acceptable to the Secured Party, such determination, consent, approval or determination of acceptability will be in the sole discretion of the Secured Party, which means the Secured Party shall have sole and unfettered discretion. If any provision in this agreement refers to any action taken or to be taken by the Debtor, or which the Debtor is prohibited from taking, such provision will be interpreted to include any and all means, direct or indirect, of taking, or not taking, such action. When used in the context of a general statement followed by a reference to one or more

- specific items or matters, the term "including" shall mean "including, without limitation" and the use of the term "includes" shall mean "includes, without limitation".
- 9. This agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein. The Debtor hereby irrevocably and unconditionally attorns and submits to the non-exclusive jurisdiction of the courts of the Province of Alberta, provided that nothing herein shall prevent the Secured Party from proceeding at its election against the Debtor in the courts of any other province, country or jurisdiction.

## **Grant of Security Interest**

- 10. As continuing security for the payment and performance of all Obligations, the Debtor hereby pledges, assigns, mortgages, charges and hypothecates to the Secured Party and grants to the Secured Party a security interest in the following:
  - (a) all present and future equipment of the Debtor, including all of its present and future machinery, fixtures, plant, tools, furniture, books, records, documents, vehicles of any nature, kind or description and all accessions to any of the foregoing, including all spare parts and accessories installed in or affixed or attached to any of the foregoing, and all drawings, specifications, plans and manuals relating to the forgoing;
  - (b) all present and future inventory of the Debtor, including all of its present and future raw materials, materials used or consumed in its business, work-in-progress, finished goods, goods used for packing and goods acquired or held for sale or lease or that have been leased or furnished or that are to be furnished under contracts of rental or service, and all accessions to any of the foregoing, including all spare parts and accessories installed in or affixed or attached to any of the foregoing;
  - (c) all present and future intangibles of the Debtor, including all of its present and future accounts and other amounts receivable, book debts, goodwill, Intellectual Property and choses in action of every nature and kind;
  - (d) all present and future documents of title, chattel paper, instruments and money of the Debtor;
  - (e) all present and future investment Collateral;
  - (f) all present and future real property, personal property, assets, and undertaking of the Debtor of any nature or kind, including all real property, personal property, assets and undertaking at any time owned, leased or licenced by the Debtor or in which the Debtor at any time has any right or interest or to which the Debtor is or may at any time become entitled (other than the property, assets and undertaking of the Debtor validly pledged or assigned or subjected to a valid mortgage, charge, hypothec or security interest by subsection 10(a), 10(b), 10(c) 10(d) or 10(e) hereof and subject to the exceptions hereinafter contained); and

(g) all proceeds arising from the property, assets and undertaking of the Debtor referred to in this section 10, including insurance proceeds and any other payment representing indemnity or compensation for loss of or damage thereto.

## **Limited Exceptions to Grant of Security Interest**

- Despite any other provision of this agreement, the last day of any term reserved by any lease of real property, oral or written, or any agreement therefor, now held or hereafter acquired by the Debtor, and whether falling within the general or particular description of the Collateral, is hereby and shall be excepted out of the Security Interest, but the Debtor shall stand possessed of the reversion of one day remaining in the Debtor in respect of any such term, for the time being demised, as aforesaid, upon trust to assign and dispose of the same as any purchaser of such term shall direct.
- Despite any other provision of this agreement, the Security Interest shall not attach to any Contractual Right to the extent that the granting of the Security Interest therein would constitute a breach of, or permit any Person to terminate such Contractual Right, but the Debtor shall hold its interest in each such Contractual Right in trust for the Secured Party and shall, after the Security Interest shall have become enforceable, specifically assign each such Contractual Right to the Secured Party, or as the Secured Party may otherwise direct. The Debtor agrees that it shall, upon the request of the Secured Party, whether before or after the Security Interest has become enforceable, use all commercially reasonable efforts to obtain any consent required to permit any such Contractual Right to be subjected to the Security Interest, and the Security Interest shall attach to such Contractual Right following the receipt of such consent.

## **Attachment**

- 13. The Debtor confirms and agrees that:
  - (a) value has been given by the Secured Party to the Debtor;
  - (b) the Debtor has rights in all existing Collateral and power to transfer rights in the Collateral to the Secured Party; and
  - (c) the Debtor and the Secured Party have not postponed the time for attachment of the Security Interest, and the Security Interest shall attach to existing Collateral upon the execution of this agreement and shall attach to Collateral in which the Debtor hereafter acquires rights at the time that the Debtor acquires rights in such Collateral.

## Provisions with respect to Investment Collateral

- 14. Whenever any Investment Collateral is a certificated security, an uncertificated security or a security entitlement, the Debtor shall, or shall cause the issuer of such Investment Collateral to, or shall cause the securities intermediary that holds such Investment Collateral to, take all steps as are necessary to give exclusive control over such Investment Collateral to the Secured Party in a manner satisfactory to the Secured Party.
- 15. All certificates representing Investment Collateral may remain registered in the name of the Debtor, but the Debtor shall, promptly at the request of the Secured Party, duly endorse such

certificates in blank for transfer or execute stock powers of attorney in respect thereof and deliver such certificates or powers of attorney to the Secured Party; in either case with signatures guaranteed and with all documentation being in form and substance satisfactory to the Secured Party. Upon the request of the Secured Party:

- (a) the Debtor shall promptly cause the Investment Collateral to be registered in the name of the Secured Party or its nominee, and the Secured Party is hereby appointed the irrevocable attorney (coupled with an interest) of the Debtor with full power of substitution to cause any or all of the Investment Collateral to be registered in the name of the Secured Party or its nominee;
- (b) the Debtor shall promptly cause each securities intermediary that holds any Investment Collateral that is a security entitlement to record the Secured Party as the entitlement holder of such Investment Collateral; and
- (c) the Debtor shall promptly:
  - cause a security certificate to be issued for any Investment Collateral that is in the form of an uncertificated security or a security entitlement;
  - (ii) endorse such security certificate in blank;
  - (iii) deliver such security certificate to the Secured Party; and
  - take all other steps necessary to give exclusive control over such certificated security to the Secured Party,

in a manner satisfactory to the Secured Party.

- 16. Until further notice is given by the Secured Creditor to the Debtor terminating such rights of the Debtor, the Debtor shall be entitled to exercise all voting rights attached to the Investment Collateral and give consents, waivers and ratifications in respect thereof; provided that no vote shall be cast or consent, waiver or ratification given or action taken which would be prejudicial to the interests of the Secured Party or which would have the effect of reducing the value of the Investment Collateral as security for the Obligations, or imposing any restriction on the transferability of any of the Investment Collateral. All such rights of the Debtor to vote and give consents, waivers and ratifications shall cease immediately upon receipt by the Debtor of such notice by the Secured Party.
- 17. All dividends, distributions, interest and other income in respect of Investment Collateral and all proceeds received by the Debtor in respect of Investment Collateral may be received by the Debtor in the ordinary course and distributed in the ordinary course to the Debtor's shareholder or shareholders until further notice by the Secured Party. Upon receipt by the Debtor of such notice, the Debtor shall not be entitled to retain or distribute to its shareholder or shareholders any such dividends, distributions, interest or other income or proceeds and, if any such amounts are received by the Debtor after the Debtor receives such notice by the Secured Party, the Debtor shall hold such amounts in trust, as trustee for the Secured Party, and the Debtor shall forthwith pay such amounts to the Secured Party, to be applied to reduce the Obligations or, at the option of the Secured Party, to be held as additional security for the Obligations.

18. The responsibility of the Secured Party in respect of any Investment Collateral held by the Secured Party shall be limited to exercising the same degree of care which it gives valuable property of the Secured Party at the Secured Party's office where such Investment Collateral is held. The Secured Party shall not be bound under any circumstances to realize on any Investment Collateral or allow any Investment Collateral to be sold, or exercise any option or right attaching thereto, or be responsible for any loss occasioned by any sale of Investment Collateral or by the retention or other refusal to sell the same; nor shall the Secured Party be obliged to collect or see to the payment of interest or dividends thereon but, subject to section 17, all such interest and dividends, if and when received by the Debtor, shall be held by the Debtor in trust for the Secured Party and shall be forthwith paid to the Secured Party.

## Representations and Warranties of the Debtor

- 19. The Debtor hereby represents and warrants to the Secured Party that:
  - (a) the Debtor has the capacity and authority to incur the Obligations, to create the Security Interest and to execute and deliver and perform its obligations under this agreement;
  - the execution and delivery of this agreement and the performance by the Debtor of its obligations hereunder have been duly authorized by all necessary proceedings;
  - (c) this agreement constitutes a legal, valid and binding obligation of the Debtor, enforceable against the Debtor in accordance with its terms subject only to bankruptcy, insolvency, reorganization, moratorium and other similar laws of general application affecting creditors' rights and the discretion exercisable by courts of competent jurisdiction in respect of the availability of equitable remedies;
  - except for the Security Interest and any Permitted Encumbrances, the Collateral is owned by the Debtor free from any mortgage, charge, lien, pledge, security interest or other encumbrance or claim whatsoever;
  - (e) the sole place of business/chief executive office of the Debtor is located at the address listed in this agreement;
  - (f) the Debtor does not keep tangible Collateral at any location(s) except:
    - the location listed in this agreement, other than tangible Collateral in transit to or from such locations;
  - (g) the Debtor has made all necessary filings, registrations and recordations to protect all of its right, title and interest in the Intellectual Property including all relevant renewals; and all such filings, registrations and recordations have been duly and properly made and are in full force and effect and are not subject to dispute by any governmental authority or agency;
  - (h) all Contractual Rights relating to or affecting the Intellectual Property are in good standing;

- the Debtor owns directly or is entitled to use by Contractual Right or otherwise all of the Intellectual Property;
- no litigation is pending or threatened which contains allegations respecting the validity, enforceability, infringement or ownership of any of the Intellectual Property, including any of right, title or interest of the Debtor in the Intellectual Property; and
- (k) the Debtor has no Contractual Right which, because of the granting of the Security Interest therein, would be breached or could be terminated.

## **Covenants of the Debtor**

- 20. The Debtor agrees with the Secured Party that, until the Obligations have been satisfied and paid in full:
  - (a) it will:
    - (i) pay and satisfy the Obligations when due;
    - (ii) maintain the tangible Collateral in good condition and repair and allow the Secured Party or its agent access to all premises of the Debtor to inspect any and all Collateral;
    - (iii) make and maintain all filings, registrations and recordations necessary or desirable to protect its right, title and interest in the Collateral, including all filings, registrations and recordations necessary or desirable in respect of patents, trade-marks, copyrights and industrial designs included in the Intellectual Property;
    - (iv) defend the Collateral against any actions, claims and demands of any Person (other than the Secured Party or a party asserting a claim pursuant to a Permitted Encumbrance) claiming the Collateral (or any of it) or an interest therein;
    - (v) pay all taxes, rates, levies, assessments and other impositions and charges, of every nature and kind, which may now or hereafter be lawfully levied, assessed or imposed on or in respect of the Debtor or the Collateral (or any of it), including those which could result in the creation of a statutory lien or deemed trust affecting the Debtor or the Collateral, as and when the same become due and payable;
    - (vi) maintain its corporate existence and file or cause to be filed any returns, documents or other information necessary to preserve such corporate existence;
    - (vii) notify the Secured Party of any material loss or damage to the Collateral, any material change in any information provided in this agreement (including the schedules hereto) or any actual or, to the Debtor's knowledge, potential claim affecting the Debtor, the Collateral or the Security Interest;

- (viii) hold the proceeds received from any direct or indirect dealing with the Collateral in trust for the Secured Party after either the Security Interest becomes enforceable or any of the Collateral is sold other than in the ordinary course of business of the Debtor and for the purpose of carrying on such business;
- (ix) obtain from financially responsible insurance companies and maintain:
  - public liability insurance,
  - all risks property insurance in respect of the Collateral on a replacement cost basis,
  - business interruption insurance, and
  - insurance in respect of such other risks as the Secured Party may reasonably require from time to time,

and such policies of insurance shall be in such amounts as may be reasonably required by the Secured Party and shall include a standard mortgage clause approved by the Insurance Bureau of Canada; and to furnish the Secured Party with certificates of insurance and certified copies of such policies; all such policies of insurance shall neither permit nor provide for any amount of coinsurance by the Debtor;

- (x) strictly comply with every covenant and undertaking heretofore or hereafter given by it to the Secured Party, whether contained herein or not;
- (xi) permit the Secured Party at any time and from time to time, both before and after the Security Interest shall have become enforceable, to require any account debtor of the Debtor to make payment to the Secured Party of any or all amounts owing by the account debtor to the Debtor and the Secured Party may take control of any proceeds referred to in subsection 10(g) hereof and may hold all amounts received from any account debtor and any proceeds as cash collateral as part of the Collateral and as security for the Obligations;
- (xii) prevent any Collateral from becoming an accession to any personal property not subject to the Security Interest, or becoming affixed to any real property;
- (xiii) deliver to the Secured Party, at the Secured Party's reasonable request, duly endorsed and/or accompanied by such assignments, transfers, powers of attorney or other documents as the Secured Party may reasonably request, all items of the Collateral comprising chattel paper, instruments, Investment Collateral and documents of title;
- (xiv) pay, on demand by the Secured Party, all costs and expenses (including all legal fees) incurred by the Secured Party in the preparation, perfection, administration and enforcement of this agreement (including expenses incurred in considering, protecting or improving the Secured Party's position, or

- attempting to do so, whether before or after default) and all such costs and expenses shall bear interest at the highest rate applicable to the Obligations, shall form part of the Obligations and shall be secured by the Security Interest;
- (xv) at all times, both before and after the occurrence of a default, do or cause to be done such further and additional acts and things and execute and deliver or cause to be executed and delivered all such further and additional documents and agreements as the Secured Party may reasonably require to better pledge, assign, mortgage, charge and hypothecate the Collateral in favour of the Secured Party, to perfect the Security Interest and, without limiting the generality of the forgoing, to accomplish the intentions of this agreement;
- (xvi) preserve the Debtor's rights, powers, licences, privileges, franchises and goodwill, comply with all applicable laws, regulations and orders (including environmental laws, regulations and orders) affecting the Debtor or the Collateral and conduct its business in a proper and efficient manner so as to protect the Collateral, the Security Interest and the business and undertaking of the Debtor; and
- (xvii) without limiting the generality of any of the forgoing, perform all covenants required of the Debtor under any Contractual Right relating to or affecting the Intellectual Property (or any of it), including promptly paying all required fees, royalties and taxes, to maintain each and every item of Intellectual Property in full force and effect, and vigorously protect, preserve and maintain all of the value of, and all of the right, title and interest of the Debtor in, all Intellectual Property, by way of the prosecution of or defence against suits concerning the validity, infringement, enforceability or ownership of the Intellectual Property (or any of it) or otherwise; and
- (b) it will not, without the prior written consent of the Secured Party:
  - incur or create any further or additional indebtedness except to the Secured Party and except such normal indebtedness as may be incidental to the ordinary course of its business;
  - create any lien upon, assign or transfer as security, or pledge, hypothecate, charge, mortgage or grant a security interest in any Collateral except to the Secured Party and except for Permitted Encumbrances;
  - (iii) other than in the ordinary course of business and for the purpose of carrying on such business, sell, transfer, assign, or otherwise dispose of any Collateral or any group of property and assets forming part of the Collateral;
  - (iv) guarantee, endorse or otherwise become surety for or upon the obligations of others except to the Secured Party or by endorsement of negotiable instruments for deposit or collection in the ordinary course of the Debtor's business;

- declare or pay any dividends on or make any other payment or distribution in respect of any shares of its capital stock;
- (vi) pay any amount to officers or directors of the Debtor in their capacities as officers or directors by way of salary, bonus, commission, directors' fees or otherwise in excess of the scale of such payments to such officers or directors now being made by the Debtor;
- (vii) lend money to any Person in any way whatsoever;
- (viii) change its name;
- (ix) merge or amalgamate with any other corporation;
- (x) change the location of its sole place of business/chief executive office or create further place(s) of business in addition to its sole place of business without providing the Secured Party with thirty (30) Business Days' prior written notice thereof;
- (xi) keep tangible Collateral at any location other than the location(s) listed in this agreement without providing the Secured Party with thirty (30) Business Days' prior written notice thereof; or
- (xii) make payments to any shareholders of the Debtor, or any Persons related to the Debtor or any of its shareholders within the meaning of the *Income Tax Act* (Canada), whether by way of loans, advances, repayment of indebtedness owing by the Debtor, interest on such indebtedness, salaries, dividends, guarantees, compensation or benefits of any kind whatsoever, other than as contemplated by subsection 20(b)(vi).

## Default

- 21. Without prejudice to any right which the Secured Party may now or hereafter have to demand payment of any of the Obligations, the Obligations shall, at the option of the Secured Party, become payable and the Security Interest shall become enforceable if any of the following events (each an "Event of Default") occurs:
  - (a) the Debtor defaults in the payment of any of the Obligations when due;
  - (b) a petition or application is filed, an order is made or a resolution passed for the windingup, liquidation or dissolution of the Debtor, or if a petition is presented or filed for the winding-up of the Debtor, whether pursuant to the Winding-up and Restructuring Act (Canada) or otherwise;
  - (c) the Debtor ceases or threatens to cease to carry on business or makes a bulk sale of its assets, or if a Receiver or trustee for the Debtor or any of its property or assets is appointed (whether privately or by court order);

- (d) the Debtor becomes insolvent or commits or threatens to commit any act of bankruptcy or if the Debtor makes an assignment or proposal in bankruptcy or files a notice of intention to make a proposal in bankruptcy or if a bankruptcy petition is filed or presented against the Debtor or if the Debtor otherwise becomes subject to proceedings under the Bankruptcy and Insolvency Act (Canada) or any other bankruptcy, insolvency or analogous law in any jurisdiction;
- (e) any proceedings with respect to the Debtor are commenced under the Companies'
   Creditors Arrangement Act (Canada) or if the Debtor seeks relief or consents to the filing
   of a petition against it under any law which involves any compromise of any creditor's
   rights against the Debtor;
- an execution or any other process of any court becomes enforceable against the Debtor or if a distress or analogous process is initiated or levied against or upon the property of the Debtor or any part thereof;
- (g) the Debtor permits any sum which has been admitted as due by the Debtor or is not disputed to be due by it and which forms or is capable of being made a charge on any Collateral in priority to the Security Interest to remain unpaid after proceedings have been taken to enforce such charge;
- (h) any representation or warranty made by the Debtor or any of its officers, employees or agents to the Secured Party shall be false or inaccurate in any material respect;
- (i) the Debtor defaults in the observance or performance of any provision relating to the indebtedness or liability of the Debtor to any person other than the Secured Party; or
- (j) any licence, permit or approval required by any law, regulation or governmental policy or any governmental agency or commission for the operation by the Debtor of its business shall be withdrawn or cancelled.

### Remedies of the Secured Party

- 22. Whenever the Security Interest shall have become enforceable, and so long as it shall remain enforceable, the Secured Party may proceed to realize the Security Interest and the Collateral and to enforce its rights by doing any one or more of the following:
  - entering upon the Collateral and any lands and premises where any Collateral is or may be located;
  - (b) taking possession of Collateral by any method permitted by law;
  - occupying any lands and premises owned or occupied by the Debtor and using all or any part of such lands and premises and the equipment and other Collateral located thereon;
  - (d) leasing, selling, licensing or otherwise disposing of the whole or any part or parts of the Collateral:

- (e) collecting, selling or otherwise dealing with any accounts or other amounts receivable of the Debtor, including notifying any person obligated to the Debtor in respect of an account, chattel paper or instrument to make payment to the Secured Party of all present and future amounts due thereon;
- (f) taking steps and expending such monies as it considers necessary or desirable in its sole discretion to maintain, preserve and protect the Collateral, including making payments on account of other security interests affecting the Collateral; provided that the Secured Party shall have no obligation to take any such actions or make any such expenditures; but any such amounts paid by the Secured Party shall be added to the Obligations and shall be secured by the Security Interest;
- (g) collecting any rents, income, and profits received in connection with the business of the Debtor or the Collateral, without carrying on such business;
- (h) exercising all voting rights attached to any Collateral constituting Investment Collateral (whether or not registered in the name of the Secured Party or its nominee) and giving or withholding all consents, waivers and ratifications in respect thereof and otherwise acting with respect thereto as though it were the absolute owner thereof;
- (i) exercising any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any Collateral constituting Investment Collateral as if it were the absolute owner thereof including the right to exchange at its sole discretion any and all of such Investment Collateral upon the merger, consolidation, reorganization, recapitalization or other readjustment of any issuer thereof, or upon the exercise by any issuer of any right, privilege or option pertaining to any such Investment Collateral, and in connection therewith, to deposit and deliver any such Investment Collateral with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine in its sole discretion, all without liability except to account for property actually received by it;
- (j) complying with any limitation or restriction in connection with any proposed sale or other disposition of Collateral constituting Investment Collateral as may be necessary in order to comply with applicable law or regulation or any policy imposed by any stock exchange, securities commission or other governmental or regulatory authority or official, and the Debtor agrees that such compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, and the Secured Party shall not be liable or accountable to the Debtor for any discount in the sale price of any such Investment Collateral which may be given by reason of the fact that such Investment Collateral are sold in compliance with any such limitation or restriction;
- (k) carrying on the business of the Debtor or any portion thereof;
- exercising any and all of the rights and remedies granted pursuant to the PPSA and any other applicable legislation, or otherwise available at law or in equity;
- demanding, commencing, continuing or defending any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining

possession or payment of the Collateral, and giving valid and effectual receipts and discharges therefor and to compromise or give time for the payment or performance of all or any part of the accounts or other amounts receivable of the Debtor or any other obligation of any third party to the Debtor;

- (n) borrowing money for the maintenance, preservation or protection of the Collateral or for the carrying on of the business of the Debtor, and charge and grant further security interests in the Collateral in priority to the Security Interest or otherwise, as security for the money so borrowed;
- (o) accepting the Collateral in satisfaction of the Obligations;
- appointing by instrument in writing a Receiver or Receivers of the Collateral or any part thereof;
- (q) bringing proceedings in any court of competent jurisdiction for the appointment of a Receiver or Receivers or for the sale of the Collateral or any part thereof; and
- (r) filing such proofs of claim and other documents as may be necessary or advisable in order to have its claim lodged in any bankruptcy, winding-up or other judicial proceedings relating to the Debtor or the Collateral.
- 23. Any Receiver appointed by the Secured Party may be any person or persons (including one or more officers or employees of the Secured Party), and the Secured Party may remove any Receiver so appointed and appoint another or others instead. Any such Receiver may exercise any and all of the rights, remedies and powers of the Secured Party provided in this agreement. The Secured Party shall not be responsible for the actions, errors or omissions of any Receiver it appoints and any such Receiver shall be deemed to act as agent for the Debtor for all purposes, including the occupation of any lands and premises of the Debtor and in carrying on the Debtor's business, unless the Secured Party expressly specifies in writing that the Receiver shall be agent for the Secured Party for one or more purposes. Without limiting the generality of the forgoing, for the purposes of realizing upon the Security Interest, any Receiver may sell, lease, or otherwise dispose of Collateral as agent for the Debtor or as agent for the Secured Party as the Secured Party may specify in writing in its sole discretion. The Debtor agrees to ratify and confirm all actions of any Receiver appointed by the Secured Party acting as agent for the Debtor, and to release and indemnify the Receiver in respect of all such actions.
- 24. Without limiting the ability of the Secured Party or any Receiver to dispose of Collateral in any other manner, the Debtor agrees that any sale, lease or other disposition of the Collateral hereunder may be completed by public auction, public tender or private contract, with or without notice, with or without advertising and with or without any other formality (except as required by law), all of which are hereby waived by the Debtor. Any such disposition of Collateral may involve all or part of the Collateral and may be on such terms and conditions as to credit or otherwise and as to upset or reserve bid or price as the Secured Party or any Receiver appointed by the Secured Party may, in its sole discretion, deem advantageous and may take place whether or not the Secured Party or any such Receiver has taken possession of such Collateral. Any purchaser or lessee of Collateral may be a customer of the Secured Party.

- 25. The Secured Party shall not be liable for any delay or failure to enforce any rights, powers or remedies available to it or to institute any proceedings for such purposes.
- 26. No right, power or remedy of the Secured Party (whether granted herein or otherwise) shall be exclusive of or dependent on or merge in any other right, power or remedy, but all such rights, powers and remedies may from time to time be exercised independently or in combination.
- 27. The Debtor agrees to pay to the Secured Party, forthwith on demand by the Secured Party, all costs and expenses reasonably incurred by the Secured Party in connection with the exercise by the Secured Party of its rights, powers and remedies hereunder, including:
  - (a) any costs and expenses incurred by the Secured Party in taking, holding, moving, storing, recovering, possessing, repairing, processing, preparing for disposition or disposing of Collateral;
  - (b) any legal fees and expenses incurred by the Secured Party in enforcing it rights, powers and remedies, including those incurred in connection with any proceedings taken for the purpose of enforcing its rights, powers and remedies hereunder or otherwise relating to the non-payment or non-performance of any Obligations;
  - (c) the cost of borrowing amounts as hereinbefore provided (for the purpose of carrying on the Debtor's business or otherwise), including, the principal amount or any such amount borrowed, all interest thereon and fees relating thereto; and
  - (d) all costs and expenses of or incurred by any Receiver, agent or consultant appointed by the Secured Party (including any legal fees and expenses incurred by any such Receiver, agent or consultant).

All such sums shall bear interest at the highest rate applicable to the Obligations, shall form part of the Obligations and shall be secured by the Security Interest.

- 28. Any and all payments made in respect of the Obligations from time to time and moneys realized from any Collateral (including moneys realized on any enforcement of this agreement) may be applied to such part or parts of the Obligations as the Secured Party may see fit, and the Secured Party shall at all times and from time to time have the right to change any appropriation as the Secured Party may see fit.
- 29. The Debtor shall remain liable for all Obligations that are outstanding following realization of all or any part of the Collateral.

## Rights of the Secured Party

30. The Secured Party may pay the whole or any part of any liens, taxes, rates, charges or encumbrances now or hereafter existing in respect of any Collateral and such payments together with all costs, charges and expenses which may be incurred in connection with making such payments shall form part of the Obligations, shall bear interest at the highest rate applicable to the Obligations, and shall be secured by the Security Interest. Whenever the Secured Party pays any such lien, tax, rate, charge or encumbrance, it shall be entitled to all the equities and securities of the Person or Persons so paid and is hereby authorized to obtain any

discharge thereof and hold such discharge without registration for so long as it may deem advisable to do so.

- 31. If the Debtor fails to perform or comply with any covenant or other obligation of the Debtor under this agreement, the Secured Party may, but need not, perform or otherwise cause the performance or compliance of such covenant or other obligation, provided that any performance or compliance undertaken by the Secured Party will not constitute a waiver, remedy or satisfaction of such failure. The costs and expenses of the Secured Party incurred in connection with any such performance or compliance shall be payable by the Debtor to the Secured Party on demand, form part of the Obligations, bear interest at the highest rate applicable to the Obligations and be secured by the Security Interest.
- 32. The Debtor grants to the Secured Party the right to set off against the Obligations (or any portion thereof) any amount owed by the Secured Party to the Debtor, including the amount of any and all accounts, credits or balances maintained by the Debtor with the Secured Party.
- 33. The Secured Party, without exonerating in whole or in part the Debtor, may grant time, renewals, extensions, indulgences, releases and discharges to, may take securities from and give the same and any or all existing securities up to, may abstain from taking securities from or from perfecting securities of, may accept compositions from, and may otherwise deal with the Debtor and all other Persons and securities as the Secured Party may see fit.
- 34. Nothing herein shall obligate the Secured Party to extend or amend any credit to the Debtor or to any other Person.
- 35. The Secured Party may assign, transfer and deliver to any transferee any of the Obligations or any security or any documents or instruments held by the Secured Party in respect thereof. The Debtor shall not assign any of its rights or obligations hereunder without the prior written consent of the Secured Party.

#### **Amalgamation of Debtor**

- 36. If the Debtor amalgamates with any other corporation or corporations, this agreement shall continue in full force and effect and shall be binding on the amalgamated corporation and, for greater certainty:
  - (a) the Security Interest shall:
    - continue to secure payment of all obligations of the Debtor to the Secured Party;
    - secure payment of all obligations of each other amalgamating corporation to the Secured Party; and
    - (iii) secure payment of all obligations of the amalgamated corporation to the Secured Party arising on or after the amalgamation;

and the term "Obligations" shall include all such obligations of the Debtor, the other amalgamating corporations and the amalgamated corporation;

- (b) the Security Interest shall:
  - (i) continue to charge all property and assets of the Debtor;
  - (ii) charge all property and assets of each other amalgamating corporation; and
  - charge all property and assets of the amalgamated corporation in existence at the time of the amalgamation and all property and assets acquired by the amalgamated corporation after the amalgamation;

and the term "Collateral" shall include all such property and assets of the Debtor, the other amalgamating corporations and the amalgamated corporation;

- (c) all defined terms and other provisions of this agreement shall be deemed to have been amended to reflect such amalgamation, to the extent required by the context; and
- (d) the parties agree to execute and deliver all such further documents and assurances as may be necessary or desirable in connection with the foregoing.

## **Notices**

- 37. Any notice, demand or other communication permitted or required to be given hereunder shall be in writing and may be effectively given by delivering it to the address(es) hereinafter set forth or by sending the same by fax to such address(es). Any notice, demand or other communication so given prior to 5:00 p.m. (Toronto time) on a Business Day by personal delivery or by fax shall be deemed to have been given, received and made on such Business Day and if so given after 5:00 p.m. (Toronto time) on a Business Day or a day which is not a Business Day, such notice, demand or other communication shall be deemed to have been given, received and made on the next following Business Day. The addresses of the parties for the purposes hereof shall be:
  - (a) in the case of the Secured Party, addressed as follows:

JAMES JEFFS c/o 7478 – 10<sup>th</sup> Street NE Calgary, AB T2E 8W1

(b) in the case of the Debtor, addressed as follows:

BlendForce Energy Servcies Inc. 7478 – 10<sup>th</sup> Street NE Calgary, AB T2E 8W1 Attention Chief Executive Officer

Either party may from time to time notify the other, in accordance with the provisions hereof, of any change of address which thereafter, until changed by like notice, shall be the address of such party for all purposes of this agreement.

### Miscellaneous

- 38. In the event that any day, on or before which any action is required to be taken hereunder, is not a Business Day, then such action shall be required to be taken on or before the first Business Day thereafter.
- 39. Time shall be of the essence of this agreement.
- 40. Upon payment and fulfillment by the Debtor, its successors or permitted assigns, of all Obligations and provided that the Secured Party is then under no obligation (conditional or otherwise) to make any further loan or extend any other type of credit to the Debtor or to any other Person, the payment of which is secured, directly or indirectly, by this agreement, the Secured Party shall, upon request in writing by the Debtor, delivered to the Secured Party at the Secured Party's address as set out in subsection 37(a) hereof and at the Debtor's expense, discharge this agreement.
- 41. This agreement is in addition to and not in substitution for any other security now or hereafter held by the Secured Party and shall be general and continuing security notwithstanding that the Obligations shall be at any time or from time to time fully satisfied or paid.
- 42. The Secured Party may in writing (and not otherwise) waive any default by the Debtor in the observance or performance of any provision of this agreement; provided that no waiver by the Secured Party shall extend to or be taken in any manner whatsoever to affect any subsequent default, whether of the same or a different nature, or the rights resulting therefrom.
- 43. This agreement shall enure to the benefit of the Secured Party, its successors and assigns, and shall be binding on the Debtor, its successors and permitted assigns.
- 44. The Debtor agrees that the Secured Party may from time to time provide information concerning this agreement (including a copy hereof), the Collateral and the Obligations to any Person the Secured Party in good faith believes is entitled thereto pursuant to applicable legislation.

[Signature Page Follows]

IN WITNESS WHEREOF this Security Agreement has been executed by the Debtor as of the 3 day of october 2015.

BLENDFORCE ENERGY SERVCIES INC.

By:

Authorized Signatory

This is Exhibit "D" referred to in the Affidavit of

Doug Bailey

sworn before me this 16<sup>th</sup> day of August, 2017.

A Commissioner for Oaths in and for the Province of Alberta

Pantelis Kyriakakis Barrister and Solicitor May 1, 2015

Fortaleza Energy Inc. 7874 – 10<sup>th</sup> St. N.E. Calgary, AB T2E 8W1

Dear Sirs:

RE:

Bridge Loan

The Lender hereby provides the following loan to Fortaleza Energy Inc., subject to the terms and conditions set out herein (the "Loan Agreement").

PURPOSE:

The bridge loan is to be used for general corporate purposes including

operations.

BORROWER:

Fortaleza Energy Inc. (the "Borrower").

LENDER:

J. Cameron Bailey (the "Lender").

**GUARANTOR:** 

BlendForce Energy Services Inc., the wholly owned subsidiary of the

Borrower (the "Guarantor")

PRINCIPAL AMOUNT:

\$50,000 (the "Principal Amount").

**AVAILABILITY:** 

The Principal Amount shall be available from the Lender for immediate

draw down by the Borrower.

INTEREST RATE:

and payable upon repayment of the Principal Amount.

REPAYMENT:

Principal Amount is repayable in full together with all accrued interest thereon (the "Indebtedness") on demand upon three (3) Business Day's

advance written notice (the "Maturity Date").

The Borrower shall be entitled, at its option, and upon one (1) Business Day's notice, to repay all or any portion of any outstanding amounts

under this Loan Agreement at any time.

SECURITY:

In order to secure payment of the Principal Amount and interest thereon (the "Indebtedness") by the Borrower to the Lender under this Loan

Agreement, the Borrower hereby:

(a) grants to the Lender a security interest in all of the present and after acquired property and assets of the Corporation and of the Guarantor of every kind and wheresoever situate (the "Collateral");

(b) charges in favour of and grants to the Lender as and by way of a

floating charge, all of the Borrower's and the Guarantor's present and after acquired real property and all of the Borrower's and the Guarantor's undertaking, good will, properties and assets not validly subject to the security interest created in (a) above; and

(c) undertakes to effect on behalf of the holder such registrations as it deems appropriate under the applicable *Personal Property Security Act* in jurisdictions where the assets of the Borrower and the Guarantor are located.

Until the security interests granted herein become enforceable, the Borrower may dispose of or deal with its undertaking, property or assets in the ordinary course of its business and for the purpose of carrying on its business.

The security interests granted herein shall not be extended or apply to the last day of the term of any lease or agreement therefore but, upon enforcement of the security, the Borrower shall stand possessed of such last day in trust to assign the same to any person acquiring the balance of the term.

The security interests hereby created or provided to be created shall be effective whether the monies thereby secured or any part thereof shall be owing by the Borrower before or after or upon the date of execution of this Loan Agreement.

## REPRESENTATIONS AND WARRANTIES:

The Borrower represents and warrants to the Lender as of the date hereof that to the best of the Borrower's knowledge:

- (a) each of the Borrower and the Guarantor is a duly incorporated, validly subsisting corporation under the laws of the Province of Alberta and has the requisite corporate power and authority to own its assets and to conduct its business as it is now being conducted;
- (b) each of the Borrower and the Guarantor holds all requisite licences, registrations, qualifications, permits, and consents necessary to enable it to conduct its business as it is now being conducted, and it is also duly qualified to carry on business in each jurisdiction in which the nature of its business makes such qualification necessary;
- (c) there are no material actions, suits, proceedings, investigations or outstanding claims or demands, whether or not purportedly on behalf of the Borrower or the Guarantor instituted, pending, or, to the knowledge of the Borrower threatened against or affecting the Borrower or the Guarantor at law or in equity or before or by any governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or before any arbitrator, nor is there any judgment, order, decree or award of any court or other governmental authority having jurisdiction, obtained, pending or, to the knowledge of the Borrower threatened, against the Borrower or the Guarantor which would prevent or materially hinder the consummation of the

- transactions contemplated by this Loan Agreement, nor is the Borrower in material default of applicable securities legislation;
- (d) the business of the Borrower is being conducted in all material respects in compliance with all applicable laws, regulations and ordinances of all authorities having jurisdiction;
- (e) each contract or agreement between the Borrower and any other person which is material to the ownership, use or operation of a material portion of the business, properties or assets of the Borrower is in full force and effect and, to the best of the knowledge of the Borrower, is valid, binding and enforceable against each of the parties thereto, in accordance with its terms and no material breach or default exists in respect thereof on the part of any party thereto and no event has occurred which, with the giving of notice or the lapse of time or both, would constitute such material breach or default;
- (f) the Borrower has full right, power and authority to enter into this Loan Agreement and to consummate the transaction contemplated by this Loan Agreement;
- (g) this Loan Agreement has been properly authorized, executed and delivered by the Borrower and constitutes a legal, valid and binding agreement of the Borrower, enforceable against the Borrower in accordance with its terms, subject to the applicable laws of bankruptcy or insolvency, and laws that generally affect creditors rights; and
- (h) the execution and delivery of this Loan Agreement and the performance of the terms of this Loan Agreement do not violate the provisions of the articles or by-laws of the Borrower, any resolution of the Borrower's board of directors or shareholders or any law, order, rule or regulation applicable to the Borrower, or any agreement, indenture, or other document to which the Borrower is a party.

# COVENANTS OF THE BORROWER:

The Borrower hereby covenants and agrees with the Lender that:

- (a) the Borrower will duly and punctually pay or cause to be paid to the Lender the Indebtedness, in accordance with the terms of this Loan Agreement and will duly comply with all the other terms and conditions contained in this Loan Agreement;
- (b) subject to the express provisions hereof, the Borrower and the Guarantor will carry on and conduct its business in a proper and efficient manner and, subject to the express provisions hereof, it will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and rights; and
- (c) the Borrower will cause all materials and properties used or useful in the conduct of its business and of the business of the Guarantor to be maintained and kept in good working condition and repair as in the judgment of the Borrower may be necessary

or appropriate, provided that nothing shall prevent the Borrower from discontinuing the operation or maintenance of any such properties if such discontinuance is, in the judgment of the Borrower, desirable in the conduct of its business or the business of the Guarantor and not disadvantageous in any material respect to the Lender.

#### EVENTS OF DEFAULT:

Upon the happening of any one or more of the following events, namely:

- (d) if the Borrower makes default in payment of the Principal Amount or interest thereon on the Maturity Date or under any other provision hereof;
- (e) if the Borrower makes default in the performance of, or breaches any, covenant or warranty of the Borrower in this Loan Agreement, and any such default or breach continues for a period of thirty (30) days after receipt of written notice specifying such default or breach;
- (f) if a decree or order of a court of competent jurisdiction is entered adjudging the Borrower, a bankrupt or insolvent under the Bankruptcy and Insolvency Act (Canada) or any other bankruptcy, insolvency or analogous law or issuing sequestration or process of execution against, or against any substantial part of the property of, the Borrower or appointing a receiver of, or of any substantial part of the property of, the Borrower, or ordering the winding up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period of ten (10) days;
- (g) if a resolution is passed for the winding up or liquidation of the Borrower, or if the Borrower institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under the Bankruptcy and Insolvency Act (Canada) or any other bankruptcy, insolvency or analogous law, or consents to the filing of any such petition or to the appointment of a receiver of, or of any substantial part of, the property of the Borrower or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due or takes corporate action in furtherance of any of the aforesaid purposes,

(separately referred to as an "Event of Default"), the Lender may, by notice in writing to the Borrower, declare the aggregate Principal Amount and all other monies outstanding hereunder to be due and payable and the same shall become immediately due and payable to the Lender, anything herein to the contrary notwithstanding, and the Borrower shall forthwith pay to the Lender such Principal Amount, together with interest at 1% per month on such Principal Amount and such other monies from the date of the said notice until payment is received by the Lender. Such payment when made shall be deemed to have been made in discharge of the Borrower's obligations hereunder. All rights and remedies with respect to the security granted hereunder shall become immediately

enforceable and any and all additional and collateral security for payment of the Indebtedness shall become immediately enforceable.

The Borrower agrees to pay all costs, charges and expenses reasonably incurred by the Lender, whether directly or for services rendered (including reasonable solicitors and auditors costs and other legal expenses), in enforcing their rights pursuant to this provision.

If an Event of Default shall occur, the Borrower shall immediately after it becomes aware of the occurrence of such Event of Default, give notice of such Event of Default to the Lender.

Where notice of the occurrence of an Event of Default has been given and the default is thereafter cured, notice that the default is no longer continuing shall be given by the Borrower to the Lender, immediately after the Borrower becomes aware that the default has been cured.

GENERAL:

Time is of the essence.

The Borrower shall do and cause to be done all things and execute all documents deemed necessary or appropriate by the Lender for the purposes of giving full force and effect to the terms, conditions, undertakings, and the security interest granted or to be granted hereunder.

The Borrower and the Lender acknowledge that the Lender is the Present and Chief Executive Officer of the Borrower and that the Principal Amount was advanced by the Lender to the Borrower in the best interests of the Borrower.

Where more than one person is liable as the Borrower or Guarantor for any obligation under this Loan Agreement, then the liability of each such person for such obligation is joint and several with each other such person, subject only to such limitations as may be set out herein.

INTEREST ACT:

For purposes only of disclosure under the *Interest Act* (Canada), any rate of interest which is calculated with reference to a period (the "Deemed Interest Period") that is less than the actual number of days in the calendar year of calculation is, for the purposes of the *Interest Act* (Canada), equivalent to an annual rate based on a calendar year calculated by multiplying such rate by the actual number of days in the calendar year in which the Deemed Interest Period ends and dividing by the number of days in the Deemed Interest Period.

GOVERNING LAW:

This Loan Agreement shall be construed and governed in accordance with the laws of the Province of Alberta.

COUNTERPARTS:

This Loan Agreement may be executed and delivered by the parties in one or more counterparts, each of which when so executed and

delivered will be an original and such counterparts will together constitute one and the same instrument. Delivery of this Loan Agreement by facsimile or PDF transmission constitutes valid and effective delivery.

[Signature pages follow]

If the foregoing terms and conditions are acceptable, please sign two copies of this Loan Agreement.
Witness J. CAMERON BAILEY
AGREED AND ACCEPTED this day of May, 2015.
,,
FORTALEZA ENERGY INC.
Per: Authorized Signatory
BLENDFORCE ENERGY SERVCIES INC.
Som Mr.
Authorized Signatory

# This is Exhibit "E" referred to in the Affidavit of Doug Bailey

sworn before me this 16<sup>th</sup> day of August, 2017.

A Commissioner for Oaths in and for the Province of Alberta

Pantelis Kyriakakis Barrister and Solicitor

#### GUARANTEE AND GENERAL SECURITY AGREEMENT

## TO: J. CAMERON BAILEY (the "Lender")

# 1. Guarantee of Payment.

- (a) BlendForce Energy Services Inc. (the "Guarantor") hereby unconditionally guarantees the full and prompt payment to the Lender when due, of any and all Indebtedness (as hereinafter defined) of Fortaleza Energy Inc. (the "Borrower") to the Lender.
- (b) As used in this Guarantee, "Indebtedness" shall mean any and all indebtedness and other liabilities of the Borrower to the Lender under that certain promissory note of the Borrower to the Lender in the aggregate amount of \$50,000.00 (the "Promissory Note") and any replacements thereof, including, without limitation, all unpaid accrued interest thereon and all costs and expenses payable as hereinafter provided: (i) whether now existing or hereafter incurred; or (ii) whether direct, indirect, primary, absolute, secondary, contingent, secured, unsecured, matured or unmatured, by guaranty or otherwise.
- (c) The Guarantor acknowledges that valuable consideration supports this Guarantee, including, without limitation, the Indebtedness; any extension, renewal or replacement of any Indebtedness, any forbearance with respect to any Indebtedness or otherwise; or any other valuable consideration.
- 2. Lender' Costs and Expenses. The Guarantor agrees to pay on demand all reasonable costs and expenses of every kind incurred by the Lender: (a) in enforcing this Guarantee; (b) in collecting any Indebtedness from the Borrower or the Guarantor; (c) in realizing upon or protecting any collateral for this Guarantee or for payment of any Indebtedness; and (d) for any other purpose related to the Indebtedness or this Guarantee. "Costs and expenses" as used in the preceding sentence shall include, without limitation, the actual attorneys' fees incurred by the Lender in retaining counsel for advice, suit, appeal, any insolvency or other proceedings under the Bankruptcy and Insolvency Act (Canada) or otherwise, or for any purpose specified in the preceding sentence.

# 3. Nature of Guarantee: Continuing, Absolute and Unconditional.

- (a) This is and is intended to be a continuing guaranty of payment of the Indebtedness (irrespective of the aggregate amount thereof), independent of, in addition and without modification to, and does not impair or in any way affect, any other guaranty, indorsement, or other agreement in connection with the Indebtedness, or in connection with any other indebtedness or liability to the Lender, or collateral held by the Lender therefor or with respect thereto, whether or not furnished by the Guarantor. This Guarantee and the Guarantor's obligations hereunder shall not be modified, terminated, impaired or in any way affected by the execution, delivery or performance by the Guarantor, the Borrower or any other person of any other guaranty, indorsement or other agreement or the delivery of collateral therefor. The Guarantor waives any claim, remedy or other right which the Guarantor might now have or hereafter acquire against the Borrower or any other person that is primarily or contingently liable for the Indebtedness including, without limitation, any right of subrogation, reimbursement, exoneration, contribution, indemnification, or any right to participate in any claim or remedy of the Lender against the Borrower or any collateral therefor which the Lender now have or hereafter acquire, whether or not such claim, remedy or right arises in equity, or under contract, statute, or common law.
- (b) This Guarantee is absolute and unconditional and shall not be changed or affected by any representation, oral agreement, act or thing whatsoever, except as herein provided. This Guarantee is intended by the Guarantor to be the final, complete and exclusive expression of the agreement between the Guarantor and the Lender. The Guarantor expressly disclaims any reliance on any course of dealing or usage of trade or oral representation of the Lender including, without limitation, representations to make loans to the Borrower or enter into any other

agreement with the Borrower or the Guarantor. No modification or amendment of any provision of this Guarantee and no waiver of any right by the Lender shall be effective unless in writing and signed by a duly authorized officer of the Lender.

- (c) If any default shall be made in the payment of any Indebtedness, the Guarantor hereby agrees to pay the same in full: (i) without deduction by reason of any setoff, defense or counterclaim of the Borrower; (ii) without requiring protest, presentment or notice of non-payment or notice of default to the Guarantor, to the Borrower or to any other person; (iii) without demand for payment or proof of such demand; (iv) without requiring the Lender to resort first to the Borrower (this being a guaranty of payment and not of collection) or to any other guaranty or any collateral which the Lender may hold; (v) without requiring notice of acceptance hereof or assent hereto by the Lender; and (vi) without requiring notice that any Indebtedness has been incurred or of the reliance by the Lender upon this Guarantee; all of which the Guarantor hereby waives.
- (d) The Guarantor's obligation hereunder shall not be affected by any of the following, all of which the Guarantor hereby waives: (i) any failure to perfect or continue the perfection of any security interest in or other lien on any collateral securing payment of any Indebtedness or the Guarantor's obligation hereunder; (ii) the invalidity, unenforceability, propriety of manner of enforcement of, or loss or change in priority of any such security interest or other lien; (iii) any taking, holding, continuation, collection, modification, leasing, impairment, surrender or abandonment of, or any failure to protect, preserve or insure, any such collateral; (iv) any delay in the exercise or waiver of, any failure to exercise, or any forbearance in the exercise of, any right or remedy of the Lender or any person against the Guarantor, the Borrower or any person or relating to the Indebtedness or any part thereof or the collateral therefore; (v) failure of the Guarantor to receive notice of any intended disposition of such collateral; (vi) any defense arising by reason of the cessation from any cause whatsoever of liability of the Borrower including, without limitation, any failure, delay, waiver, forbearance, negligence or omission by the Lender in enforcing their claims against the Borrower or any collateral therefor including, without limitation, any failure to make, prove, or vote any claim relating to the Indebtedness or any collateral therefor in any case or proceeding pursuant to the Bankruptcy and Insolvency Act (Canada) or any similar law, or any satisfaction of the Indebtedness or any part thereof by reason of the failure of the Lender to recover against any collateral therefor or the failure of the Lender to obtain a judgment for any deficiency; (vii) any release, settlement, composition, adjustment, compromise, replacement, cancellation, discharge, assignment, sale, exchange, conversion, participation or other transfer or disposition of any obligation of the Borrower or of any collateral therfor; (viii) the invalidity or unenforceability of any of the Indebtedness; (ix) the creation of any security interest, lien or other encumbrance in favor of any person other than the Lender; (x) any refusal or failure of the Lender or any other person prior to the date hereof or hereafter to grant any additional loan or other credit accommodation to the Borrower or the Lender or any other party's receipt of notice of such refusal or failure; (xi) any refusal or failure of the Lender or any other person to provide to the Guarantor any information relating to the Borrower, any other guarantor, indorser, or any person or entity who has given any collateral as security for the payment of the Indebtedness or any information relating to the Borrower's or such guarantor's, indorser's, person's or entity financial condition, business or assets, or if such information is provided, to provide such information completely and accurately; (xii) any change in the ownership or membership of the Guarantor or the Borrower; (xiii) the expiration of the period of any statute of limitations with respect to any lawsuit or other legal proceeding against the Borrower or any person in any way related to the Indebtedness or a part thereof or any collateral therefor; or (xiv) any other thing or circumstance which might otherwise constitute a defense to the Guarantor's obligation hereunder.

# 4. Collateral-General Security

- (a) As further security for payment of the Indebtedness and of any other indebtedness, now existing or hereafter incurred, of the Guarantor to the Lender, the Guarantor hereby grants to the Lender security interest in and to all the assets and property of the Guarantor, and all proceeds thereof; and with respect to all such assets and property, the Lender shall have all the rights and remedies of a secured party under the *Personal Property* Security Act (Alberta) and under any other applicable law, in addition to those rights granted herein or in any other agreement now or hereafter in effect between the Guarantor and the Lender.
- (b) The Guarantor agrees to furnish on the Lender' demand, collateral satisfactory to the Lender as security for this Guarantee and to execute such security and other documents with respect thereto as the Lender shall reasonably request.
- 5. Guarantee of Performance. The Guarantor also guarantees the full, prompt and unconditional performance of all obligations and agreements of every kind owed or hereafter to be owed by the Borrower to the Lender. Every provision for the benefit of the Lender contained in this Guarantee shall apply to the guaranty of performance given in this paragraph.
- Termination. This Guarantee shall remain in full force and effect as to the Guarantor until all Indebtedness outstanding, or contracted or committed for (whether or not outstanding), before the receipt of such notice by the Lender, and any extensions, renewals or replacements thereof (whether made before or after receipt of such notice), together with interest accruing thereon after such notice, shall be finally and irrevocably paid in full. The Guarantor agrees that, to the extent that the Borrower makes a payment or payments to the Lender on the Indebtedness, or the Lender receive any proceeds of collateral to be applied to the Indebtedness, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or otherwise are required to be repaid to the Borrower, its trustee, receiver or any other party, including, without limitation, under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such repayment, the obligation or part thereof which has been paid, reduced or satisfied by such amount shall be reinstated and continued in full force and effect as of the date such initial payment, reduction or satisfaction occurred, notwithstanding any contrary action which may have been taken by the Lender in reliance upon such payment or payments. As of the date any payment or proceeds of collateral are returned, the statute of limitations shall start anew with respect to any action or proceeding by the Lender against the Guarantor under this Guarantee. The Guarantor shall defend and indemnify the Lender of and from any claim or loss under this paragraph including solicitor and its own client fees and expenses in the defense of any such action or suit.

#### 7. Miscellaneous.

- (a) "Borrower" and "Guarantor" as used in this Guarantee shall include: (i) any successor, association, partnership or corporation to which all or a substantial part of the business or assets of the Borrower or the Guarantor shall have been transferred including, without limitation, a Borrower in possession under the Bankruptcy and Insolvency Act (Canada); and any other corporation into or with which the Guarantor or the Borrower shall have been merged, consolidated, reorganized, or absorbed.
- (b) Without limiting any other right of the Lender, whenever the Lender have the right to declare any Indebtedness to be immediately due and payable (whether or not it has so declared), the Lender at their sole election may set off against the Indebtedness any and all monies then owed to the Guarantor by the Lender in any capacity, whether or not the Indebtedness or the obligation to pay such moneys owed by the Lender is then due, and the Lender shall be deemed to have exercised such right of setoff immediately at the time of such election even though any charge therefor is made or entered on the Lender' records subsequent thereto.
- (c) The Guarantor's obligation hereunder is to pay the Indebtedness in full when due according to its terms, and shall not be affected by any extension of time for payment by the Borrower, any bar to the enforceability of the Indebtedness, or any limitation on the right to attorneys' fees, resulting from any proceeding under the *Bankruptcy*

and Insolvency Act (Canada) or any similar law. The Guarantor's obligation under this Guarantee shall also include payment of interest accrued on the Indebtedness before or after a filing of a petition under the bankruptcy laws and interest on, and principal of, loans made to the Borrower in possession after the filing of such a petition by or against the Borrower.

- (d) No course of dealing or usage of trade, and no oral or written representations or agreement, between the Borrower or the Guarantor and the Lender, whether or not relied on or acted upon, and no act, delay or omission by the Lender in exercising any right or remedy hereunder or with respect to any Indebtedness shall operate as a waiver thereof or of any other right or remedy, and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy. The giving of notice or a demand by the Lender at any time shall not operate as a waiver in the future of the Lender' right to exercise any right or remedy without notice or demand. The Lender may remedy any default by the Borrower under any agreement with the Borrower or with respect to any Indebtedness in any reasonable manner, without waiving the default remedied and without waiving any other prior or subsequent default by the Borrower. After the Borrower's failure to pay the Indebtedness in full, or any part thereof, the Lender may exercise against the Guarantor each right and remedy of a creditor against a principal Borrower upon a past due liquidated obligation. All rights and remedies of the Lender hereunder are cumulative.
- (e) The Lender and the Guarantor as used herein shall include their successors or assigns. The rights and benefits of the Lender hereunder shall, if the Lender so directs, inure to any party acquiring any interest in the Indebtedness or any part thereof.
- (f) The Lender's rights and remedies under this Guarantee are assignable and any participation may be granted by the Lender herein in connection with the assignment or granting of a participation by the Lender in the Indebtedness or any part thereof.
- (g) Captions of the sections of this Guarantee are solely for the convenience of the Lender and the Guarantor, and are not an aid in the interpretation of this Guarantee.
- (h) If any provision of this Guarantee is unenforceable in whole or in part for any reason, it shall be deemed modified to the extent necessary to make it or the applicable provision enforceable, or if for any reason such provision is not deemed modified, the remaining provisions shall continue to be effective.
- (i) Any payment or other act which results in the extension or renewal of the statute of limitations in connection with any action or proceeding against the Borrower relating to the Indebtedness, shall extend or renew the statute of limitations in connection with any action or other proceeding against the Guarantor in connection with this Guarantee whether or not the Guarantor had notice of, or consented to, such payment or act.
- (j) Any demand for payment against the Guarantor made by the Lender under this Guarantee shall be in writing and delivered in person or by first class mail postage prepaid at the Guarantor's address for service, and shall be deemed received: (i) upon delivery, if delivered in person, and (ii) two days after deposited in the mail or delivered to the post office, if mailed.
- (k) This Guarantee and the transactions evidenced hereby shall be construed under the laws of the Province of Alberta without regard to principles of conflicts of law. All parties hereto attorn to the jurisdiction of the Courts of Alberta provided that the Lender shall be entitled to commence actions in the courts of any other jurisdiction for the purpose of enforcing any of its rights.
- (l) The parties hereby confirm their express wish that this Guarantee and all documents related thereto be drawn up in English.

This Guarantee is limited to \$50,000.00 (hereinafter referred to as the "Maximum Amount"), plus the sum of (a) all unpaid interest which accrues on the Maximum Amount until payment of the Maximum Amount in full, calculated at the rate

provided for in any instrument, document or agreement evidencing or pertaining to the Indebtedness; and (b) all costs and expenses payable pursuant to Section 2 of this Guarantee.

THIS GUARANTEE AND GENERAL SECURITY DOCUMENT DATED as of the <u>\( \lambda \)</u> day of May, 2015.

BLENDFORCE ENERGY SERVICES INC.

Authorized Signatory

# This is Exhibit "F" referred to in the Affidavit of Doug Bailey

sworn before me this 16<sup>th</sup> day of August, 2017.

A Commissioner for Oaths in and for the Province of Alberta

Pantelis Kyriakakis
Barrister and

# GENERAL SECURITY AGREEMENT (BLENDFORCE ENERGY SERVICES INC.)

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Debtor, the Debtor hereby agrees as follows:

## **Definitions and Interpretation**

- In this agreement, the following words shall, unless otherwise provided, have the meanings set out below:
  - "Business Day" means a day, other than a Saturday, Sunday or statutory holiday in the Province of Alberta;
  - "Collateral" means all present and future property, assets and undertaking of the Debtor pledged, assigned, mortgaged, charged, hypothecated or made subject to a security interest pursuant to this agreement;
  - "Contractual Right" means any agreement, right, franchise, licence, authorization, approval, privilege or permit (a) to which the Debtor is now or hereafter becomes a party, (b) in which the Debtor now or hereafter has any interest or (c) of which the Debtor is or hereafter becomes a beneficiary;
  - "Debtor" means BlendForce Energy Services Inc., and its successors and assigns;
  - "Intellectual Property" means all patents, trade-marks, trade names, business names, trade styles, logos and other business identifiers, copyrights, technology, inventions, industrial designs, know-how, trade secrets and other industrial and intellectual property in which the Debtor now or in the future has any right, title or interest;
  - "Investment Collateral" means all present and future Investment Property (as such term is defined in the PPSA) of the Debtor, including all present and future options and warrants of the Debtor and all other rights and entitlements arising therefrom or related thereto, and the Debtor's present and future interests in partnerships, limited partnerships, limited liability partnerships and limited liability companies, and including all substitutions for any of the foregoing and dividends and income derived therefrom or payable in connection therewith;
  - "Obligations" means all present and future indebtedness, liabilities and obligations, direct or indirect, absolute or contingent, matured or unmatured, joint or several, of the Debtor to the Secured Party;
  - "Permitted Encumbrances" means any and all liens, charges, mortgages, security interests, hypothecs and other encumbrances which affect all or any portion of the Collateral and which have been permitted or consented to in writing by the Secured Party;
  - "Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, limited partnership or other entity;

"PPSA" means the *Personal Property Security Act* (Alberta), as amended from time to time and any legislation substituted therefor and any amendments thereto;

"Receiver" means a receiver, receiver-manager and receiver and manager;

"Secured Party" means J. Cameron Bailey and his successors and assigns;

"Security Interest" means the pledges, assignments, mortgages, charges and hypothecations of and the security interests in the Collateral created in favour of the Secured Party hereunder; and

- References such as "this agreement", "hereof", "herein", "hereto" and like references refer to
  this agreement and any schedules, exhibits or appendices attached hereto (all of which
  schedules, exhibits and appendices form a part of this agreement) and not to any particular
  section, subsection, paragraph or other subdivision of this agreement.
- The division of this agreement into sections, subsections and paragraphs and the insertion of headings in this agreement are for convenience of reference only and shall not affect the construction or interpretation of this agreement.
- 4. Terms used herein which are defined in the PPSA shall have the same meanings herein as are ascribed to such terms in the PPSA, unless such terms are otherwise defined.
- 5. The word "Debtor", the personal pronoun "it" or "its" and any verb relating thereto and used therewith shall be read and construed as required by and in accordance with the context in which such words are used. The term "successors" shall include, without limiting its meaning, any corporation resulting from the amalgamation of a corporation with another corporation. Where the context so requires, words used herein (including defined terms) importing the singular shall include the plural and vice versa and words used herein (including defined terms) importing gender shall include all genders (including the neuter).
- Nothing herein (including the definition and use of the term Permitted Encumbrances) is intended or shall be deemed to subordinate the Security Interest to any Permitted Encumbrance or any other lien, charge, mortgage, security interest, hypothec or encumbrance affecting all or any portion of the Collateral.
- 7. If one or more of the provisions contained herein shall be invalid, illegal or unenforceable in any respect, such provision or provisions shall be severed from this agreement only to the extent necessary, and the validity, legality and enforceability of the remaining provisions hereof, including the provision or provisions remaining after such severance, shall not in any way be affected or impaired thereby.
- 8. Unless otherwise expressly provided in this agreement, if any matter in this agreement is subject to the determination, consent or approval of the Secured Party or is to be acceptable to the Secured Party, such determination, consent, approval or determination of acceptability will be in the sole discretion of the Secured Party, which means the Secured Party shall have sole and unfettered discretion. If any provision in this agreement refers to any action taken or to be taken by the Debtor, or which the Debtor is prohibited from taking, such provision will be interpreted to include any and all means, direct or indirect, of taking, or not taking, such action. When used in the context of a general statement followed by a reference to one or more

- specific items or matters, the term "including" shall mean "including, without limitation" and the use of the term "includes" shall mean "includes, without limitation".
- 9. This agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein. The Debtor hereby irrevocably and unconditionally attorns and submits to the non-exclusive jurisdiction of the courts of the Province of Alberta, provided that nothing herein shall prevent the Secured Party from proceeding at its election against the Debtor in the courts of any other province, country or jurisdiction.

# **Grant of Security Interest**

- 10. As continuing security for the payment and performance of all Obligations, the Debtor hereby pledges, assigns, mortgages, charges and hypothecates to the Secured Party and grants to the Secured Party a security interest in the following:
  - (a) all present and future equipment of the Debtor, including all of its present and future machinery, fixtures, plant, tools, furniture, books, records, documents, vehicles of any nature, kind or description and all accessions to any of the foregoing, including all spare parts and accessories installed in or affixed or attached to any of the foregoing, and all drawings, specifications, plans and manuals relating to the forgoing;
  - (b) all present and future inventory of the Debtor, including all of its present and future raw materials, materials used or consumed in its business, work-in-progress, finished goods, goods used for packing and goods acquired or held for sale or lease or that have been leased or furnished or that are to be furnished under contracts of rental or service, and all accessions to any of the foregoing, including all spare parts and accessories installed in or affixed or attached to any of the foregoing;
  - (c) all present and future intangibles of the Debtor, including all of its present and future accounts and other amounts receivable, book debts, goodwill, Intellectual Property and choses in action of every nature and kind;
  - (d) all present and future documents of title, chattel paper, instruments and money of the Debtor:
  - (e) all present and future Investment Collateral;
  - (f) all present and future real property, personal property, assets, and undertaking of the Debtor of any nature or kind, including all real property, personal property, assets and undertaking at any time owned, leased or licenced by the Debtor or in which the Debtor at any time has any right or interest or to which the Debtor is or may at any time become entitled (other than the property, assets and undertaking of the Debtor validly pledged or assigned or subjected to a valid mortgage, charge, hypothec or security interest by subsection 10(a), 10(b), 10(c) 10(d) or 10(e) hereof and subject to the exceptions hereinafter contained); and

(g) all proceeds arising from the property, assets and undertaking of the Debtor referred to in this section 10, including insurance proceeds and any other payment representing indemnity or compensation for loss of or damage thereto.

# **Limited Exceptions to Grant of Security Interest**

- Despite any other provision of this agreement, the last day of any term reserved by any lease of real property, oral or written, or any agreement therefor, now held or hereafter acquired by the Debtor, and whether falling within the general or particular description of the Collateral, is hereby and shall be excepted out of the Security Interest, but the Debtor shall stand possessed of the reversion of one day remaining in the Debtor in respect of any such term, for the time being demised, as aforesaid, upon trust to assign and dispose of the same as any purchaser of such term shall direct.
- Despite any other provision of this agreement, the Security Interest shall not attach to any Contractual Right to the extent that the granting of the Security Interest therein would constitute a breach of, or permit any Person to terminate such Contractual Right, but the Debtor shall hold its interest in each such Contractual Right in trust for the Secured Party and shall, after the Security Interest shall have become enforceable, specifically assign each such Contractual Right to the Secured Party, or as the Secured Party may otherwise direct. The Debtor agrees that it shall, upon the request of the Secured Party, whether before or after the Security Interest has become enforceable, use all commercially reasonable efforts to obtain any consent required to permit any such Contractual Right to be subjected to the Security Interest, and the Security Interest shall attach to such Contractual Right following the receipt of such consent.

#### Attachment

- 13. The Debtor confirms and agrees that:
  - (a) value has been given by the Secured Party to the Debtor;
  - (b) the Debtor has rights in all existing Collateral and power to transfer rights in the Collateral to the Secured Party; and
  - (c) the Debtor and the Secured Party have not postponed the time for attachment of the Security Interest, and the Security Interest shall attach to existing Collateral upon the execution of this agreement and shall attach to Collateral in which the Debtor hereafter acquires rights at the time that the Debtor acquires rights in such Collateral.

# Provisions with respect to Investment Collateral

- 14. Whenever any Investment Collateral is a certificated security, an uncertificated security or a security entitlement, the Debtor shall, or shall cause the issuer of such Investment Collateral to, or shall cause the securities intermediary that holds such Investment Collateral to, take all steps as are necessary to give exclusive control over such Investment Collateral to the Secured Party in a manner satisfactory to the Secured Party.
- 15. All certificates representing Investment Collateral may remain registered in the name of the Debtor, but the Debtor shall, promptly at the request of the Secured Party, duly endorse such

certificates in blank for transfer or execute stock powers of attorney in respect thereof and deliver such certificates or powers of attorney to the Secured Party; in either case with signatures guaranteed and with all documentation being in form and substance satisfactory to the Secured Party. Upon the request of the Secured Party:

- (a) the Debtor shall promptly cause the Investment Collateral to be registered in the name of the Secured Party or its nominee, and the Secured Party is hereby appointed the irrevocable attorney (coupled with an interest) of the Debtor with full power of substitution to cause any or all of the Investment Collateral to be registered in the name of the Secured Party or its nominee;
- (b) the Debtor shall promptly cause each securities intermediary that holds any Investment Collateral that is a security entitlement to record the Secured Party as the entitlement holder of such Investment Collateral; and
- (c) the Debtor shall promptly:
  - cause a security certificate to be issued for any Investment Collateral that is in the form of an uncertificated security or a security entitlement;
  - (ii) endorse such security certificate in blank;
  - (iii) deliver such security certificate to the Secured Party; and
  - (iv) take all other steps necessary to give exclusive control over such certificated security to the Secured Party,

in a manner satisfactory to the Secured Party.

- 16. Until further notice is given by the Secured Creditor to the Debtor terminating such rights of the Debtor, the Debtor shall be entitled to exercise all voting rights attached to the Investment Collateral and give consents, waivers and ratifications in respect thereof; provided that no vote shall be cast or consent, waiver or ratification given or action taken which would be prejudicial to the interests of the Secured Party or which would have the effect of reducing the value of the Investment Collateral as security for the Obligations, or imposing any restriction on the transferability of any of the Investment Collateral. All such rights of the Debtor to vote and give consents, waivers and ratifications shall cease immediately upon receipt by the Debtor of such notice by the Secured Party.
- 17. All dividends, distributions, interest and other income in respect of Investment Collateral and all proceeds received by the Debtor in respect of Investment Collateral may be received by the Debtor in the ordinary course and distributed in the ordinary course to the Debtor's shareholder or shareholders until further notice by the Secured Party. Upon receipt by the Debtor of such notice, the Debtor shall not be entitled to retain or distribute to its shareholder or shareholders any such dividends, distributions, interest or other income or proceeds and, if any such amounts are received by the Debtor after the Debtor receives such notice by the Secured Party, the Debtor shall hold such amounts in trust, as trustee for the Secured Party, and the Debtor shall forthwith pay such amounts to the Secured Party, to be applied to reduce the Obligations or, at the option of the Secured Party, to be held as additional security for the Obligations.

18. The responsibility of the Secured Party in respect of any Investment Collateral held by the Secured Party shall be limited to exercising the same degree of care which it gives valuable property of the Secured Party at the Secured Party's office where such Investment Collateral is held. The Secured Party shall not be bound under any circumstances to realize on any Investment Collateral or allow any Investment Collateral to be sold, or exercise any option or right attaching thereto, or be responsible for any loss occasioned by any sale of Investment Collateral or by the retention or other refusal to sell the same; nor shall the Secured Party be obliged to collect or see to the payment of interest or dividends thereon but, subject to section 17, all such interest and dividends, if and when received by the Debtor, shall be held by the Debtor in trust for the Secured Party and shall be forthwith paid to the Secured Party.

## Representations and Warranties of the Debtor

- 19. The Debtor hereby represents and warrants to the Secured Party that:
  - (a) the Debtor has the capacity and authority to incur the Obligations, to create the Security Interest and to execute and deliver and perform its obligations under this agreement;
  - the execution and delivery of this agreement and the performance by the Debtor of its obligations hereunder have been duly authorized by all necessary proceedings;
  - (c) this agreement constitutes a legal, valid and binding obligation of the Debtor, enforceable against the Debtor in accordance with its terms subject only to bankruptcy, insolvency, reorganization, moratorium and other similar laws of general application affecting creditors' rights and the discretion exercisable by courts of competent jurisdiction in respect of the availability of equitable remedies;
  - except for the Security Interest and any Permitted Encumbrances, the Collateral is owned by the Debtor free from any mortgage, charge, lien, pledge, security interest or other encumbrance or claim whatsoever;
  - the sole place of business/chief executive office of the Debtor is located at the address listed in this agreement;
  - (f) the Debtor does not keep tangible Collateral at any location(s) except:
    - the location listed in this agreement, other than tangible Collateral in transit to or from such locations;
  - (g) the Debtor has made all necessary filings, registrations and recordations to protect all of its right, title and interest in the Intellectual Property including all relevant renewals; and all such filings, registrations and recordations have been duly and properly made and are in full force and effect and are not subject to dispute by any governmental authority or agency;
  - (h) all Contractual Rights relating to or affecting the Intellectual Property are in good standing;

- the Debtor owns directly or is entitled to use by Contractual Right or otherwise all of the Intellectual Property;
- no litigation is pending or threatened which contains allegations respecting the validity, enforceability, infringement or ownership of any of the Intellectual Property, including any of right, title or interest of the Debtor in the Intellectual Property; and
- (k) the Debtor has no Contractual Right which, because of the granting of the Security Interest therein, would be breached or could be terminated.

# Covenants of the Debtor

- 20. The Debtor agrees with the Secured Party that, until the Obligations have been satisfied and paid in full:
  - (a) it will:
    - (i) pay and satisfy the Obligations when due;
    - (ii) maintain the tangible Collateral in good condition and repair and allow the Secured Party or its agent access to all premises of the Debtor to inspect any and all Collateral;
    - (iii) make and maintain all filings, registrations and recordations necessary or desirable to protect its right, title and interest in the Collateral, including all filings, registrations and recordations necessary or desirable in respect of patents, trade-marks, copyrights and industrial designs included in the Intellectual Property;
    - (iv) defend the Collateral against any actions, claims and demands of any Person (other than the Secured Party or a party asserting a claim pursuant to a Permitted Encumbrance) claiming the Collateral (or any of it) or an interest therein:
    - (v) pay all taxes, rates, levies, assessments and other impositions and charges, of every nature and kind, which may now or hereafter be lawfully levied, assessed or imposed on or in respect of the Debtor or the Collateral (or any of it), including those which could result in the creation of a statutory lien or deemed trust affecting the Debtor or the Collateral, as and when the same become due and payable;
    - (vi) maintain its corporate existence and file or cause to be filed any returns, documents or other information necessary to preserve such corporate existence;
    - (vii) notify the Secured Party of any material loss or damage to the Collateral, any material change in any information provided in this agreement (including the schedules hereto) or any actual or, to the Debtor's knowledge, potential claim affecting the Debtor, the Collateral or the Security Interest;

- (viii) hold the proceeds received from any direct or indirect dealing with the Collateral in trust for the Secured Party after either the Security Interest becomes enforceable or any of the Collateral is sold other than in the ordinary course of business of the Debtor and for the purpose of carrying on such business;
- (ix) obtain from financially responsible insurance companies and maintain:
  - public liability insurance,
  - all risks property insurance in respect of the Collateral on a replacement cost basis,
  - C. business interruption insurance, and
  - insurance in respect of such other risks as the Secured Party may reasonably require from time to time,

and such policies of insurance shall be in such amounts as may be reasonably required by the Secured Party and shall include a standard mortgage clause approved by the Insurance Bureau of Canada; and to furnish the Secured Party with certificates of insurance and certified copies of such policies; all such policies of insurance shall neither permit nor provide for any amount of coinsurance by the Debtor;

- strictly comply with every covenant and undertaking heretofore or hereafter given by it to the Secured Party, whether contained herein or not;
- (xi) permit the Secured Party at any time and from time to time, both before and after the Security Interest shall have become enforceable, to require any account debtor of the Debtor to make payment to the Secured Party of any or all amounts owing by the account debtor to the Debtor and the Secured Party may take control of any proceeds referred to in subsection 10(g) hereof and may hold all amounts received from any account debtor and any proceeds as cash collateral as part of the Collateral and as security for the Obligations;
- (xii) prevent any Collateral from becoming an accession to any personal property not subject to the Security Interest, or becoming affixed to any real property;
- (xiii) deliver to the Secured Party, at the Secured Party's reasonable request, duly endorsed and/or accompanied by such assignments, transfers, powers of attorney or other documents as the Secured Party may reasonably request, all items of the Collateral comprising chattel paper, instruments, Investment Collateral and documents of title;
- (xiv) pay, on demand by the Secured Party, all costs and expenses (including all legal fees) incurred by the Secured Party in the preparation, perfection, administration and enforcement of this agreement (including expenses incurred in considering, protecting or improving the Secured Party's position, or

attempting to do so, whether before or after default) and all such costs and expenses shall bear interest at the highest rate applicable to the Obligations, shall form part of the Obligations and shall be secured by the Security Interest;

- (xv) at all times, both before and after the occurrence of a default, do or cause to be done such further and additional acts and things and execute and deliver or cause to be executed and delivered all such further and additional documents and agreements as the Secured Party may reasonably require to better pledge, assign, mortgage, charge and hypothecate the Collateral in favour of the Secured Party, to perfect the Security Interest and, without limiting the generality of the forgoing, to accomplish the intentions of this agreement;
- (xvi) preserve the Debtor's rights, powers, licences, privileges, franchises and goodwill, comply with all applicable laws, regulations and orders (including environmental laws, regulations and orders) affecting the Debtor or the Collateral and conduct its business in a proper and efficient manner so as to protect the Collateral, the Security Interest and the business and undertaking of the Debtor; and
- (xvii) without limiting the generality of any of the forgoing, perform all covenants required of the Debtor under any Contractual Right relating to or affecting the Intellectual Property (or any of it), including promptly paying all required fees, royalties and taxes, to maintain each and every item of Intellectual Property in full force and effect, and vigorously protect, preserve and maintain all of the value of, and all of the right, title and interest of the Debtor in, all Intellectual Property, by way of the prosecution of or defence against suits concerning the validity, infringement, enforceability or ownership of the Intellectual Property (or any of it) or otherwise; and
- (b) it will not, without the prior written consent of the Secured Party:
  - incur or create any further or additional indebtedness except to the Secured Party and except such normal indebtedness as may be incidental to the ordinary course of its business;
  - (ii) create any lien upon, assign or transfer as security, or pledge, hypothecate, charge, mortgage or grant a security interest in any Collateral except to the Secured Party and except for Permitted Encumbrances;
  - (iii) other than in the ordinary course of business and for the purpose of carrying on such business, sell, transfer, assign, or otherwise dispose of any Collateral or any group of property and assets forming part of the Collateral;
  - (iv) guarantee, endorse or otherwise become surety for or upon the obligations of others except to the Secured Party or by endorsement of negotiable instruments for deposit or collection in the ordinary course of the Debtor's business;

- declare or pay any dividends on or make any other payment or distribution in respect of any shares of its capital stock;
- (vi) pay any amount to officers or directors of the Debtor in their capacities as officers or directors by way of salary, bonus, commission, directors' fees or otherwise in excess of the scale of such payments to such officers or directors now being made by the Debtor;
- (vii) lend money to any Person in any way whatsoever;
- (viii) change its name;
- (ix) merge or amalgamate with any other corporation;
- (x) change the location of its sole place of business/chief executive office or create further place(s) of business in addition to its sole place of business without providing the Secured Party with thirty (30) Business Days' prior written notice thereof;
- (xi) keep tangible Collateral at any location other than the location(s) listed in this agreement without providing the Secured Party with thirty (30) Business Days' prior written notice thereof; or
- (xii) make payments to any shareholders of the Debtor, or any Persons related to the Debtor or any of its shareholders within the meaning of the *Income Tax Act* (Canada), whether by way of loans, advances, repayment of indebtedness owing by the Debtor, interest on such indebtedness, salaries, dividends, guarantees, compensation or benefits of any kind whatsoever, other than as contemplated by subsection 20(b)(vi).

#### Default

- 21. Without prejudice to any right which the Secured Party may now or hereafter have to demand payment of any of the Obligations, the Obligations shall, at the option of the Secured Party, become payable and the Security Interest shall become enforceable if any of the following events (each an "Event of Default") occurs:
  - (a) the Debtor defaults in the payment of any of the Obligations when due;
  - (b) a petition or application is filed, an order is made or a resolution passed for the windingup, liquidation or dissolution of the Debtor, or if a petition is presented or filed for the winding-up of the Debtor, whether pursuant to the Winding-up and Restructuring Act (Canada) or otherwise;
  - (c) the Debtor ceases or threatens to cease to carry on business or makes a bulk sale of its assets, or if a Receiver or trustee for the Debtor or any of its property or assets is appointed (whether privately or by court order);

- (d) the Debtor becomes insolvent or commits or threatens to commit any act of bankruptcy or if the Debtor makes an assignment or proposal in bankruptcy or files a notice of intention to make a proposal in bankruptcy or if a bankruptcy petition is filed or presented against the Debtor or if the Debtor otherwise becomes subject to proceedings under the Bankruptcy and Insolvency Act (Canada) or any other bankruptcy, insolvency or analogous law in any jurisdiction;
- (e) any proceedings with respect to the Debtor are commenced under the Companies'
   Creditors Arrangement Act (Canada) or if the Debtor seeks relief or consents to the filing
   of a petition against it under any law which involves any compromise of any creditor's
   rights against the Debtor;
- (f) an execution or any other process of any court becomes enforceable against the Debtor or if a distress or analogous process is initiated or levied against or upon the property of the Debtor or any part thereof;
- (g) the Debtor permits any sum which has been admitted as due by the Debtor or is not disputed to be due by it and which forms or is capable of being made a charge on any Collateral in priority to the Security Interest to remain unpaid after proceedings have been taken to enforce such charge;
- (h) any representation or warranty made by the Debtor or any of its officers, employees or agents to the Secured Party shall be false or inaccurate in any material respect;
- (i) the Debtor defaults in the observance or performance of any provision relating to the indebtedness or liability of the Debtor to any person other than the Secured Party; or
- (j) any licence, permit or approval required by any law, regulation or governmental policy or any governmental agency or commission for the operation by the Debtor of its business shall be withdrawn or cancelled.

# Remedies of the Secured Party

- 22. Whenever the Security Interest shall have become enforceable, and so long as it shall remain enforceable, the Secured Party may proceed to realize the Security Interest and the Collateral and to enforce its rights by doing any one or more of the following:
  - (a) entering upon the Collateral and any lands and premises where any Collateral is or may be located;
  - (b) taking possession of Collateral by any method permitted by law;
  - occupying any lands and premises owned or occupied by the Debtor and using all or any part of such lands and premises and the equipment and other Collateral located thereon;
  - (d) leasing, selling, licensing or otherwise disposing of the whole or any part or parts of the Collateral:

- (e) collecting, selling or otherwise dealing with any accounts or other amounts receivable of the Debtor, including notifying any person obligated to the Debtor in respect of an account, chattel paper or instrument to make payment to the Secured Party of all present and future amounts due thereon;
- (f) taking steps and expending such monies as it considers necessary or desirable in its sole discretion to maintain, preserve and protect the Collateral, including making payments on account of other security interests affecting the Collateral; provided that the Secured Party shall have no obligation to take any such actions or make any such expenditures; but any such amounts paid by the Secured Party shall be added to the Obligations and shall be secured by the Security Interest;
- (g) collecting any rents, income, and profits received in connection with the business of the
   Debtor or the Collateral, without carrying on such business;
- (h) exercising all voting rights attached to any Collateral constituting Investment Collateral (whether or not registered in the name of the Secured Party or its nominee) and giving or withholding all consents, waivers and ratifications in respect thereof and otherwise acting with respect thereto as though it were the absolute owner thereof;
- (i) exercising any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any Collateral constituting Investment Collateral as if it were the absolute owner thereof including the right to exchange at its sole discretion any and all of such Investment Collateral upon the merger, consolidation, reorganization, recapitalization or other readjustment of any issuer thereof, or upon the exercise by any issuer of any right, privilege or option pertaining to any such Investment Collateral, and in connection therewith, to deposit and deliver any such Investment Collateral with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine in its sole discretion, all without liability except to account for property actually received by it;
- (j) complying with any limitation or restriction in connection with any proposed sale or other disposition of Collateral constituting Investment Collateral as may be necessary in order to comply with applicable law or regulation or any policy imposed by any stock exchange, securities commission or other governmental or regulatory authority or official, and the Debtor agrees that such compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, and the Secured Party shall not be liable or accountable to the Debtor for any discount in the sale price of any such Investment Collateral which may be given by reason of the fact that such Investment Collateral are sold in compliance with any such limitation or restriction;
- (k) carrying on the business of the Debtor or any portion thereof;
- exercising any and all of the rights and remedies granted pursuant to the PPSA and any other applicable legislation, or otherwise available at law or in equity;
- demanding, commencing, continuing or defending any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining

possession or payment of the Collateral, and giving valid and effectual receipts and discharges therefor and to compromise or give time for the payment or performance of all or any part of the accounts or other amounts receivable of the Debtor or any other obligation of any third party to the Debtor;

- (n) borrowing money for the maintenance, preservation or protection of the Collateral or for the carrying on of the business of the Debtor, and charge and grant further security interests in the Collateral in priority to the Security Interest or otherwise, as security for the money so borrowed;
- (o) accepting the Collateral in satisfaction of the Obligations;
- appointing by instrument in writing a Receiver or Receivers of the Collateral or any part thereof;
- (q) bringing proceedings in any court of competent jurisdiction for the appointment of a Receiver or Receivers or for the sale of the Collateral or any part thereof; and
- (r) filing such proofs of claim and other documents as may be necessary or advisable in order to have its claim lodged in any bankruptcy, winding-up or other judicial proceedings relating to the Debtor or the Collateral.
- 23. Any Receiver appointed by the Secured Party may be any person or persons (including one or more officers or employees of the Secured Party), and the Secured Party may remove any Receiver so appointed and appoint another or others instead. Any such Receiver may exercise any and all of the rights, remedies and powers of the Secured Party provided in this agreement. The Secured Party shall not be responsible for the actions, errors or omissions of any Receiver it appoints and any such Receiver shall be deemed to act as agent for the Debtor for all purposes, including the occupation of any lands and premises of the Debtor and in carrying on the Debtor's business, unless the Secured Party expressly specifies in writing that the Receiver shall be agent for the Secured Party for one or more purposes. Without limiting the generality of the forgoing, for the purposes of realizing upon the Security Interest, any Receiver may sell, lease, or otherwise dispose of Collateral as agent for the Debtor or as agent for the Secured Party as the Secured Party may specify in writing in its sole discretion. The Debtor agrees to ratify and confirm all actions of any Receiver appointed by the Secured Party acting as agent for the Debtor, and to release and indemnify the Receiver in respect of all such actions.
- 24. Without limiting the ability of the Secured Party or any Receiver to dispose of Collateral in any other manner, the Debtor agrees that any sale, lease or other disposition of the Collateral hereunder may be completed by public auction, public tender or private contract, with or without notice, with or without advertising and with or without any other formality (except as required by law), all of which are hereby waived by the Debtor. Any such disposition of Collateral may involve all or part of the Collateral and may be on such terms and conditions as to credit or otherwise and as to upset or reserve bid or price as the Secured Party or any Receiver appointed by the Secured Party may, in its sole discretion, deem advantageous and may take place whether or not the Secured Party or any such Receiver has taken possession of such Collateral. Any purchaser or lessee of Collateral may be a customer of the Secured Party.

- 25. The Secured Party shall not be liable for any delay or failure to enforce any rights, powers or remedies available to it or to institute any proceedings for such purposes.
- 26. No right, power or remedy of the Secured Party (whether granted herein or otherwise) shall be exclusive of or dependent on or merge in any other right, power or remedy, but all such rights, powers and remedies may from time to time be exercised independently or in combination.
- 27. The Debtor agrees to pay to the Secured Party, forthwith on demand by the Secured Party, all costs and expenses reasonably incurred by the Secured Party in connection with the exercise by the Secured Party of its rights, powers and remedies hereunder, including:
  - any costs and expenses incurred by the Secured Party in taking, holding, moving, storing, recovering, possessing, repairing, processing, preparing for disposition or disposing of Collateral;
  - (b) any legal fees and expenses incurred by the Secured Party in enforcing it rights, powers and remedies, including those incurred in connection with any proceedings taken for the purpose of enforcing its rights, powers and remedies hereunder or otherwise relating to the non-payment or non-performance of any Obligations;
  - (c) the cost of borrowing amounts as hereinbefore provided (for the purpose of carrying on the Debtor's business or otherwise), including, the principal amount or any such amount borrowed, all interest thereon and fees relating thereto; and
  - (d) all costs and expenses of or incurred by any Receiver, agent or consultant appointed by the Secured Party (including any legal fees and expenses incurred by any such Receiver, agent or consultant).

All such sums shall bear interest at the highest rate applicable to the Obligations, shall form part of the Obligations and shall be secured by the Security Interest.

- 28. Any and all payments made in respect of the Obligations from time to time and moneys realized from any Collateral (including moneys realized on any enforcement of this agreement) may be applied to such part or parts of the Obligations as the Secured Party may see fit, and the Secured Party shall at all times and from time to time have the right to change any appropriation as the Secured Party may see fit.
- 29. The Debtor shall remain liable for all Obligations that are outstanding following realization of all or any part of the Collateral.

# Rights of the Secured Party

30. The Secured Party may pay the whole or any part of any liens, taxes, rates, charges or encumbrances now or hereafter existing in respect of any Collateral and such payments together with all costs, charges and expenses which may be incurred in connection with making such payments shall form part of the Obligations, shall bear interest at the highest rate applicable to the Obligations, and shall be secured by the Security Interest. Whenever the Secured Party pays any such lien, tax, rate, charge or encumbrance, it shall be entitled to all the equities and securities of the Person or Persons so paid and is hereby authorized to obtain any

discharge thereof and hold such discharge without registration for so long as it may deem advisable to do so.

- 31. If the Debtor fails to perform or comply with any covenant or other obligation of the Debtor under this agreement, the Secured Party may, but need not, perform or otherwise cause the performance or compliance of such covenant or other obligation, provided that any performance or compliance undertaken by the Secured Party will not constitute a waiver, remedy or satisfaction of such failure. The costs and expenses of the Secured Party incurred in connection with any such performance or compliance shall be payable by the Debtor to the Secured Party on demand, form part of the Obligations, bear interest at the highest rate applicable to the Obligations and be secured by the Security Interest.
- 32. The Debtor grants to the Secured Party the right to set off against the Obligations (or any portion thereof) any amount owed by the Secured Party to the Debtor, including the amount of any and all accounts, credits or balances maintained by the Debtor with the Secured Party.
- 33. The Secured Party, without exonerating in whole or in part the Debtor, may grant time, renewals, extensions, indulgences, releases and discharges to, may take securities from and give the same and any or all existing securities up to, may abstain from taking securities from or from perfecting securities of, may accept compositions from, and may otherwise deal with the Debtor and all other Persons and securities as the Secured Party may see fit.
- Nothing herein shall obligate the Secured Party to extend or amend any credit to the Debtor or to any other Person.
- 35. The Secured Party may assign, transfer and deliver to any transferee any of the Obligations or any security or any documents or instruments held by the Secured Party in respect thereof. The Debtor shall not assign any of its rights or obligations hereunder without the prior written consent of the Secured Party.

#### **Amalgamation of Debtor**

- 36. If the Debtor amalgamates with any other corporation or corporations, this agreement shall continue in full force and effect and shall be binding on the amalgamated corporation and, for greater certainty:
  - (a) the Security Interest shall:
    - continue to secure payment of all obligations of the Debtor to the Secured Party;
    - secure payment of all obligations of each other amalgamating corporation to the Secured Party; and
    - (iii) secure payment of all obligations of the amalgamated corporation to the Secured Party arising on or after the amalgamation;

and the term "Obligations" shall include all such obligations of the Debtor, the other amalgamating corporations and the amalgamated corporation;

- (b) the Security Interest shall:
  - (i) continue to charge all property and assets of the Debtor;
  - (ii) charge all property and assets of each other amalgamating corporation; and
  - (iii) charge all property and assets of the amalgamated corporation in existence at the time of the amalgamation and all property and assets acquired by the amalgamated corporation after the amalgamation;

and the term "Collateral" shall include all such property and assets of the Debtor, the other amalgamating corporations and the amalgamated corporation;

- (c) all defined terms and other provisions of this agreement shall be deemed to have been amended to reflect such amalgamation, to the extent required by the context; and
- (d) the parties agree to execute and deliver all such further documents and assurances as may be necessary or desirable in connection with the foregoing.

#### **Notices**

- 37. Any notice, demand or other communication permitted or required to be given hereunder shall be in writing and may be effectively given by delivering it to the address(es) hereinafter set forth or by sending the same by fax to such address(es). Any notice, demand or other communication so given prior to 5:00 p.m. (Toronto time) on a Business Day by personal delivery or by fax shall be deemed to have been given, received and made on such Business Day and if so given after 5:00 p.m. (Toronto time) on a Business Day or a day which is not a Business Day, such notice, demand or other communication shall be deemed to have been given, received and made on the next following Business Day. The addresses of the parties for the purposes hereof shall be:
  - (a) in the case of the Secured Party, addressed as follows:
    - J. Cameron Bailey c/o 7478 – 10<sup>th</sup> Street NE Calgary, AB T2E 8W1
  - (b) in the case of the Debtor, addressed as follows:

BlendForce Energy Servcies Inc. 7478 – 10<sup>th</sup> Street NE Calgary, AB T2E 8W1 Attention Chief Executive Officer

Either party may from time to time notify the other, in accordance with the provisions hereof, of any change of address which thereafter, until changed by like notice, shall be the address of such party for all purposes of this agreement.

## Miscellaneous

- 38. In the event that any day, on or before which any action is required to be taken hereunder, is not a Business Day, then such action shall be required to be taken on or before the first Business Day thereafter.
- 39. Time shall be of the essence of this agreement.
- 40. Upon payment and fulfillment by the Debtor, its successors or permitted assigns, of all Obligations and provided that the Secured Party is then under no obligation (conditional or otherwise) to make any further loan or extend any other type of credit to the Debtor or to any other Person, the payment of which is secured, directly or indirectly, by this agreement, the Secured Party shall, upon request in writing by the Debtor, delivered to the Secured Party at the Secured Party's address as set out in subsection 37(a) hereof and at the Debtor's expense, discharge this agreement.
- 41. This agreement is in addition to and not in substitution for any other security now or hereafter held by the Secured Party and shall be general and continuing security notwithstanding that the Obligations shall be at any time or from time to time fully satisfied or paid.
- 42. The Secured Party may in writing (and not otherwise) waive any default by the Debtor in the observance or performance of any provision of this agreement; provided that no waiver by the Secured Party shall extend to or be taken in any manner whatsoever to affect any subsequent default, whether of the same or a different nature, or the rights resulting therefrom.
- 43. This agreement shall enure to the benefit of the Secured Party, its successors and assigns, and shall be binding on the Debtor, its successors and permitted assigns.
- 44. The Debtor agrees that the Secured Party may from time to time provide information concerning this agreement (including a copy hereof), the Collateral and the Obligations to any Person the Secured Party in good faith believes is entitled thereto pursuant to applicable legislation.

[Signature Page Follows]

WITNESS WHEREOF	this Security Agreement has been executed by the Debtor as of the $\_$ day o, 2015.
	BLENDFORCE ENERGY SERVCIES INC.
	By: Authorized signatory

# This is Exhibit "G" referred to in the Affidavit of Doug Bailey

sworn before me this 16<sup>th</sup> day of August, 2017.

A Commissioner for Oaths in and for the Province of Alberta

Pantelis Kyriakakis Barrister and Solicitor

# GENERAL SECURITY AGREEMENT (BLENDFORCE ENERGY SERVICES INC.)

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Debtor, the Debtor hereby agrees as follows:

# **Definitions and Interpretation**

- In this agreement, the following words shall, unless otherwise provided, have the meanings set out below:
  - "Business Day" means a day, other than a Saturday, Sunday or statutory holiday in the Province of Alberta;
  - "Collateral" means all present and future property, assets and undertaking of the Debtor pledged, assigned, mortgaged, charged, hypothecated or made subject to a security interest pursuant to this agreement;
  - "Contractual Right" means any agreement, right, franchise, licence, authorization, approval, privilege or permit (a) to which the Debtor is now or hereafter becomes a party, (b) in which the Debtor now or hereafter has any interest or (c) of which the Debtor is or hereafter becomes a beneficiary;
  - "Debtor" means BlendForce Energy Services Inc., and its successors and assigns;
  - "Intellectual Property" means all patents, trade-marks, trade names, business names, trade styles, logos and other business identifiers, copyrights, technology, inventions, industrial designs, know-how, trade secrets and other industrial and intellectual property in which the Debtor now or in the future has any right, title or interest;
  - "Investment Collateral" means all present and future Investment Property (as such term is defined in the PPSA) of the Debtor, including all present and future options and warrants of the Debtor and all other rights and entitlements arising therefrom or related thereto, and the Debtor's present and future interests in partnerships, limited partnerships, limited liability partnerships and limited liability companies, and including all substitutions for any of the foregoing and dividends and income derived therefrom or payable in connection therewith;
  - "Obligations" means all present and future indebtedness, liabilities and obligations, direct or indirect, absolute or contingent, matured or unmatured, joint or several, of the Debtor to the Secured Party;
  - "Permitted Encumbrances" means any and all liens, charges, mortgages, security interests, hypothecs and other encumbrances which affect all or any portion of the Collateral and which have been permitted or consented to in writing by the Secured Party;
  - "Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, limited partnership or other entity;

"PPSA" means the *Personal Property Security Act* (Alberta), as amended from time to time and any legislation substituted therefor and any amendments thereto;

"Receiver" means a receiver, receiver-manager and receiver and manager;

"Secured Party" means JAMES JEFFS and his successors and assigns;

"Security Interest" means the pledges, assignments, mortgages, charges and hypothecations of and the security interests in the Collateral created in favour of the Secured Party hereunder; and

- References such as "this agreement", "hereof", "herein", "hereto" and like references refer to
  this agreement and any schedules, exhibits or appendices attached hereto (all of which
  schedules, exhibits and appendices form a part of this agreement) and not to any particular
  section, subsection, paragraph or other subdivision of this agreement.
- The division of this agreement into sections, subsections and paragraphs and the insertion of headings in this agreement are for convenience of reference only and shall not affect the construction or interpretation of this agreement.
- 4. Terms used herein which are defined in the PPSA shall have the same meanings herein as are ascribed to such terms in the PPSA, unless such terms are otherwise defined.
- 5. The word "Debtor", the personal pronoun "it" or "its" and any verb relating thereto and used therewith shall be read and construed as required by and in accordance with the context in which such words are used. The term "successors" shall include, without limiting its meaning, any corporation resulting from the amalgamation of a corporation with another corporation. Where the context so requires, words used herein (including defined terms) importing the singular shall include the plural and vice versa and words used herein (including defined terms) importing gender shall include all genders (including the neuter).
- Nothing herein (including the definition and use of the term Permitted Encumbrances) is intended or shall be deemed to subordinate the Security Interest to any Permitted Encumbrance or any other lien, charge, mortgage, security interest, hypothec or encumbrance affecting all or any portion of the Collateral.
- 7. If one or more of the provisions contained herein shall be invalid, illegal or unenforceable in any respect, such provision or provisions shall be severed from this agreement only to the extent necessary, and the validity, legality and enforceability of the remaining provisions hereof, including the provision or provisions remaining after such severance, shall not in any way be affected or impaired thereby.
- 8. Unless otherwise expressly provided in this agreement, if any matter in this agreement is subject to the determination, consent or approval of the Secured Party or is to be acceptable to the Secured Party, such determination, consent, approval or determination of acceptability will be in the sole discretion of the Secured Party, which means the Secured Party shall have sole and unfettered discretion. If any provision in this agreement refers to any action taken or to be taken by the Debtor, or which the Debtor is prohibited from taking, such provision will be interpreted to include any and all means, direct or indirect, of taking, or not taking, such action. When used in the context of a general statement followed by a reference to one or more

- specific items or matters, the term "including" shall mean "including, without limitation" and the use of the term "includes" shall mean "includes, without limitation".
- 9. This agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein. The Debtor hereby irrevocably and unconditionally attorns and submits to the non-exclusive jurisdiction of the courts of the Province of Alberta, provided that nothing herein shall prevent the Secured Party from proceeding at its election against the Debtor in the courts of any other province, country or jurisdiction.

# **Grant of Security Interest**

- 10. As continuing security for the payment and performance of all Obligations, the Debtor hereby pledges, assigns, mortgages, charges and hypothecates to the Secured Party and grants to the Secured Party a security interest in the following:
  - (a) all present and future equipment of the Debtor, including all of its present and future machinery, fixtures, plant, tools, furniture, books, records, documents, vehicles of any nature, kind or description and all accessions to any of the foregoing, including all spare parts and accessories installed in or affixed or attached to any of the foregoing, and all drawings, specifications, plans and manuals relating to the forgoing;
  - (b) all present and future inventory of the Debtor, including all of its present and future raw materials, materials used or consumed in its business, work-in-progress, finished goods, goods used for packing and goods acquired or held for sale or lease or that have been leased or furnished or that are to be furnished under contracts of rental or service, and all accessions to any of the foregoing, including all spare parts and accessories installed in or affixed or attached to any of the foregoing;
  - (c) all present and future intangibles of the Debtor, including all of its present and future accounts and other amounts receivable, book debts, goodwill, Intellectual Property and choses in action of every nature and kind;
  - (d) all present and future documents of title, chattel paper, instruments and money of the Debtor;
  - (e) all present and future investment Collateral;
  - (f) all present and future real property, personal property, assets, and undertaking of the Debtor of any nature or kind, including all real property, personal property, assets and undertaking at any time owned, leased or licenced by the Debtor or in which the Debtor at any time has any right or interest or to which the Debtor is or may at any time become entitled (other than the property, assets and undertaking of the Debtor validly pledged or assigned or subjected to a valid mortgage, charge, hypothec or security interest by subsection 10(a), 10(b), 10(c) 10(d) or 10(e) hereof and subject to the exceptions hereinafter contained); and

(g) all proceeds arising from the property, assets and undertaking of the Debtor referred to in this section 10, including insurance proceeds and any other payment representing indemnity or compensation for loss of or damage thereto.

## **Limited Exceptions to Grant of Security Interest**

- Despite any other provision of this agreement, the last day of any term reserved by any lease of real property, oral or written, or any agreement therefor, now held or hereafter acquired by the Debtor, and whether falling within the general or particular description of the Collateral, is hereby and shall be excepted out of the Security Interest, but the Debtor shall stand possessed of the reversion of one day remaining in the Debtor in respect of any such term, for the time being demised, as aforesaid, upon trust to assign and dispose of the same as any purchaser of such term shall direct.
- Despite any other provision of this agreement, the Security Interest shall not attach to any Contractual Right to the extent that the granting of the Security Interest therein would constitute a breach of, or permit any Person to terminate such Contractual Right, but the Debtor shall hold its interest in each such Contractual Right in trust for the Secured Party and shall, after the Security Interest shall have become enforceable, specifically assign each such Contractual Right to the Secured Party, or as the Secured Party may otherwise direct. The Debtor agrees that it shall, upon the request of the Secured Party, whether before or after the Security Interest has become enforceable, use all commercially reasonable efforts to obtain any consent required to permit any such Contractual Right to be subjected to the Security Interest, and the Security Interest shall attach to such Contractual Right following the receipt of such consent.

# **Attachment**

- 13. The Debtor confirms and agrees that:
  - (a) value has been given by the Secured Party to the Debtor;
  - (b) the Debtor has rights in all existing Collateral and power to transfer rights in the Collateral to the Secured Party; and
  - (c) the Debtor and the Secured Party have not postponed the time for attachment of the Security Interest, and the Security Interest shall attach to existing Collateral upon the execution of this agreement and shall attach to Collateral in which the Debtor hereafter acquires rights at the time that the Debtor acquires rights in such Collateral.

# Provisions with respect to Investment Collateral

- 14. Whenever any Investment Collateral is a certificated security, an uncertificated security or a security entitlement, the Debtor shall, or shall cause the issuer of such Investment Collateral to, or shall cause the securities intermediary that holds such Investment Collateral to, take all steps as are necessary to give exclusive control over such Investment Collateral to the Secured Party in a manner satisfactory to the Secured Party.
- 15. All certificates representing Investment Collateral may remain registered in the name of the Debtor, but the Debtor shall, promptly at the request of the Secured Party, duly endorse such

certificates in blank for transfer or execute stock powers of attorney in respect thereof and deliver such certificates or powers of attorney to the Secured Party; in either case with signatures guaranteed and with all documentation being in form and substance satisfactory to the Secured Party. Upon the request of the Secured Party:

- (a) the Debtor shall promptly cause the Investment Collateral to be registered in the name of the Secured Party or its nominee, and the Secured Party is hereby appointed the irrevocable attorney (coupled with an interest) of the Debtor with full power of substitution to cause any or all of the Investment Collateral to be registered in the name of the Secured Party or its nominee;
- (b) the Debtor shall promptly cause each securities intermediary that holds any Investment Collateral that is a security entitlement to record the Secured Party as the entitlement holder of such Investment Collateral; and
- (c) the Debtor shall promptly:
  - cause a security certificate to be issued for any Investment Collateral that is in the form of an uncertificated security or a security entitlement;
  - (ii) endorse such security certificate in blank;
  - (iii) deliver such security certificate to the Secured Party; and
  - take all other steps necessary to give exclusive control over such certificated security to the Secured Party,

in a manner satisfactory to the Secured Party.

- 16. Until further notice is given by the Secured Creditor to the Debtor terminating such rights of the Debtor, the Debtor shall be entitled to exercise all voting rights attached to the Investment Collateral and give consents, waivers and ratifications in respect thereof; provided that no vote shall be cast or consent, waiver or ratification given or action taken which would be prejudicial to the interests of the Secured Party or which would have the effect of reducing the value of the Investment Collateral as security for the Obligations, or imposing any restriction on the transferability of any of the Investment Collateral. All such rights of the Debtor to vote and give consents, waivers and ratifications shall cease immediately upon receipt by the Debtor of such notice by the Secured Party.
- 17. All dividends, distributions, interest and other income in respect of Investment Collateral and all proceeds received by the Debtor in respect of Investment Collateral may be received by the Debtor in the ordinary course and distributed in the ordinary course to the Debtor's shareholder or shareholders until further notice by the Secured Party. Upon receipt by the Debtor of such notice, the Debtor shall not be entitled to retain or distribute to its shareholder or shareholders any such dividends, distributions, interest or other income or proceeds and, if any such amounts are received by the Debtor after the Debtor receives such notice by the Secured Party, the Debtor shall hold such amounts in trust, as trustee for the Secured Party, and the Debtor shall forthwith pay such amounts to the Secured Party, to be applied to reduce the Obligations or, at the option of the Secured Party, to be held as additional security for the Obligations.

18. The responsibility of the Secured Party in respect of any Investment Collateral held by the Secured Party shall be limited to exercising the same degree of care which it gives valuable property of the Secured Party at the Secured Party's office where such Investment Collateral is held. The Secured Party shall not be bound under any circumstances to realize on any Investment Collateral or allow any Investment Collateral to be sold, or exercise any option or right attaching thereto, or be responsible for any loss occasioned by any sale of Investment Collateral or by the retention or other refusal to sell the same; nor shall the Secured Party be obliged to collect or see to the payment of interest or dividends thereon but, subject to section 17, all such interest and dividends, if and when received by the Debtor, shall be held by the Debtor in trust for the Secured Party and shall be forthwith paid to the Secured Party.

### Representations and Warranties of the Debtor

- 19. The Debtor hereby represents and warrants to the Secured Party that:
  - (a) the Debtor has the capacity and authority to incur the Obligations, to create the Security Interest and to execute and deliver and perform its obligations under this agreement;
  - the execution and delivery of this agreement and the performance by the Debtor of its obligations hereunder have been duly authorized by all necessary proceedings;
  - (c) this agreement constitutes a legal, valid and binding obligation of the Debtor, enforceable against the Debtor in accordance with its terms subject only to bankruptcy, insolvency, reorganization, moratorium and other similar laws of general application affecting creditors' rights and the discretion exercisable by courts of competent jurisdiction in respect of the availability of equitable remedies;
  - except for the Security Interest and any Permitted Encumbrances, the Collateral is owned by the Debtor free from any mortgage, charge, lien, pledge, security interest or other encumbrance or claim whatsoever;
  - (e) the sole place of business/chief executive office of the Debtor is located at the address listed in this agreement;
  - (f) the Debtor does not keep tangible Collateral at any location(s) except:
    - the location listed in this agreement, other than tangible Collateral in transit to or from such locations;
  - (g) the Debtor has made all necessary filings, registrations and recordations to protect all of its right, title and interest in the Intellectual Property including all relevant renewals; and all such filings, registrations and recordations have been duly and properly made and are in full force and effect and are not subject to dispute by any governmental authority or agency;
  - (h) all Contractual Rights relating to or affecting the Intellectual Property are in good standing;

- the Debtor owns directly or is entitled to use by Contractual Right or otherwise all of the Intellectual Property;
- no litigation is pending or threatened which contains allegations respecting the validity, enforceability, infringement or ownership of any of the Intellectual Property, including any of right, title or interest of the Debtor in the Intellectual Property; and
- (k) the Debtor has no Contractual Right which, because of the granting of the Security Interest therein, would be breached or could be terminated.

### **Covenants of the Debtor**

- 20. The Debtor agrees with the Secured Party that, until the Obligations have been satisfied and paid in full:
  - (a) it will:
    - (i) pay and satisfy the Obligations when due;
    - (ii) maintain the tangible Collateral in good condition and repair and allow the Secured Party or its agent access to all premises of the Debtor to inspect any and all Collateral;
    - (iii) make and maintain all filings, registrations and recordations necessary or desirable to protect its right, title and interest in the Collateral, including all filings, registrations and recordations necessary or desirable in respect of patents, trade-marks, copyrights and industrial designs included in the Intellectual Property;
    - (iv) defend the Collateral against any actions, claims and demands of any Person (other than the Secured Party or a party asserting a claim pursuant to a Permitted Encumbrance) claiming the Collateral (or any of it) or an interest therein;
    - (v) pay all taxes, rates, levies, assessments and other impositions and charges, of every nature and kind, which may now or hereafter be lawfully levied, assessed or imposed on or in respect of the Debtor or the Collateral (or any of it), including those which could result in the creation of a statutory lien or deemed trust affecting the Debtor or the Collateral, as and when the same become due and payable;
    - (vi) maintain its corporate existence and file or cause to be filed any returns, documents or other information necessary to preserve such corporate existence;
    - (vii) notify the Secured Party of any material loss or damage to the Collateral, any material change in any information provided in this agreement (including the schedules hereto) or any actual or, to the Debtor's knowledge, potential claim affecting the Debtor, the Collateral or the Security Interest;

- (viii) hold the proceeds received from any direct or indirect dealing with the Collateral in trust for the Secured Party after either the Security Interest becomes enforceable or any of the Collateral is sold other than in the ordinary course of business of the Debtor and for the purpose of carrying on such business;
- (ix) obtain from financially responsible insurance companies and maintain:
  - public liability insurance,
  - all risks property insurance in respect of the Collateral on a replacement cost basis,
  - business interruption insurance, and
  - insurance in respect of such other risks as the Secured Party may reasonably require from time to time,

and such policies of insurance shall be in such amounts as may be reasonably required by the Secured Party and shall include a standard mortgage clause approved by the Insurance Bureau of Canada; and to furnish the Secured Party with certificates of insurance and certified copies of such policies; all such policies of insurance shall neither permit nor provide for any amount of coinsurance by the Debtor;

- (x) strictly comply with every covenant and undertaking heretofore or hereafter given by it to the Secured Party, whether contained herein or not;
- (xi) permit the Secured Party at any time and from time to time, both before and after the Security Interest shall have become enforceable, to require any account debtor of the Debtor to make payment to the Secured Party of any or all amounts owing by the account debtor to the Debtor and the Secured Party may take control of any proceeds referred to in subsection 10(g) hereof and may hold all amounts received from any account debtor and any proceeds as cash collateral as part of the Collateral and as security for the Obligations;
- (xii) prevent any Collateral from becoming an accession to any personal property not subject to the Security Interest, or becoming affixed to any real property;
- (xiii) deliver to the Secured Party, at the Secured Party's reasonable request, duly endorsed and/or accompanied by such assignments, transfers, powers of attorney or other documents as the Secured Party may reasonably request, all items of the Collateral comprising chattel paper, instruments, Investment Collateral and documents of title;
- (xiv) pay, on demand by the Secured Party, all costs and expenses (including all legal fees) incurred by the Secured Party in the preparation, perfection, administration and enforcement of this agreement (including expenses incurred in considering, protecting or improving the Secured Party's position, or

- attempting to do so, whether before or after default) and all such costs and expenses shall bear interest at the highest rate applicable to the Obligations, shall form part of the Obligations and shall be secured by the Security Interest;
- (xv) at all times, both before and after the occurrence of a default, do or cause to be done such further and additional acts and things and execute and deliver or cause to be executed and delivered all such further and additional documents and agreements as the Secured Party may reasonably require to better pledge, assign, mortgage, charge and hypothecate the Collateral in favour of the Secured Party, to perfect the Security Interest and, without limiting the generality of the forgoing, to accomplish the intentions of this agreement;
- (xvi) preserve the Debtor's rights, powers, licences, privileges, franchises and goodwill, comply with all applicable laws, regulations and orders (including environmental laws, regulations and orders) affecting the Debtor or the Collateral and conduct its business in a proper and efficient manner so as to protect the Collateral, the Security Interest and the business and undertaking of the Debtor; and
- (xvii) without limiting the generality of any of the forgoing, perform all covenants required of the Debtor under any Contractual Right relating to or affecting the Intellectual Property (or any of it), including promptly paying all required fees, royalties and taxes, to maintain each and every item of Intellectual Property in full force and effect, and vigorously protect, preserve and maintain all of the value of, and all of the right, title and interest of the Debtor in, all Intellectual Property, by way of the prosecution of or defence against suits concerning the validity, infringement, enforceability or ownership of the Intellectual Property (or any of it) or otherwise; and
- (b) it will not, without the prior written consent of the Secured Party:
  - incur or create any further or additional indebtedness except to the Secured Party and except such normal indebtedness as may be incidental to the ordinary course of its business;
  - create any lien upon, assign or transfer as security, or pledge, hypothecate, charge, mortgage or grant a security interest in any Collateral except to the Secured Party and except for Permitted Encumbrances;
  - (iii) other than in the ordinary course of business and for the purpose of carrying on such business, sell, transfer, assign, or otherwise dispose of any Collateral or any group of property and assets forming part of the Collateral;
  - (iv) guarantee, endorse or otherwise become surety for or upon the obligations of others except to the Secured Party or by endorsement of negotiable instruments for deposit or collection in the ordinary course of the Debtor's business;

- declare or pay any dividends on or make any other payment or distribution in respect of any shares of its capital stock;
- (vi) pay any amount to officers or directors of the Debtor in their capacities as officers or directors by way of salary, bonus, commission, directors' fees or otherwise in excess of the scale of such payments to such officers or directors now being made by the Debtor;
- (vii) lend money to any Person in any way whatsoever;
- (viii) change its name;
- (ix) merge or amalgamate with any other corporation;
- (x) change the location of its sole place of business/chief executive office or create further place(s) of business in addition to its sole place of business without providing the Secured Party with thirty (30) Business Days' prior written notice thereof;
- (xi) keep tangible Collateral at any location other than the location(s) listed in this agreement without providing the Secured Party with thirty (30) Business Days' prior written notice thereof; or
- (xii) make payments to any shareholders of the Debtor, or any Persons related to the Debtor or any of its shareholders within the meaning of the *Income Tax Act* (Canada), whether by way of loans, advances, repayment of indebtedness owing by the Debtor, interest on such indebtedness, salaries, dividends, guarantees, compensation or benefits of any kind whatsoever, other than as contemplated by subsection 20(b)(vi).

### Default

- 21. Without prejudice to any right which the Secured Party may now or hereafter have to demand payment of any of the Obligations, the Obligations shall, at the option of the Secured Party, become payable and the Security Interest shall become enforceable if any of the following events (each an "Event of Default") occurs:
  - (a) the Debtor defaults in the payment of any of the Obligations when due;
  - (b) a petition or application is filed, an order is made or a resolution passed for the windingup, liquidation or dissolution of the Debtor, or if a petition is presented or filed for the winding-up of the Debtor, whether pursuant to the Winding-up and Restructuring Act (Canada) or otherwise;
  - (c) the Debtor ceases or threatens to cease to carry on business or makes a bulk sale of its assets, or if a Receiver or trustee for the Debtor or any of its property or assets is appointed (whether privately or by court order);

- (d) the Debtor becomes insolvent or commits or threatens to commit any act of bankruptcy or if the Debtor makes an assignment or proposal in bankruptcy or files a notice of intention to make a proposal in bankruptcy or if a bankruptcy petition is filed or presented against the Debtor or if the Debtor otherwise becomes subject to proceedings under the Bankruptcy and Insolvency Act (Canada) or any other bankruptcy, insolvency or analogous law in any jurisdiction;
- (e) any proceedings with respect to the Debtor are commenced under the Companies'
   Creditors Arrangement Act (Canada) or if the Debtor seeks relief or consents to the filing
   of a petition against it under any law which involves any compromise of any creditor's
   rights against the Debtor;
- (f) an execution or any other process of any court becomes enforceable against the Debtor or if a distress or analogous process is initiated or levied against or upon the property of the Debtor or any part thereof;
- (g) the Debtor permits any sum which has been admitted as due by the Debtor or is not disputed to be due by it and which forms or is capable of being made a charge on any Collateral in priority to the Security Interest to remain unpaid after proceedings have been taken to enforce such charge;
- (h) any representation or warranty made by the Debtor or any of its officers, employees or agents to the Secured Party shall be false or inaccurate in any material respect;
- (i) the Debtor defaults in the observance or performance of any provision relating to the indebtedness or liability of the Debtor to any person other than the Secured Party; or
- (j) any licence, permit or approval required by any law, regulation or governmental policy or any governmental agency or commission for the operation by the Debtor of its business shall be withdrawn or cancelled.

#### Remedies of the Secured Party

- 22. Whenever the Security Interest shall have become enforceable, and so long as it shall remain enforceable, the Secured Party may proceed to realize the Security Interest and the Collateral and to enforce its rights by doing any one or more of the following:
  - entering upon the Collateral and any lands and premises where any Collateral is or may be located;
  - (b) taking possession of Collateral by any method permitted by law;
  - occupying any lands and premises owned or occupied by the Debtor and using all or any part of such lands and premises and the equipment and other Collateral located thereon;
  - (d) leasing, selling, licensing or otherwise disposing of the whole or any part or parts of the Collateral:

- (e) collecting, selling or otherwise dealing with any accounts or other amounts receivable of the Debtor, including notifying any person obligated to the Debtor in respect of an account, chattel paper or instrument to make payment to the Secured Party of all present and future amounts due thereon;
- (f) taking steps and expending such monies as it considers necessary or desirable in its sole discretion to maintain, preserve and protect the Collateral, including making payments on account of other security interests affecting the Collateral; provided that the Secured Party shall have no obligation to take any such actions or make any such expenditures; but any such amounts paid by the Secured Party shall be added to the Obligations and shall be secured by the Security Interest;
- (g) collecting any rents, income, and profits received in connection with the business of the Debtor or the Collateral, without carrying on such business;
- (h) exercising all voting rights attached to any Collateral constituting Investment Collateral (whether or not registered in the name of the Secured Party or its nominee) and giving or withholding all consents, waivers and ratifications in respect thereof and otherwise acting with respect thereto as though it were the absolute owner thereof;
- (i) exercising any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any Collateral constituting Investment Collateral as if it were the absolute owner thereof including the right to exchange at its sole discretion any and all of such Investment Collateral upon the merger, consolidation, reorganization, recapitalization or other readjustment of any issuer thereof, or upon the exercise by any issuer of any right, privilege or option pertaining to any such Investment Collateral, and in connection therewith, to deposit and deliver any such Investment Collateral with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine in its sole discretion, all without liability except to account for property actually received by it;
- (j) complying with any limitation or restriction in connection with any proposed sale or other disposition of Collateral constituting Investment Collateral as may be necessary in order to comply with applicable law or regulation or any policy imposed by any stock exchange, securities commission or other governmental or regulatory authority or official, and the Debtor agrees that such compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, and the Secured Party shall not be liable or accountable to the Debtor for any discount in the sale price of any such Investment Collateral which may be given by reason of the fact that such Investment Collateral are sold in compliance with any such limitation or restriction;
- (k) carrying on the business of the Debtor or any portion thereof;
- exercising any and all of the rights and remedies granted pursuant to the PPSA and any other applicable legislation, or otherwise available at law or in equity;
- demanding, commencing, continuing or defending any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining

possession or payment of the Collateral, and giving valid and effectual receipts and discharges therefor and to compromise or give time for the payment or performance of all or any part of the accounts or other amounts receivable of the Debtor or any other obligation of any third party to the Debtor;

- (n) borrowing money for the maintenance, preservation or protection of the Collateral or for the carrying on of the business of the Debtor, and charge and grant further security interests in the Collateral in priority to the Security Interest or otherwise, as security for the money so borrowed;
- (o) accepting the Collateral in satisfaction of the Obligations;
- appointing by instrument in writing a Receiver or Receivers of the Collateral or any part thereof;
- (q) bringing proceedings in any court of competent jurisdiction for the appointment of a Receiver or Receivers or for the sale of the Collateral or any part thereof; and
- (r) filing such proofs of claim and other documents as may be necessary or advisable in order to have its claim lodged in any bankruptcy, winding-up or other judicial proceedings relating to the Debtor or the Collateral.
- 23. Any Receiver appointed by the Secured Party may be any person or persons (including one or more officers or employees of the Secured Party), and the Secured Party may remove any Receiver so appointed and appoint another or others instead. Any such Receiver may exercise any and all of the rights, remedies and powers of the Secured Party provided in this agreement. The Secured Party shall not be responsible for the actions, errors or omissions of any Receiver it appoints and any such Receiver shall be deemed to act as agent for the Debtor for all purposes, including the occupation of any lands and premises of the Debtor and in carrying on the Debtor's business, unless the Secured Party expressly specifies in writing that the Receiver shall be agent for the Secured Party for one or more purposes. Without limiting the generality of the forgoing, for the purposes of realizing upon the Security Interest, any Receiver may sell, lease, or otherwise dispose of Collateral as agent for the Debtor or as agent for the Secured Party as the Secured Party may specify in writing in its sole discretion. The Debtor agrees to ratify and confirm all actions of any Receiver appointed by the Secured Party acting as agent for the Debtor, and to release and indemnify the Receiver in respect of all such actions.
- 24. Without limiting the ability of the Secured Party or any Receiver to dispose of Collateral in any other manner, the Debtor agrees that any sale, lease or other disposition of the Collateral hereunder may be completed by public auction, public tender or private contract, with or without notice, with or without advertising and with or without any other formality (except as required by law), all of which are hereby waived by the Debtor. Any such disposition of Collateral may involve all or part of the Collateral and may be on such terms and conditions as to credit or otherwise and as to upset or reserve bid or price as the Secured Party or any Receiver appointed by the Secured Party may, in its sole discretion, deem advantageous and may take place whether or not the Secured Party or any such Receiver has taken possession of such Collateral. Any purchaser or lessee of Collateral may be a customer of the Secured Party.

- 25. The Secured Party shall not be liable for any delay or failure to enforce any rights, powers or remedies available to it or to institute any proceedings for such purposes.
- 26. No right, power or remedy of the Secured Party (whether granted herein or otherwise) shall be exclusive of or dependent on or merge in any other right, power or remedy, but all such rights, powers and remedies may from time to time be exercised independently or in combination.
- 27. The Debtor agrees to pay to the Secured Party, forthwith on demand by the Secured Party, all costs and expenses reasonably incurred by the Secured Party in connection with the exercise by the Secured Party of its rights, powers and remedies hereunder, including:
  - (a) any costs and expenses incurred by the Secured Party in taking, holding, moving, storing, recovering, possessing, repairing, processing, preparing for disposition or disposing of Collateral;
  - (b) any legal fees and expenses incurred by the Secured Party in enforcing it rights, powers and remedies, including those incurred in connection with any proceedings taken for the purpose of enforcing its rights, powers and remedies hereunder or otherwise relating to the non-payment or non-performance of any Obligations;
  - (c) the cost of borrowing amounts as hereinbefore provided (for the purpose of carrying on the Debtor's business or otherwise), including, the principal amount or any such amount borrowed, all interest thereon and fees relating thereto; and
  - (d) all costs and expenses of or incurred by any Receiver, agent or consultant appointed by the Secured Party (including any legal fees and expenses incurred by any such Receiver, agent or consultant).

All such sums shall bear interest at the highest rate applicable to the Obligations, shall form part of the Obligations and shall be secured by the Security Interest.

- 28. Any and all payments made in respect of the Obligations from time to time and moneys realized from any Collateral (including moneys realized on any enforcement of this agreement) may be applied to such part or parts of the Obligations as the Secured Party may see fit, and the Secured Party shall at all times and from time to time have the right to change any appropriation as the Secured Party may see fit.
- 29. The Debtor shall remain liable for all Obligations that are outstanding following realization of all or any part of the Collateral.

### Rights of the Secured Party

30. The Secured Party may pay the whole or any part of any liens, taxes, rates, charges or encumbrances now or hereafter existing in respect of any Collateral and such payments together with all costs, charges and expenses which may be incurred in connection with making such payments shall form part of the Obligations, shall bear interest at the highest rate applicable to the Obligations, and shall be secured by the Security Interest. Whenever the Secured Party pays any such lien, tax, rate, charge or encumbrance, it shall be entitled to all the equities and securities of the Person or Persons so paid and is hereby authorized to obtain any

discharge thereof and hold such discharge without registration for so long as it may deem advisable to do so.

- 31. If the Debtor fails to perform or comply with any covenant or other obligation of the Debtor under this agreement, the Secured Party may, but need not, perform or otherwise cause the performance or compliance of such covenant or other obligation, provided that any performance or compliance undertaken by the Secured Party will not constitute a waiver, remedy or satisfaction of such failure. The costs and expenses of the Secured Party incurred in connection with any such performance or compliance shall be payable by the Debtor to the Secured Party on demand, form part of the Obligations, bear interest at the highest rate applicable to the Obligations and be secured by the Security Interest.
- 32. The Debtor grants to the Secured Party the right to set off against the Obligations (or any portion thereof) any amount owed by the Secured Party to the Debtor, including the amount of any and all accounts, credits or balances maintained by the Debtor with the Secured Party.
- 33. The Secured Party, without exonerating in whole or in part the Debtor, may grant time, renewals, extensions, indulgences, releases and discharges to, may take securities from and give the same and any or all existing securities up to, may abstain from taking securities from or from perfecting securities of, may accept compositions from, and may otherwise deal with the Debtor and all other Persons and securities as the Secured Party may see fit.
- 34. Nothing herein shall obligate the Secured Party to extend or amend any credit to the Debtor or to any other Person.
- 35. The Secured Party may assign, transfer and deliver to any transferee any of the Obligations or any security or any documents or instruments held by the Secured Party in respect thereof. The Debtor shall not assign any of its rights or obligations hereunder without the prior written consent of the Secured Party.

#### Amalgamation of Debtor

- 36. If the Debtor amalgamates with any other corporation or corporations, this agreement shall continue in full force and effect and shall be binding on the amalgamated corporation and, for greater certainty:
  - (a) the Security Interest shall:
    - continue to secure payment of all obligations of the Debtor to the Secured Party;
    - secure payment of all obligations of each other amalgamating corporation to the Secured Party; and
    - (iii) secure payment of all obligations of the amalgamated corporation to the Secured Party arising on or after the amalgamation;

and the term "Obligations" shall include all such obligations of the Debtor, the other amalgamating corporations and the amalgamated corporation;

- (b) the Security Interest shall:
  - (i) continue to charge all property and assets of the Debtor;
  - (ii) charge all property and assets of each other amalgamating corporation; and
  - charge all property and assets of the amalgamated corporation in existence at the time of the amalgamation and all property and assets acquired by the amalgamated corporation after the amalgamation;

and the term "Collateral" shall include all such property and assets of the Debtor, the other amalgamating corporations and the amalgamated corporation;

- (c) all defined terms and other provisions of this agreement shall be deemed to have been amended to reflect such amalgamation, to the extent required by the context; and
- (d) the parties agree to execute and deliver all such further documents and assurances as may be necessary or desirable in connection with the foregoing.

#### **Notices**

- 37. Any notice, demand or other communication permitted or required to be given hereunder shall be in writing and may be effectively given by delivering it to the address(es) hereinafter set forth or by sending the same by fax to such address(es). Any notice, demand or other communication so given prior to 5:00 p.m. (Toronto time) on a Business Day by personal delivery or by fax shall be deemed to have been given, received and made on such Business Day and if so given after 5:00 p.m. (Toronto time) on a Business Day or a day which is not a Business Day, such notice, demand or other communication shall be deemed to have been given, received and made on the next following Business Day. The addresses of the parties for the purposes hereof shall be:
  - (a) in the case of the Secured Party, addressed as follows:

JAMES JEFFS c/o 7478 – 10<sup>th</sup> Street NE Calgary, AB T2E 8W1

(b) in the case of the Debtor, addressed as follows:

BlendForce Energy Servcies Inc. 7478 – 10<sup>th</sup> Street NE Calgary, AB T2E 8W1 Attention Chief Executive Officer

Either party may from time to time notify the other, in accordance with the provisions hereof, of any change of address which thereafter, until changed by like notice, shall be the address of such party for all purposes of this agreement.

#### Miscellaneous

- 38. In the event that any day, on or before which any action is required to be taken hereunder, is not a Business Day, then such action shall be required to be taken on or before the first Business Day thereafter.
- 39. Time shall be of the essence of this agreement.
- 40. Upon payment and fulfillment by the Debtor, its successors or permitted assigns, of all Obligations and provided that the Secured Party is then under no obligation (conditional or otherwise) to make any further loan or extend any other type of credit to the Debtor or to any other Person, the payment of which is secured, directly or indirectly, by this agreement, the Secured Party shall, upon request in writing by the Debtor, delivered to the Secured Party at the Secured Party's address as set out in subsection 37(a) hereof and at the Debtor's expense, discharge this agreement.
- 41. This agreement is in addition to and not in substitution for any other security now or hereafter held by the Secured Party and shall be general and continuing security notwithstanding that the Obligations shall be at any time or from time to time fully satisfied or paid.
- 42. The Secured Party may in writing (and not otherwise) waive any default by the Debtor in the observance or performance of any provision of this agreement; provided that no waiver by the Secured Party shall extend to or be taken in any manner whatsoever to affect any subsequent default, whether of the same or a different nature, or the rights resulting therefrom.
- 43. This agreement shall enure to the benefit of the Secured Party, its successors and assigns, and shall be binding on the Debtor, its successors and permitted assigns.
- 44. The Debtor agrees that the Secured Party may from time to time provide information concerning this agreement (including a copy hereof), the Collateral and the Obligations to any Person the Secured Party in good faith believes is entitled thereto pursuant to applicable legislation.

[Signature Page Follows]

IN WITNESS WHEREOF this Security Agreement has been executed by the Debtor as of the 3 day of october \_\_\_\_\_\_\_, 2015.

BLENDFORCE ENERGY SERVCIES INC.

By:

Authorized Signatory

This is Exhibit "H" referred to in the Affidavit of

Doug Bailey

sworn before me this 16<sup>th</sup> day of August, 2017.

A Commissioner for Oaths in and for the Province of Alberta

Pantelis Kyriakakis

Barrietar - - - - - -



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**Transmitting Party** 

MCCARTHY TETRAULT LLP

4000, 421 - 7th AVENUE SW CALGARY, AB T2P 4K9

Party Code: 50087121 Phone #: 403 260 3500 Reference #: 218120-497034

## **Business Debtor Search For:**

BLENDFORCE ENERGY SERVICES INC.

Both Exact and Inexact Result(s) Found

## **NOTE:**

A complete Search may result in a Report of Exact and Inexact Matches.

Be sure to read the reports carefully.





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### **Business Debtor Search For:**

BLENDFORCE ENERGY SERVICES INC.

**Search ID #:** Z09408205 **Date of Search:** 2017-Aug-14 **Time of Search:** 11:01:26

Registration Number: 15100936426 Registration Type: SECURITY AGREEMENT

Registration Date: 2015-Oct-09 Registration Status: Current

Expiry Date: 2020-Oct-09 23:59:59

Exact Match on: Debtor No: 2

### Debtor(s)

Block

1 FORTALEZA ENERGY INC.
7478 10TH STREET NE

7478 - 10TH STREET NE CALGARY, AB T2E 8W1

<u>Block</u> <u>Status</u>

2 BLENDFORCE ENERGY SERVICES INC. Current

7478 - 10TH STREET NE CALGARY, AB T2E 8W1

## **Secured Party / Parties**

Block

1 BAILEY, J., CAMERON

Current

BAILEY, J., CAMERON C/O 7478 - 10TH STREET NE CALGARY, AB T2E 8W1

### **Collateral: General**

BlockDescriptionStatus1All present and after-acquired personal property of the debtors.Current



Search ID#: Z09408205

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### **Business Debtor Search For:**

BLENDFORCE ENERGY SERVICES INC.

**Search ID #:** Z09408205 Date of Search: 2017-Aug-14 **Time of Search: 11:01:26** 

Registration Number: 15100936432 Registration Type: LAND CHARGE

Registration Date: 2015-Oct-09 Registration Status: Current

Registration Term: Infinity

Exact Match on: Debtor No: 2

Debtor(s)

**Block Status** 

FORTALEZA ENERGY INC. Current

7478 - 10TH STREET NE CALGARY, AB T2E 8W1

**Block Status** 

BLENDFORCE ENERGY SERVICES INC. 7478 - 10TH STREET NE 2 Current

CALGARY, AB T2E 8W1

**Secured Party / Parties** 

**Block Status** 

BAILEY, J., CAMERON Current 1

C/O 7478 - 10TH STREET NE CALGARY, AB T2E 8W1



Search ID#: Z09408205

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Current

### **Business Debtor Search For:**

BLENDFORCE ENERGY SERVICES INC.

**Search ID #:** Z09408205 **Date of Search:** 2017-Aug-14 **Time of Search:** 11:01:26

Registration Number: 15100936457 Registration Type: SECURITY AGREEMENT

Registration Date: 2015-Oct-09 Registration Status: Current

Expiry Date: 2020-Oct-09 23:59:59

Exact Match on: Debtor No: 2

Debtor(s)

<u>Block</u> <u>Status</u>

1 FORTALEZA ENERGY INC.

7478 - 10TH STREET NE CALGARY, AB T2E 8W1

<u>Block</u> <u>Status</u>

2 BLENDFORCE ENERGY SERVICES INC. Current

7478 - 10TH STREET NE CALGARY, AB T2E 8W1

**Secured Party / Parties** 

Block Status

1 BAILEY, J., CAMERON Current

C/O 7478 - 10TH STREET NE CALGARY, AB T2E 8W1

Block Status

2 JEFFS, JAMES Current

C/O 7478 - 10TH STREET NE CALGARY, AB T2E 8W1

**Collateral: General** 

Block Description Status

1 All present and after-acquired personal property of the debtors. Current

# Government of Alberta ■

## **Personal Property Registry Search Results Report**

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## **Business Debtor Search For:**

BLENDFORCE ENERGY SERVICES INC.

**Search ID #:** Z09408205 Date of Search: 2017-Aug-14 **Time of Search: 11:01:26** 

Registration Number: 15100936469 Registration Type: LAND CHARGE

Registration Date: 2015-Oct-09 Registration Status: Current

Registration Term: Infinity

Exact Match on: Debtor No: 2

Debtor(s)

**Block Status** 

FORTALEZA ENERGY INC. Current

7478 - 10TH STREET NE CALGARY, AB T2E 8W1

**Block Status** 

BLENDFORCE ENERGY SERVICES INC. 7478 - 10TH STREET NE 2 Current

CALGARY, AB T2E 8W1

**Secured Party / Parties** 

**Block Status** 

BAILEY, J., CAMERON Current 1

C/O 7478 - 10TH STREET NE CALGARY, AB T2E 8W1

**Block Status** 

Current 2 JEFFS, JAMES

C/O 7478 - 10TH STREET NE CALGARY, AB T2E 8W1



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### **Business Debtor Search For:**

BLENDFORCE ENERGY SERVICES INC.

Registration Number: 16072738829 Registration Type: WRIT OF ENFORCEMENT

Registration Date: 2016-Jul-27 Registration Status: Current

Expiry Date: 2018-Jul-27 23:59:59

Issued in Calgary Judicial Centre

Court File Number is 1601-07756

Judgment Date is 2016-Jul-19

This Writ was issued on 2016-Jul-22

Type of Judgment is Other

Original Judgment Amount: \$62,990.24 Costs Are: \$1,011.80

Post Judgment Interest: \$1.89 Current Amount Owing: \$37,186.15

Inexact Match on: Debtor No: 2

### **Amendments to Registration**

16080339634	Amendment	2016-Aug-03
16100342589	Distribution	2016-Oct-03
16101737556	Distribution	2016-Oct-17
16110739623	Distribution	2016-Nov-07
16120535975	Distribution	2016-Dec-05

### **Solicitor / Agent**

BORDEN LADNER GERVAIS LLP 1900, 520 - 3 AVENUE SW CALGARY, AB T2P 0R3

Phone #: 403 232 9712 Fax #: 403 266 1395 Reference #: 559989-00030

# Government of Alberta ■

## Personal Property Registry Search Results Report

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### Debtor(s)

**Block** 

<u>Block</u> <u>Status</u>

1 BLENDFORCE ENERGY SERVICE INC.

1500, 850 - 2ND STREET SW CALGARY, AB T2P 0R

<u>Status</u>

2 BLENDFORCE ENERGY SERVICE INC.

7874 - 10 STREET NE CALGARY, AB T2E 8W1 Current by 16080339634

Deleted by

16080339634

## Creditor(s)

<u>Block</u> <u>Status</u>

1 NEXEO SOLUTIONS CANADA CORP. Current C/O 1900, 520 - 3RD AVENUE SW

CALGARY, AB T2P 0R



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### **Business Debtor Search For:**

BLENDFORCE ENERGY SERVICES INC.

Registration Number: 16080534406 Registration Type: WRIT OF ENFORCEMENT

Registration Date: 2016-Aug-05 Registration Status: Current

Expiry Date: 2018-Aug-05 23:59:59

Issued in Calgary Judicial Centre

Court File Number is 1601-08982

Judgment Date is 2016-Aug-04

This Writ was issued on 2016-Aug-04

Type of Judgment is Other

Original Judgment Amount: \$32,205.40 Costs Are: \$1,169.00

Post Judgment Interest: \$0.00 Current Amount Owing: \$19,147.00

Exact Match on: Debtor No: 1

### **Amendments to Registration**

16082334585	Amendment	2016-Aug-23
16100342599	Distribution	2016-Oct-03
16101737567	Distribution	2016-Oct-17
16110739634	Distribution	2016-Nov-07
16120535986	Distribution	2016-Dec-05

## **Solicitor / Agent**

ROBB & EVENSON PROFESSIONAL CORPORATION 506, 933 17TH AVENUE SW CALGARY, AB T2T 5R6

Phone #: 403 541 1600 Fax #: 403 541 1604 Reference #: 33-12152

# Government of Alberta ■

# Personal Property Registry Search Results Report

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Current

Current

Debtor(s)

**Block Status** 

1 BLENDFORCE ENERGY SERVICES INC.

1500, 850 - 2ND STREET SW CALGARY, AB T2P 0R8

Creditor(s)

**Block Status** 

CANADIAN DEWATERING L.P. C/O 506, 933 17TH AVENUE SW CALGARY, AB T2T 5R6



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### **Business Debtor Search For:**

BLENDFORCE ENERGY SERVICES INC.

Registration Number: 16101734198 Registration Type: WRIT OF ENFORCEMENT

Registration Date: 2016-Oct-17 Registration Status: Current

Expiry Date: 2018-Oct-17 23:59:59

Issued in Grande Prairie Judicial Centre

Court File Number is 1604 00843

Judgment Date is 2016-Oct-12

This Writ was issued on 2016-Oct-07

Type of Judgment is Other

Original Judgment Amount: \$15,251.32 Costs Are: \$210.19

Post Judgment Interest: \$0.00 Current Amount Owing: \$14,880.12

Exact Match on: Debtor No: 1

### **Amendments to Registration**

16120535996 Distribution 2016-Dec-05

### **Solicitor / Agent**

LEWIS & CHRENEK LLP #108, 9824-97 AVENUE GRANDE PRAIRIE, AB T8V 7K2

Phone #: 780 539 6800 Fax #: 780 539 7975 Reference #: 704269 NS

### Debtor(s)

<u>Block</u> <u>Status</u>

BLENDFORCE ENERGY SERVICES INC. Current

7874 10 STREET NE CALGARY, AB T2E 8W1

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## Creditor(s)

 Block
 Status

 1
 FLEX TANK & VAC TRUCKS LTD.
 Current

FLEX TANK & VAC TRUCKS LTD. PO BOX 2549 WHITECOURT, AB T7S 2A1



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### **Business Debtor Search For:**

BLENDFORCE ENERGY SERVICES INC.

Registration Number: 16122108109 Registration Type: WRIT OF ENFORCEMENT

Registration Date: 2016-Dec-21 Registration Status: Current

Expiry Date: 2018-Dec-21 23:59:59

Issued in Edmonton Judicial Centre

Court File Number is 1603 17007

Judgment Date is 2016-Nov-15

This Writ was issued on 2016-Dec-20

Type of Judgment is Other

Original Judgment Amount: \$152,149.19 Costs Are: \$0.00

Post Judgment Interest: \$70.80 Current Amount Owing: \$152,219.99

Exact Match on: Debtor No: 1

### **Solicitor / Agent**

ROBERT WHITE, Q.C AND COMPANY #205, 11523 100 AVE EDMONTON, AB T5K0J8

Phone #: 780 408 6394 Fax #: 780 229 0753 Reference #: 143001

### Debtor(s)

Block

1 BLENDFORCE ENERGY SERVICES INC. Current #1500, 850-2 ST SW

CALGARY, AB T2P 0R8

<u>Block</u> <u>Status</u>

2 FORTALEZA ENERGY INC. Current

#1500, 850-2 ST SW CALGARY, AB T2P 0R8

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## **Personal Property Registry** Search Results Report

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Current

**Block Status** 

3 SAUER, LANCE

7874-10 ST NE CALGARY, AB T2E 0W1

Occupation: DIRECTOR Gender: Male

Creditor(s)

**Block Status** 

1 1521872 ALBERTA LTD. Current

#1405, 10655 SOUTHPORT RD SW CALGARY, AB T2W 4Y1

**Block Status** 

2 **ENZO ENERGY SERVICES** Current

#1405, 10655 SOUTHPORT RD SW

CALGARY, AB T2W 4Y1

**Particulars** 

**Block Additional Information Status** 

BLENDFORCE ENERGY SERVFICES INC. AND FORTALEZA ENERGY INC. AND LANCE Current 1

1521872 AKBERTA LTD. D/B/A ENZO ENERGY SERVICES.



Search ID#: Z09408205

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### **Business Debtor Search For:**

BLENDFORCE ENERGY SERVICES INC.

Registration Number: 17062134666 Registration Type: REPORT OF SEIZURE

Registration Date: 2017-Jun-21 Registration Status: Current

Registration Term: Infinity

Service Area 4

Property has been seized under Writ of Enforcement Registration Number 16122108109.

Property was seized on 2017-Jun-20

Registration TypeDateRegistration #ValueReport of Seizure2017-Jun-2017062134666\$0.00

Exact Match on: Debtor No: 1

### **Solicitor / Agent**

ROBERT B. WHITE Q.C. & COMPANY 205, 11523 - 100 AVENUE EDMONTON, AB T5K 0J8

Phone #: 780 705 6394 Fax #: 780 229 0753 Reference #: 43001

## **Civil Enforcement Agent**

SERV-IT BAILIFF SERVICES INC 10147 115 STREET EDMONTON, AB T5K 1T3

Phone #: 780 424 9020 Fax #: 780 421 9939

Debtor(s)

Block Status

1 Current

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## **Personal Property Registry Search Results Report**

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Current

Current

Current

BLENDFORCE ENERGY SERVICES INC. #1500, 850-2 ST SW CALGÁRY, AB T2P 0R8

**Block Status** Current

2 FORTALEZA ENERGY INC. #1500, 850-2 ST SW CALGARY, AB T2P 0R8

**Block Status** 

3 SAUER, LANCE 7874-10 ST NE

CALGARY, AB T2E 0W1

**DIRECTOR** Male

Creditor(s)

**Block Status** 

1521872 ALBERTA LTD. 1 #1405, 10655 SOUTHPORT RD SW

CALGARY, AB T2W 4Y1

**Block Status** 

**ENZO ENERGY SERVICES** Current #1405, 10655 SOUTHPORT RD SW

CALGARY, AB T2W 4Y1

**Collateral: General** 

1

**Block Description Status** 

- 11 BROWN LARGE OUTDOOR TANKS C/W CONTENTS - 1 BLUE LARGE OUTDOOR TANK C/W CONTENTS

- ALL PIPING, VALVING & SUPPORT SYSTEMS FOR ABOVE LISTED 12 TANKS, INCLUDING RAILINGS AND CATWALKS

- 1 LARGE ROLL, BLACK PLASTIC PIPE

- 74 PLASTIC TANKS SOME WITH OUTSIDE STEEL SUPPORT C/W CONTENTS

- 3 STEEL TANKS, GREY

- 9 PLASTIC TANKS WITH OUTSIDE STEEL SUPPORTS AND CONTENTS

- PILE OF MISC PLASTIC, STEEL PIPE AND FLAT STEEL - 12 PLASTIC TANKS WITH OUTSIDE STEEL SUPPORT AND CONTENTS

- 1 FREE STANDING LOADING RAMP

- 1 PILE CONSISTING OF MAGNESIUM OXIDE

- 8 PLASTIC TANKS WITH OUTSIDE STEEL SUPPORT AND CONTENTS

- 1 EXTERNALLY MOUNTED "ENGINEERED AIR" HVAC SYSTEM

- 1 APPROX 50' X 120' BEIGE TIN CLAD BUILDING ON CEMENT PAD, C/W ALL **ATTACHMENTS** 

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<b>Block</b>	Additional Information	<b>Status</b>
1	PLEASE CONTACT SERV-IT BAILIFF SERVICES INC. FOR FURTHER INFORMATION. CEA FILE NO 167980	Current



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### **Business Debtor Search For:**

BLENDFORCE ENERGY SERVICES INC.

Registration Number: 17012527521 Registration Type: WRIT OF ENFORCEMENT

Registration Date: 2017-Jan-25 Registration Status: Current

Expiry Date: 2019-Jan-25 23:59:59

Issued in Red Deer Judicial Centre

Court File Number is 1710000143

Judgment Date is 2016-Dec-22

This Writ was issued on 2017-Jan-25

Type of Judgment is Other

Original Judgment Amount: \$41,133.00 Costs Are: \$200.00

Post Judgment Interest: \$0.00 Current Amount Owing: \$41,333.00

Exact Match on: Debtor No: 1

### **Solicitor / Agent**

GARRY M. BORIS PROFESSIONAL CORPORATION 202, 4921 49 STF RED DEER, AB T4N 1V2

Phone #: 403 340 2222 Fax #: 403 346 8661 Reference #: 40-2012

## Debtor(s)

<u>Block</u> <u>Status</u>

1 BLENDFORCE ENERGY SERVICES INC. Current

1500, 850 2 ST SW CALGARY, AB T2P 0R8

## Creditor(s)

<u>Block</u> <u>Status</u>

1 Current

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HAULIN' ACID INC. 202, 4921 49 ST RED DEER, AB T4N 1V2



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### **Business Debtor Search For:**

BLENDFORCE ENERGY SERVICES INC.

Registration Number: 17020331858 Registration Type: WRIT OF ENFORCEMENT

Registration Date: 2017-Feb-03 Registration Status: Current

Expiry Date: 2019-Feb-03 23:59:59

Issued in Edmonton Judicial Centre

Court File Number is 1703-02355

Judgment Date is 2017-Jan-19

This Writ was issued on 2017-Feb-03

Type of Judgment is Other

Original Judgment Amount: \$9,409.82 Costs Are: \$629.83

Post Judgment Interest: \$0.00 Current Amount Owing: \$10,039.65

Exact Match on: Debtor No: 1

### **Solicitor / Agent**

BRYAN & COMPANY LLP, ATTENTION: KEVIN P. CHAPOTELLE

2600, 10180 - 101 STREET EDMONTON, AB T5J 3Y2

Phone #: 780 423 5730 Fax #: 780 428 6324 Reference #: 28348-14

## Debtor(s)

<u>Block</u> <u>Status</u>

I BLENDFORCE ENERGY SERVICES INC. Current

1500, 850 - 2 STREET SW CALGARY, AB T2P 0R8

## Creditor(s)

<u>Block</u> <u>Status</u>

1 Current



Search ID#: Z09408205

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SCOTT SAFETY SUPPLY SERVICES INC. 5012 CAXTON STREET WEST, P.O BOX 1983 ST WHITECOURT, AB T7S 1B7

## **Particulars**

<u>Block</u>	Additional Information	<u>Status</u>
1	Complete address for Creditor block one: 5012 Caxton Street West, P.O Box 1983 Stn. Mn	Current

Result Complete



Search ID#: Z09408223

Page 1 of 10

**Transmitting Party** 

MCCARTHY TETRAULT LLP

4000, 421 - 7th AVENUE SW CALGARY, AB T2P 4K9

Party Code: 50087121 Phone #: 403 260 3500 Reference #: 218120-497034

## **Business Debtor Search For:**

FORTALEZA ENERGY INC.

Exact Result(s) Only Found

## **NOTE:**

A complete Search may result in a Report of Exact and Inexact Matches.

Be sure to read the reports carefully.





Search ID#: Z09408223

Page 2 of 10

**Business Debtor Search For:** 

FORTALEZA ENERGY INC.

Registration Number: 15100936426 Registration Type: SECURITY AGREEMENT

Registration Date: 2015-Oct-09 Registration Status: Current

Expiry Date: 2020-Oct-09 23:59:59

Exact Match on: Debtor No: 1

Debtor(s)

<u>Block</u> <u>Status</u>

1 FORTALEZA ENERGY INC. Current

7478 - 10TH STREET NE CALGARY, AB T2E 8W1

<u>Block</u> <u>Status</u>

2 BLENDFORCE ENERGY SERVICES INC. Current

7478 - 10TH STREET NE CALGARY, AB T2E 8W1

**Secured Party / Parties** 

Block Status

1 BAILEY, J., CAMERON Current

C/O 7478 - 10TH STREET NE CALGARY, AB T2E 8W1

**Collateral: General** 

Block Description Status

1 All present and after-acquired personal property of the debtors. Current

# Government of Alberta ■

# **Personal Property Registry Search Results Report**

Search ID#: Z09408223

Page 3 of 10

# **Business Debtor Search For:**

FORTALEZA ENERGY INC.

Search ID #: Z09408223 Date of Search: 2017-Aug-14 **Time of Search:** 11:02:20

Registration Number: 15100936432 Registration Type: LAND CHARGE

Registration Date: 2015-Oct-09 Registration Status: Current

Registration Term: Infinity

Exact Match on: Debtor No: 1

# Debtor(s)

**Block Status** FORTALEZA ENERGY INC. Current

7478 - 10TH STREET NE CALGARY, AB T2E 8W1

**Block Status** 

BLENDFORCE ENERGY SERVICES INC. 7478 - 10TH STREET NE 2 Current

CALGARY, AB T2E 8W1

# **Secured Party / Parties**

**Block Status** 

BAILEY, J., CAMERON 1 Current

C/O 7478 - 10TH STREET NE CALGARY, AB T2E 8W1

# Government of Alberta ■

# Personal Property Registry Search Results Report

Search ID#: Z09408223

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Current

**Business Debtor Search For:** 

FORTALEZA ENERGY INC.

Registration Number: 15100936457 Registration Type: SECURITY AGREEMENT

Registration Date: 2015-Oct-09 Registration Status: Current

Expiry Date: 2020-Oct-09 23:59:59

Exact Match on: Debtor No: 1

Debtor(s)

<u>Block</u> <u>Status</u>

1 FORTALEZA ENERGY INC.

7478 - 10TH STREET NE CALGARY, AB T2E 8W1

<u>Block</u> <u>Status</u>

2 BLENDFORCE ENERGY SERVICES INC. Current

7478 - 10TH STREET NE CALGARY, AB T2E 8W1

**Secured Party / Parties** 

Block Status

1 BAILEY, J., CAMERON Current

C/O 7478 - 10TH STREET NE CALGARY, AB T2E 8W1

<u>Block</u> <u>Status</u>

2 JEFFS, JAMES Current

C/O 7478 - 10TH STREET NE CALGARY, AB T2E 8W1

**Collateral: General** 

Block Description Status

1 All present and after-acquired personal property of the debtors. Current

# Government of Alberta ■

# **Personal Property Registry Search Results Report**

Search ID#: Z09408223

Page 5 of 10

**Business Debtor Search For:** 

FORTALEZA ENERGY INC.

Search ID #: Z09408223 Date of Search: 2017-Aug-14 **Time of Search:** 11:02:20

Registration Number: 15100936469 Registration Type: LAND CHARGE

Registration Date: 2015-Oct-09 Registration Status: Current

Registration Term: Infinity

Exact Match on: Debtor No: 1

Debtor(s)

**Block Status** 

FORTALEZA ENERGY INC. Current

7478 - 10TH STREET NE CALGARY, AB T2E 8W1

**Block Status** 

BLENDFORCE ENERGY SERVICES INC. 7478 - 10TH STREET NE 2 Current

CALGARY, AB T2E 8W1

**Secured Party / Parties** 

**Block Status** 

BAILEY, J., CAMERON Current 1

C/O 7478 - 10TH STREET NE CALGARY, AB T2E 8W1

**Block Status** 

Current 2 JEFFS, JAMES

C/O 7478 - 10TH STREET NE CALGARY, AB T2E 8W1



# Personal Property Registry Search Results Report

Search ID#: Z09408223

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## **Business Debtor Search For:**

FORTALEZA ENERGY INC.

Registration Number: 16122108109 Registration Type: WRIT OF ENFORCEMENT

Registration Date: 2016-Dec-21 Registration Status: Current

Expiry Date: 2018-Dec-21 23:59:59

Issued in Edmonton Judicial Centre

Court File Number is 1603 17007

Judgment Date is 2016-Nov-15

This Writ was issued on 2016-Dec-20

Type of Judgment is Other

Original Judgment Amount: \$152,149.19 Costs Are: \$0.00

Post Judgment Interest: \$70.80 Current Amount Owing: \$152,219.99

Exact Match on: Debtor No: 2

#### **Solicitor / Agent**

ROBERT WHITE, Q.C AND COMPANY #205, 11523 100 AVE EDMONTON, AB T5K0J8

Phone #: 780 408 6394 Fax #: 780 229 0753 Reference #: 143001

# Debtor(s)

Block

Status

BLENDFORCE ENERGY SERVICES INC.
Current

#1500, 850-2 ST SW CALGARY, AB T2P 0R8

<u>Block</u> <u>Status</u>

2 FORTALEZA ENERGY INC. Current

#1500, 850-2 ST SW CALGARY, AB T2P 0R8

# Government of Alberta ■

# **Personal Property Registry** Search Results Report

Search ID#: Z09408223

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**Block Status** 3 SAUER, LANCE Current

7874-10 ST NE CALGARY, AB T2E 0W1

Occupation: DIRECTOR Gender: Male

# Creditor(s)

**Block Status** 

1 1521872 ALBERTA LTD. Current

#1405, 10655 SOUTHPORT RD SW CALGARY, AB T2W 4Y1

**Block Status** 

2 **ENZO ENERGY SERVICES** Current

#1405, 10655 SOUTHPORT RD SW

CALGARY, AB T2W 4Y1

#### **Particulars**

**Block Additional Information Status** BLENDFORCE ENERGY SERVFICES INC. AND FORTALEZA ENERGY INC. AND LANCE Current 1 1521872 AKBERTA LTD. D/B/A ENZO ENERGY SERVICES.

# Government of Alberta ■

# Personal Property Registry Search Results Report

Search ID#: Z09408223

Page 8 of 10

## **Business Debtor Search For:**

FORTALEZA ENERGY INC.

Registration Number: 17062134666 Registration Type: REPORT OF SEIZURE

Registration Date: 2017-Jun-21 Registration Status: Current

Registration Term: Infinity

Service Area 4

Property has been seized under Writ of Enforcement Registration Number 16122108109.

Property was seized on 2017-Jun-20

Registration TypeDateRegistration #ValueReport of Seizure2017-Jun-2017062134666\$0.00

Exact Match on: Debtor No: 2

### **Solicitor / Agent**

ROBERT B. WHITE Q.C. & COMPANY 205, 11523 - 100 AVENUE EDMONTON, AB T5K 0J8

Phone #: 780 705 6394 Fax #: 780 229 0753 Reference #: 43001

# **Civil Enforcement Agent**

SERV-IT BAILIFF SERVICES INC 10147 115 STREET EDMONTON, AB T5K 1T3

Phone #: 780 424 9020 Fax #: 780 421 9939

Debtor(s)

Block Status

I Current

# Government of Alberta ■

# **Personal Property Registry Search Results Report**

Search ID#: Z09408223

Page 9 of 10

BLENDFORCE ENERGY SERVICES INC. #1500, 850-2 ST SW CALGÁRY, AB T2P 0R8

**Block Status** 2 Current

FORTALEZA ENERGY INC. #1500, 850-2 ST SW CALGARY, AB T2P 0R8

**Block Status** 

3 SAUER, LANCE Current 7874-10 ST NE

CALGARY, AB T2E 0W1

**DIRECTOR** Male

# Creditor(s)

**Block Status** 

1521872 ALBERTA LTD. Current 1

#1405, 10655 SOUTHPORT RD SW CALGARY, AB T2W 4Y1

**Block Status** 

**ENZO ENERGY SERVICES** Current #1405, 10655 SOUTHPORT RD SW

CALGARY, AB T2W 4Y1

#### **Collateral: General**

#### **Block Description Status**

- 11 BROWN LARGE OUTDOOR TANKS C/W CONTENTS Current 1

- 1 BLUE LARGE OUTDOOR TANK C/W CONTENTS

- ALL PIPING, VALVING & SUPPORT SYSTEMS FOR ABOVE LISTED 12 TANKS, INCLUDING RAILINGS AND CATWALKS
- 1 LARGE ROLL, BLACK PLASTIC PIPE
- 74 PLASTIC TANKS SOME WITH OUTSIDE STEEL SUPPORT C/W CONTENTS
- 3 STEEL TANKS, GREY
- 9 PLASTIC TANKS WITH OUTSIDE STEEL SUPPORTS AND CONTENTS
- PILE OF MISC PLASTIC, STEEL PIPE AND FLAT STEEL 12 PLASTIC TANKS WITH OUTSIDE STEEL SUPPORT AND CONTENTS
- 1 FREE STANDING LOADING RAMP
- 1 PILE CONSISTING OF MAGNESIUM OXIDE
- 8 PLASTIC TANKS WITH OUTSIDE STEEL SUPPORT AND CONTENTS
- 1 EXTERNALLY MOUNTED "ENGINEERED AIR" HVAC SYSTEM
- 1 APPROX 50' X 120' BEIGE TIN CLAD BUILDING ON CEMENT PAD, C/W ALL **ATTACHMENTS**

# Government of Alberta ■

# Personal Property Registry Search Results Report

Page 10 of 10

Search ID#: Z09408223

<b>Particulars</b>	S	laı	u	C	ti	aı	P
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<u>Block</u>	Additional Information	<u>Status</u>
1	PLEASE CONTACT SERV-IT BAILIFF SERVICES INC. FOR FURTHER INFORMATION. CEA FILE NO 167980	Current

Result Complete

This is Exhibit "I" referred to in the Affidavit of

Doug Bailey

sworn before me this 16<sup>th</sup> day of August, 2017.

A Commissioner for Oaths in and for the Province of Alberta **Pantelis Kyriakakis**Barrister and Solicitor

# **Client Inquiry** BLEND001

BlendForce Energy Service Inc.

Box 1917 Station M Calgary AB T2P 2M2



ZZ2010

Page: 1

Date: Jun 21, 2017 Time: 10:51 am

Phone #: (587) 538-0306 Fax #: (403) 274-8520

Subsystem	Account #	Balance
Property Taxes	309-302300	47356.25
Property Taxes	309-317000	125589.96
Utility Billing	000-10060-001	113.88
		Total Balance : 173060.09



Town of Swan Hills 5536 Main Street Box 149 Swan Hills AB T0G2C0

## 2017 Combined Assessment & Tax Notice

Roll Number:

309 302300

Date Mailed: Appeal Deadline:

Apr 28, 2017 Jun 27, 2017

Due Date: Amount Due: Jul 04, 2017 \$47,356.25

Payable at most financial institutions.

BlendForce Energy Service Inc. Box 1917 Station M Calgary AB T2P 2M2

BlendForce Energy Service Inc.

Plant

**Grand Total:** 

QUARTER SECTION: SE; SECTION: 1,2; TOWNSHIP:

66; RANGE: 10; MERIDIAN: 5; SUBDIVISION: 2;

Remit Top Portion with Payment

#### 2017 Combined Assessment & Tax Notice

Roll Number:

309 302300

Date Mailed:

Apr 28, 2017 Appeal Deadline: Jun 27, 2017

Due Date:

Jul 04, 2017

Assessment	Amount
INDUSTRIAL IMP/SITE-Improvement	301,100
JP TOUSTRIAL IMP/SITE-Land	68,200
CHINERY & EQUIP-Improvemen	1,623,800

1,993,100	
1.993.100	

Expiry	Amount
	Expiry

Please take notice that you have been assessed under the provisions of the Municipal Government Act for the above mentioned property. Taxes are now due and payable to the Town of Swan Hills. In the event of non-payment, the said taxes may be recovered as provided in the Municipal Government Act. Each appeal must be accompanied by an appeal fee of \$50 per property, these are to be delivered to the Town of Swan Hills municipal office. For more information please see the Assessment Information Insert.

Property Tax	Tax Rate	Amount
BSH - Industrial Improved	0.0001219	45.03
BSH - Machinery & Equipment	0.0001219	198.01
SCH - Industrial Improved	0.0042536	1,570.87
MUN - Industrial Improved	0.0228500	8,438.51
MUN - Machinery & Equipment	0.0228500	37,103.83
Total Tax Levy	0.0501975	47,356.25

PENALTIES WILL BE ASSESSED AS FOLLOWS
Note: A penalty of 15% will be assessed July 5, 2017 on Current Year taxes

unpaid as of July 4, 2017. A further penalty of 15% will be assessed on January 3, 2018 on the total

outstanding balance as of December 31, 2017.

Municipal Taxes	47,356.25
School Taxes	0.00
Local Improvement	0.00
Arrears	0.00
Bal Transfer AR / UB	0.00
Payment	0.00
Total Due	\$47,356.25



Town of Swan Hills 5536 Main Street Box 149 Swan Hills AB T0G2C0

#### 2017 Combined Assessment & Tax Notice

Roll Number : 309 317000
Date Mailed : Apr 28, 2017
Appeal Deadline : Jun 27, 2017

Due Date : Jul 04, 2017 Amount Due : \$125,589.96

Payable at most financial institutions.

BlendForce Energy Service Inc. Box 1917 Station M Calgary AB T2P 2M2

BlendForce Energy Service Inc.

52 Watson Crescent

QUARTER SECTION: 02; SECTION: 14; TOWNSHIP: 066; RANGE: 10; MERIDIAN: W5; SUBDIVISION: 1,2;

Remit Top Portion with Payment

### 2017 Combined Assessment & Tax Notice

Roll Number : 309 317000
Date Mailed : Apr 28, 2017
Appeal Deadline : Jun 27, 2017
Due Date : Jul 04, 2017

Assessment	Amount
WELL/PIPLINE-Other	23,720
Grand Total :	23,720

Local Improvements	Expiry	Amount
T-4-111 T		
Total Local Improvement :		

Please take notice that you have been assessed under the provisions of the Municipal Government Act for the above mentioned property. Taxes are now due and payable to the Town of Swan Hills. In the event of non-payment, the said taxes may be recovered as provided in the Municipal Government Act. Each appeal must be accompanied by an appeal fee of \$50 per property, these are to be delivered to the Town of Swan Hills municipal office. For more information please see the Assessment Information Insert.

Property Tax	Tax Rate	Amount
BSH - Linear - Wells & Pipelines	0.0001219	2.89
SCH - Linear - Wells & Pipelines	0.0042536	100.90
MUN - Linear - Wells & Pipelines	0.0228500	542.00
Total Tax Levy	0.0272256	645.79

PENALTIES WILL BE ASSESSED AS FOLLOWS	
Note: A penalty of 15% will be assessed July 5, 2017 on Current Year taxes unpaid as of July 4, 2017.  A further penalty of 15% will be assessed on January 3, 2018 on the total outstanding balance as of December 31, 2017.	

Municipal Taxes	645.79
School Taxes	0.00
Local Improvement	0.00
Arrears	124,775.17
Bal Transfer AR / UB	169.00
Payment	0.00
Total Due	\$125 580 06

Town of Swan Hills 5536 Main Street Box 149 Swan Hills AB T0G 2C0

Phone: (780) 333-4477 Fax: (780) 333-4547

# Bi-Monthly Utilities Invoice



Account #: 000 10060 001 Service Address: 5276 Watson Street Billing Date: 08-May-2017 Bill From: 01-Mar-2017 Batch #: 2017050856 Bill To: 30-Apr-2017

Due Date: 08-Jun-2017

BlendForce Energy Service Inc. Box 1917 Station M Calgary AB T2P 2M2 Make Cheque Payable to Town of Swan Hills

**Enter Amount Enclosed** 

Account Balance Due By 08-Jun-2017 \$

111.16

Account Balance Due After 08-Jun-2017 \$

113.88

Please detach and return top portion with payment. Retain bottom portion for your records.

Account #: 000 10060 001 Service Address: 5276 Watson Street Billing Date: 08-May-2017 Bill From: 01-Mar-2017

Batch #: 2017050856

Bill To: 30-Apr-2017

Account Details From: 08-May-2017

Code	Description		Date	Units	Amount
•		Balaı	56.94		
01 MWC 07353361 03 ENV	Metered Water - Commercial 02/05/17 Current Reading: 2449.00 Environmental Fee	14/03/17	08/05/17 Prev. Reading: 2449.00 08/05/17	1.00 Consumption: 1.00	40.32 0.00 Cubic Meters 13.90
				Current Levy	54.22

#### **IMPORTANT NOTES**

PLEASE NOTE: Any Amount Owing Over 90 Days Will Be Transferred to the Property Tax Roll if NOT PAID BY DUE DATE. If you are a Tenant, a Notice Will Be Sent to the Owner.

PAST CUE

Account Balance Due By 08-Jun-2017

111.16

Account Balance Due After 08-Jun-2017 \$

113.88

Account #: 000 10060 001

Town of Swan Hills 5536 Main Street Box 149 Swan Hills AB TOG 2C0 Phone: (780) 333-4477 Fax: (780) 333-4547 BlendForce Energy Service Inc. Box 1917 Station M Calgary AB T2P 2M2

<sup>\*</sup> As per Town of Swan Hills By-Law No. 2011-01

This is Exhibit "J" referred to in the Affidavit of Doug Bailey

sworn before me this 16<sup>th</sup> day of August, 2017.

Commissioner for Oaths in and for the Province of Alberta

Pantelis Kyriakakis Barrister and Solicitor

# CONFIDENTIAL EXHIBIT "J" RAZOR'S NON-BINDING LETTER OF INTENT

# This is Exhibit "K" referred to in the Affidavit of Doug Bailey

sworn before me this 16<sup>th</sup> day of August, 2017.

A Commissioner for Oaths in and for the Province of Alberta

Pantelis Kyriakakis
Barrister and Solicitor

#### SCHEDULE "B"

#### **ASSIGNMENT**

ASSIGNMENT dated as of the \_\_\_\_ day of July, 2017.

#### **BETWEEN:**

#### J. CAMERON BAILEY

(hereinafter referred to as, "Bailey")

- and -

#### **JAMES JEFFS**

(hereinafter referred to as, "Jeffs", Jeffs and Bailey are collectively referred to as, the "Assignors")

- and -

#### RAZOR ENERGY CORP.

(hereinafter referred to as, "Razor")

#### WHEREAS:

- A. Razor and the Assignors entered into the Assignment of Loan and Security Agreement, dated July \_\_\_\_ 2017 (the "Assignment Agreement"); and,
- B. The Assignors agreed to sell, convey, and assign all of the Assignors' right, title, and interest with respect to the Indebtedness and in, to, and under the Assigned Documents to Razor, and Razor has agreed to deposit the Purchase Price into escrow, on and subject to the terms and conditions set out in the Assignment Agreement, and to accept all of the Assignors' right, title, estate, and interest with respect to the Indebtedness and in, to, and under the Assigned Documents pursuant to and in accordance with the terms and conditions set out in the Assignment Agreement.

**NOW THEREFORE** in consideration of the mutual covenants contained herein and the sum of One (\$1.00) Dollar now paid by Razor to the each of the Assignors and such good and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

#### 1. Definitions

All capitalized terms not defined herein shall have the same meaning as set out in the Assignment Agreement.

# 2. Closing

The Assignors and Razor, jointly and severally, hereby certify that each has performed and satisfied all agreements and obligations that it was required to perform or satisfy pursuant to the Assignment Agreement on or prior to the date hereof, that all closing conditions in their favour have either been satisfied or are hereby waived, and that all necessary deliverables, as contemplated by the Assignment Agreement, have been complied with.

# 3. Basis of Assignment

The covenants, representations, warranties, and releases, contained in the Assignment Agreement, are incorporated herein as fully and effectively as if they were set out herein and there shall not be any merger of any covenant, representation, or warranty contained in the Assignment Agreement by virtue of the execution and delivery hereof, any rule of law, equity, or statute to the contrary notwithstanding.

#### 4. Assignment

The Assignors, for the consideration provided for in the Assignment Agreement, the receipt and sufficiency of which is hereby acknowledged by the Assignors, hereby, jointly and severally, sell, transfer, convey, and assign all of the Assignors' right, title, and interest with respect to the Indebtedness and in, to, and under the Assigned Documents, with the intent and effect that any and all rights accruing to the Assignors with respect to the Indebtedness and in, to, and under the Assigned Documents shall have been transferred and assigned to Razor, as at the Closing, and Razor hereby accepts such assignment and assumes all of the Assignors' right, title, benefit, and interest with respect to the Indebtedness and in, to, and under the Assigned Documents together with all rights and obligations thereunder.

#### 5. Effective Time

This Assignment and the transfer of title to and possession of the Assignors' interest in and to the Indebtedness and the Assigned Documents will, subject to the terms of the Assignment Agreement, be effective as of the Closing.

#### 6. Subordinate Document

This Assignment is executed and delivered by the parties pursuant to the Assignment Agreement and the terms hereof shall be read in conjunction with the terms of the Assignment Agreement. If there is a conflict between the provisions of the Assignment Agreement and this Assignment, the provisions of the Assignment Agreement shall prevail to the extent of the conflict.

#### 7. Enurement

This Assignment enures to the benefit of and is binding upon the parties and their respective administrators, trustees, receivers, successors and permitted assigns.

#### 8. Governing Law

This Assignment will be governed by and construed in accordance with the laws of the Province of Alberta.

**IN WITNESS WHEREOF** the parties have duly executed this Assignment as of the date first written above.

Witness Name: Witness	J. CAMERON BAILEY
Name:	JAMES JEFFS
D.v.	RAZOR ENERGY CORP.
Ву:	Name: Title: Doug Bailey President & CEO
Ву:	Name: Title:

IN WITNESS WHEREOF the parties have duly executed this Assignment as of the date first written above.

Witness		
Name:		J. CAMERON BAILEY
Witness		
KYLA SPEARING	¥	JAMES JEFFS
		RAZOR ENERGY CORP.
	Ву:	Name: Title:  Doug Bailey President & CEO
	Ву:	Name: Title:

# This is Exhibit "L" referred to in the Affidavit of

Doug Bailey

sworn before me this 16<sup>th</sup> day of August, 2017.

A Commissioner for Oaths in and for the Province of Alberta

**Pantelis Kyriakakis** *Barrister and Solicitor* 

mccarthy tetrault McCarthy Tétrault LLP Suite 4000 421-7th Avenue S.W. Calgary AB T2P 4K9 Canada

Tel: 403-260-3500 Fax: 403-260-3501

#### Pantelis Kyriakakis

Associate

Direct Line: (403) 260-3536 Email: pkyriakakis@mccarthy.ca

Assistant: Katie Doran Direct Line: (403) 260-3560 Email: kdoran@mccarthy.ca

July 31, 2017

Via Registered Mail and Courier

BlendForce Energy Services Inc. 1500, 850 – 2<sup>nd</sup> Street SW Calgary, AB T2P 0R8 Fortaleza Energy Inc. 1500, 850 – 2<sup>nd</sup> Street SW Calgary, AB T2P 0R8

Dear Sirs:

Re: Secured obligations owed to Razor Energy Corp. ("Razor") by BlendForce Energy Services Inc. ("BlendForce")

We are counsel to Razor in connection with the various secured obligations owed by BlendForce to Razor, pursuant to the various Assigned Security Documents (as defined below) assigned to Razor pursuant to the Assignment of Loan and Security, dated July 21, 2017 (the "Assignment Agreement"), between J. Cameron Bailey ("Bailey") and James Jeffs ("Jeffs"), as the assignors, BlendForce, as a debtor and guarantor, Fortaleza Energy Inc. ("Fortaleza"), as a debtor, and Razor, as the purchaser/assignee.

Reference is made to the following assigned agreements:

- 1. Loan Agreement, dated May 1, 2015 (the "Loan Agreement"), between Fortaleza, as the borrower, Bailey, as the lender, and BlendForce, as the guarantor, as subsequently, amended, restated, modified, or supplemented from time to time;
- 2. Guarantee and General Security Agreement, dated May 11, 2015, as granted by BlendForce to and in favour of Bailey, guaranteeing the obligations arising under the Loan Agreement, as subsequently, amended, restated, modified, or supplemented from time to time;
- Secured Grid Promissory Note, dated February 28, 2015 (the "Bailey Grid Note"), as granted by BlendForce to Bailey, as subsequently, amended, restated, modified, or supplemented from time to time;
- 4. General Security Agreement, dated October 8, 2015, as granted by BlendForce to and in favour of Bailey, as subsequently, amended, restated, modified, or supplemented from time to time;
- 5. Secured Grid Promissory Note, dated February 28, 2015 (the "Jeffs Grid Note"), as granted by BlendForce to and in favour of Jeffs, as subsequently, amended, restated, modified, or supplemented from time to time; and,



6. General Security Agreement, dated October 8, 2015, as granted by BlendForce to and in favour of Jeffs, as subsequently, amended, restated, modified, or supplemented from time to time.

(collectively referred to as, the "Assigned Security Documents").

As of June 30, 2017, BlendForce is indebted to Razor in the following amounts:

- i. Bailey Grid Note Cdn.\$83,330 in outstanding principal and Cdn.\$17,902 in accrued interest, plus any and all accruing interest, fees, and expenses;
- ii. Jeffs Grid Note Cdn.\$83,330 in outstanding principal and Cdn.\$17,902 in accrued interest, plus any and all accruing interest, fees, and expenses; and
- iii. Loan Agreement Cdn.\$50,000 in outstanding principal and Cdn.\$4,338 in accrued interest, plus any and all accruing interest, fees, and expenses.

The total amount outstanding under and secured by the Assigned Security Documents, as at June 30, 2017, is \$256,802, plus any and all accruing interest, costs, fees, and expenses in accordance with the terms and conditions of the Assigned Security Documents and Assignment Agreement (collectively, the "Indebtedness").

In accordance with the demand nature of the Assigned Security Documents and BlendForce's guarantee of the obligations arising under the Loan Agreement, on behalf of Razor, we hereby demand that: (i) Fortaleza repay the obligations arising under the Loan Agreement, plus any and all interest, standby fees, costs, and expenses, which continue to accrue in accordance with the terms and conditions therein; and, (ii) BlendForce repay the Indebtedness, plus any and all interest, standby fees, costs, and expenses, which continue to accrue in accordance with the terms and conditions of the Assigned Security Documents and the Assignment Agreement. Please contact us on the date repayment is to be made and we shall provide the then outstanding balance, inclusive of professional fees and costs.

If full payment, as set forth above, is not made within ten (10) days from the date hereof, Razor will take whatever steps it deems necessary or appropriate to secure payment of all amounts outstanding.

To this end, we enclose for service upon BlendForce, a Notice of Intention to Enforce Security in accordance with Section 244(1) of the *Bankruptcy and Insolvency Act*. Razor kindly requests that BlendForce consider providing its consent to Razor enforcing its security prior to the expiration of the statutorily mandated ten (10) day period and that if BlendForce determines it advisable to provide such consent, that BlendForce endorse the consent attached to the Notice of Intention to Enforce Security, as enclosed herein.



Razor expressly reserves any and all of its rights and remedies as against BlendForce and Fortaleza in connection with any further amounts that may become due and owing to Razor. This notice is without prejudice to any and all rights, powers, privileges, and remedies of Razor under the Assigned Security Documents, the Assignment Agreement, or any applicable laws, including with respect to any defaults committed by BlendForce or Fortaleza or any additional defaults that are or may be committed by BlendForce or Fortaleza under any of the Assigned Security Documents or the Assignment Agreement, all of which rights and remedies are expressly reserved, and nothing herein shall act as a waiver thereof.

McCarthy Tétrault LLP

Per:

Pankelis Kyriakakis

PK/kd Enclosures

CC.

Client

# FORM 86 Notice of Intention to Enforce Security (Rule 124)

TO: BlendForce Energy Services Inc. (the "Debtor"), an insolvent person

#### TAKE NOTICE THAT:

- 1. Razor Energy Corp. ("Razor"), a secured creditor, intends to enforce its security on the Debtor's property, being all of the Debtor's present and after acquired personal property, assets, and undertakings.
- 2. The security that is to be enforced is in the form of, *inter alia:* 
  - (a) Guarantee and General Security Agreement, dated May 11, 2015, as granted by the Debtor to and in favour of J. Cameron Bailey, as subsequently assigned to Razor;
  - (b) Secured Grid Promissory Note, dated February 28, 2015, as granted by the Debtor to J. Cameron Bailey, as subsequently assigned to Razor;
  - (c) General Security Agreement, dated October 8, 2015, as granted by the Debtor to and in favour of J. Cameron Bailey, as subsequently assigned to Razor;
  - (d) Secured Grid Promissory Note, dated February 28, 2015, as granted by the Debtor to and in favour of James Jeffs, as subsequently assigned to Razor; and.
  - (a) General Security Agreement, dated October 8, 2015, as granted by the Debtor to and in favour of James Jeffs, as subsequently assigned to Razor.

(collectively, the "Security")

- 3. The total amount of indebtedness secured by the Security, as of June 30, 2017, is Cdn. \$256,802 plus any and all accruing interest, costs, expenses, and fees, including, without limitation, solicitor and its own client costs on a full indemnity basis.
- 4. The secured creditor, Razor, will not have the right to enforce the Security until the expiry of the 10-day period after this notice is sent, unless the Debtor consents to an earlier enforcement.

DATED at Calgary, Alberta, this 3 day of July, 2017.

RAZOR ENERGY CORP.

by its duly authorized solicitors and agents

McCarthy Tetrault LLP

Per

Pentelis Kyriakakis

#### CONSENT TO EARLY ENFORCEMENT

The undersigned, BlendForce Energy Services Inc., being the Debtor referenced in the Notice of Intention to Enforce Security to which this consent is annexed, does hereby consent, in accordance with Section 244(2) of the *Bankruptcy and Insolvency Act* (Canada), to the early enforcement by Razor Energy Corp., the secured creditor, of all securities held notwithstanding the fact that the requisite 10-day period, as prescribed by Section 244(2) of the *Bankruptcy and Insolvency Act* (Canada), has not yet elapsed. The Debtor furthermore waives any and all cure periods to which it may be entitled to.

DATED at Calgary, Alberta, this day of	, 20	17.
	BLEN	IDFORCE ENERGY SERVICES INC.
	Per:	Name: Title:
	Per:	Name:

This is Exhibit "M" referred to in the Affidavit of Doug Bailey

sworn before me this 16<sup>th</sup> day of August, 2017.

A Commissioner for Oaths in and for the Province of Alberta

Pantelis Kyriakakis Barrister and Solicitor

#### SALE AND INVESTMENT SOLICITATION PROCEDURES

#### **Preamble**

- 1. This Sale and Investment Solicitation Procedures (the "SISP") will be implemented as part of the receivership proceedings (the "Receivership Proceedings") commenced pursuant to the Receivership Order issued by the Court of Queen's Bench (the "Court") on August 18, 2017 (the "Receivership Order") upon an application by Razor Energy Corp. ("Razor") in respect of BlendForce Energy Services Inc. (the "Debtor"), pursuant to which FTI Consulting Canada Inc. (the "Receiver") has been appointed as receiver and manager of the assets, properties and undertakings of the Debtor. This SISP was approved by an order (the "Approval Order") on application by Razor at the Court of Queen's Bench of Alberta (the "Court") on August 18, 2017.
- 2. The Approval Order, *inter alia*, approved this SISP together with the entering into of a purchase and sale agreement (the "**Sale Agreement**") between the Debtor, by and through the Receiver, as vendor, and Razor, as purchaser, pursuant to which Razor made an offer to purchase certain assets of the Debtor (the "**Assets**").
- 3. The Approval Order, the procedures in respect of the SISP as contained herein (the "SISP Procedures") and any subsequent order issued by the Court pertaining to the SISP Procedures shall exclusively govern the process for soliciting and selecting bids for the sale of the assets of the Debtor, a refinancing, reorganization, recapitalization, restructuring, joint-venture, merger or other business transaction involving the Debtor, or some combination thereof.

## **Sale Agreement**

- 4. The Sale Agreement provides that the purchase price for the acquisition of the Assets (the "Purchase Price") will be paid as follows:
  - (a) cash, in an amount sufficient to repay any and all outstanding obligations and liabilities secured by charges granted under the Receivership Order (such as the Receiver's Charge and the Receiver's Borrowing Charge), if any; and,
  - (b) cash, in an amount sufficient to repay any and all outstanding obligations and liabilities owed by the Debtor to the Canada Revenue Agency and which have priority over the Assigned Documents and the Indebtedness; and,
  - (c) cash, in an amount sufficient to repay any and all outstanding liabilities and obligations which have priority over Razor's first ranking security interests; and,
  - (d) the assumption of any and all property taxes owed to the town of Swan Hills in connection with and secured by the Assets and which have priority over Razor's first ranking security interests; and,
  - (e) a credit bid of the obligations and liabilities secured by Razor's first ranking security interests.
- 5. The Receiver has estimated that the Purchase Price will be approximately \$700,000 (CDN).

- 6. The purpose of these SISP Procedures is to determine whether a higher and better offer than the Sale Agreement may be obtained by the Receiver in a formal court supervised marketing process undertaken in the Receivership Proceedings and approved by the Court. For the purposes of these SISP Procedures, a "Superior Offer" shall mean:
  - (a) a credible, reasonably certain and financially viable offer made by a Qualified Bidder (as defined herein) to acquire the assets of or shares in the Debtor, or a refinancing, recapitalization, joint-venture, merger or other business transaction involving the Debtor or some combination thereof, the terms of which offer are no less favourable and no more burdensome or conditional than the terms contained in the Sale Agreement; and,
  - (b) that provides for consideration that, in the reasonable business judgment of the Receiver, is in excess of the value of the consideration payable pursuant to the Sale Agreement.

#### **Conduct of SISP Procedures**

7. The Receiver shall conduct the SISP Procedures as outlined herein. In the event that there is a disagreement or clarification required as to the interpretation or application of these SISP Procedures or the responsibilities of any Person hereunder, the Court will have the jurisdiction to hear such matter and provide advice and directions upon application of the Receiver, Razor, or any other interested person.

## "As Is, Where Is"

8. Any transaction involving the Debtor, the shares of the Debtor or the assets of the Debtor, will be on an "as is, where is" basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Debtor, the Receiver, or any of their agents, estates, advisors, professionals or otherwise, except to the extent set forth in a written agreement with the Person who is a counterparty to such a transaction.

#### Free of Any and All Claims and Interests

9. All of the right, title and interest of the Debtor in and to any assets sold or transferred within the Receivership Proceedings will, at the time of such sale or transfer, be sold or transferred free and clear of any security, charge or other restriction (collectively, the "Claims and Interests") pursuant to approval and vesting orders made by the Court except for any security, charge, or other restriction expressly contemplated in the Sale Agreement or a Superior Offer, as the case may be.

#### **SISP Commencement**

10. The Receiver will commence the SISP Procedures immediately following the Approval Order (the "SISP Commencement Date") by preparing, in consultation with NRG Divestitures Inc. (the "Sales Agent"), a list of potential bidders (the "Known Potential Bidders") and generally marketing the Debtor's property, assets and undertaking in an open, fair, and public manner. Additionally, the list of Known Potential Bidders shall include both strategic and financial parties who, in the reasonable business judgment of

- the Receiver and the Sales Agent, may be interested in and have the financial capacity to make a Superior Offer.
- 11. The Receiver will give notice of these SISP Procedures to Known Potential Bidders (including the Participation Requirements as specified below) shortly after the SISP Commencement Date. In addition, the Sales Agent will continue to publicly market and advertise the Debtor's Property.

## **Participation Requirements**

- 12. Unless otherwise ordered by the Court, any person (including any Known Potential Bidders) who wishes to participate in this SISP must deliver the following to the Receiver:
  - (a) an executed form of confidentiality agreement that is satisfactory to the Receiver, acting reasonably, and which shall enure to the benefit of any person who completes a transaction with the Receiver (the "Confidentiality Agreement"); and,
  - (b) a specific indication of the anticipated sources of capital and / or credit for such person and satisfactory evidence of the availability of such capital and / or credit so as to demonstrate that such person has the financial capacity to complete a transaction pursuant to a Superior Offer.
- 13. If, in the opinion of the Receiver, a person has complied with each of the requirements described in section 12 of these SISP Procedures, such person shall be deemed a "**Potential Bidder**" hereunder.
- 14. The Sales Agent will provide each Potential Bidder with access to an electronic data room containing due diligence materials and financial, tax and other information relating to the shares, the assets, the property and the business of the Debtor as soon as practicable after the determination that such person is a Potential Bidder.
- 15. Neither the Receiver nor the Sales Agent is responsible for, and will have no liability with respect to, any information obtained by any Potential Bidder. The Receiver and its advisors do not make any representations or warranties whatsoever as to the information or the materials provided.

#### Phase 1 Bid Deadline

- 16. A Potential Bidder will be deemed a "Qualified Bidder" if such Potential Bidder submits a non-binding letter of intent to the Receiver (a "Qualified LOI") on or before 5:00 pm (Calgary Time time) on September 22, 2017 (the "Phase 1 Bid Deadline"). Subject to Section 17 of these SISP Procedures, a non-binding indication of interest will only qualify as a Qualified LOI in the event that it contains, meets, or includes all of the following:
  - (a) it is received by the Receiver on or before the Phase 1 Bid Deadline;
  - (b) it includes a summary of:
    - i) the type and amount of consideration to be paid by the Qualified Bidder;

- ii) the property to be included in the transaction;
- the structure and financing of the transaction (including, but not limited to, the sources of financing and evidence of the availability of such financing);
- iv) any anticipated corporate, shareholder, internal or regulatory approvals required to close the transaction and the anticipated time frame and any anticipated impediments for obtaining such approvals;
- v) any additional due diligence required or desired to be conducted prior to the Phase 2 Bid Deadline (as defined herein), if any;
- vi) any conditions to closing that the Qualified Bidder may wish to impose; and;
- vii) any other terms or conditions of the transaction which the Qualified Bidder believes are material to the transaction;
- (c) it provides for the completion of the transactions contemplated therein on or before October 6, 2017 (the "Completion Date");
- (d) such other information reasonably requested by the Receiver.
- 17. The Receiver, acting reasonably, may waive non-compliance with any one or more of the requirements specified in Section 16 of these SISP Procedures and deem any non-compliant letter of intent to be a Qualified LOI.
- 18. If a Qualified LOI is received, these SISP Procedures shall proceed to the next phase for the purpose of attempting to obtain a Superior Offer. If there are no Qualified LOIs submitted:
  - (a) these SISP Procedures shall terminate; and
  - (b) the Receiver shall, within five (5) Business Days of the termination of these SISP Procedures, file an application with the Court seeking approval, after notice and hearings, to implement the Sale Agreement.

#### Phase 2 Bid Deadline

- 19. In order to continue to participate in this SISP Process from and after the Phase 1 Bid Deadline, a Qualified Bidder who submitted a Qualified LOI to the Receiver must deliver a binding and definitive agreement to the Receiver, with a copy to the Receiver (a "Qualified Bid") by no later than 5:00 p.m. (Calgary Time) on September 29, 2017 (the "Phase 2 Bid Deadline"). Subject to Section 20 of these SISP Procedures, a binding offer will only qualify as a Qualified Bid in the event that it contains, meets or includes all of the following:
  - (a) it is received by the Receiver on or before the Phase 2 Bid Deadline;
  - (b) it includes either:

- i) a fully binding and definitive agreement, duly authorized and executed, setting out the terms and conditions of the proposed transaction, including the aggregate amount of the proposed equity and debt investment, assumption of debt, if any, and details regarding the proposed equity and debt structure of the Debtor following completion of the proposed transaction (a "Definitive Restructuring Agreement"); or,
- a fully binding and definitive agreement, duly authorized and executed purchase and sale agreement, together with all exhibits and schedules thereto, and such ancillary agreements as may be required with all exhibits and schedules thereto (a "Definitive Asset Sale Agreement"); or
- iii) some combination of a Definitive Restructuring Agreement and a Definitive Asset Sale Agreement, provided that such agreement is a fully binding definitive agreement that is duly authorized and executed (a "Definitive Hybrid Agreement");
- (c) it is irrevocable for a minimum of ten (10) days following the Phase 2 Bid Deadline:
- (d) it provides for the completion of the transactions contemplated therein on or before the Completion Date;
- (e) it is not conditional on (i) the outcome of unperformed due diligence and/or (ii) obtaining any credit, capital, or other form of financing;
- (f) it is accompanied by a refundable deposit (the "Deposit") in the form of a wire transfer (to a trust account specified by the Receiver), payable to the Receiver in trust, in an amount equal to ten percent (10%) of the consideration to be paid pursuant to the Qualified Bid, to be held and dealt with in accordance with these SISP Procedures;
- (g) it includes written evidence, in form and substance reasonably satisfactory to the Receiver, of a firm and irrevocable commitment for all required funding and/or financing from a creditworthy person to consummate the proposed transaction;
- (h) it fully discloses the identity of each person that is bidding or otherwise that will be sponsoring or participating in the Qualified Bid, including the identification of the Qualified Bidder's direct and indirect owners and their principals and the full and complete terms of any such participation;
- (i) it includes written evidence, in form and substance reasonably satisfactory to the Receiver, of compliance or anticipated compliance with any and all applicable regulatory approvals, the anticipated time frame for such compliance and any anticipated impediments for obtaining such approvals; and
- (j) such other information reasonably requested by the Receiver.

- 20. The Receiver, acting reasonably, may waive non-compliance with any one or more of the requirements specified in Section 19 of these SISP Procedures and deem any non-compliant Definitive Restructuring Agreement, Definitive Asset Sale Agreement or Definitive Hybrid Agreement, as the case may be, a Qualified Bid.
- 21. The Receiver, will assess any Definitive Restructuring Agreement, Definitive Asset Sale Agreement or Definitive Hybrid Agreement, as the case may be, that has qualified as a Qualified Bid and will determine whether any such Definitive Restructuring Agreement, Definitive Asset Sale Agreement, or Definitive Hybrid Agreement constitutes a Superior Offer. Such assessment will be made as promptly as practicable but no later than one (1) Business Day after the Phase 2 Bid Deadline (the "Qualified Bid Assessment Deadline").
- 22. In the event that the Receiver determines that one or more Qualified Bids constitute(s) a Superior Offer, the Receiver shall (to the extent that there is more than one Qualified Bid) select the highest or best Qualified Bid and apply to the Court to approve such Qualified Bid within three (3) Business Days of the Qualified Bid Assessment Deadline. The Receiver shall thereafter complete the transactions contemplated by such selected Qualified Bid in accordance with the terms thereof and any order issued by the Court.
- 23. If there are no Qualified Bids submitted or the Receiver determines that no Qualified Bid constitutes a Superior Offer:
  - (a) these SISP Procedures shall terminate; and
  - (b) the Receiver shall, within five (5) Business Days of the Qualified Bid Assessment Deadline, file an application with the Court seeking approval by the Court, after notice and hearings, to implement the Sale Agreement.

#### **Deposits**

- 24. All Deposits shall be retained by the Receiver and invested in an interest bearing trust account in a Schedule I Bank in Canada. If there is a Qualified Bid that constitutes a Superior Offer, the Deposit (plus accrued interest) paid by the person making such Qualified Bid shall be applied to the consideration to be paid by such Person upon closing of the transaction constituting the Qualified Bid.
- 25. The Deposit(s) (plus applicable interest) of all persons not making the Qualified Bid that constitutes a Superior Offer shall be returned to such persons within five (5) Business Days of the earlier of the date that: (a) the Court approves a Qualified Bid as a Superior Offer; or (b) the Court approves the Sale Agreement.
- 26. If the Person making a Qualified Bid selected as a Superior Offer breaches or defaults on its obligation to close the transaction in respect of Qualified Bid it shall forfeit its Deposit to the Receiver for and on behalf of the Debtor; <u>provided however</u> that the forfeit of such Deposit shall be in addition to, and not in lieu of, any other rights in law or equity that the Debtor or the Receiver have in respect of such breach or default.

## **Notice**

27. The addresses used for delivering documents as prescribed by the terms and conditions of these SISP Procedures are set out in Schedule "A" hereto. A bid and all associated documentation shall be delivered to the Receiver by electronic mail, personal delivery or courier. Persons requesting information about these SISP Procedures should contact the Receiver at the contact information contained in Schedule "A".

# **No Amendment**

28. There shall be no amendments to these SISP Procedures, including, for greater certainty the SISP Procedures set out herein, unless otherwise ordered by the Court upon application and appropriate notice.

#### **Further Orders**

29. At any time during these SISP Procedures, the Receiver, or Razor may apply to the Court for advice and directions with respect to the discharge of their powers and duties hereunder.

# Schedule "A"

# **Address for Notices and Deliveries**

# To the Receiver:

FTI Consulting Canada Inc. 720, 440 – 2<sup>nd</sup> Avenue SW Calgary, Alberta T2P 5E9

Attention: Dustin Olver

Email: dustin.olver@fticonsulting.com

This is Exhibit "N" referred to in the Affidavit of Doug Bailey

sworn before me this 16<sup>th</sup> day of August, 2017.

A Commissioner for Oaths in and for the Province of Alberta

Pantelis Kyriakakis

Barrister and Solicitor

### **ASSET PURCHASE AND SALE AGREEMENT**

#### BETWEEN

BLENDFORCE ENERGY SERVICES INC. by and through its court appointed receiver and manager FTI CONSULTING CANADA INC. in its capacity as the court appointed receiver and manager of the assets, properties, and undertakings of BlendForce Energy Services Inc., and not in its personal or corporate capacity

(as Vendor)

- and -

RAZOR ENERGY CORP.

(as Purchaser)

Dated as of the 15<sup>th</sup> day of August, 2017

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### **ASSET PURCHASE AND SALE AGREEMENT**

**THIS AGREEMENT** is made as of the 15<sup>th</sup> day of August, 2017

#### **BETWEEN:**

**BLENDFORCE ENERGY SERVICES INC.**, by its court appointed receiver and manager **FTI Consulting Canada Inc.**, in its capacity as court appointed receiver and manager of the assets, properties, and undertakings of BlendForce Energy Services Inc., and not in its personal or corporate capacity (the "**Vendor**")

- and -

**RAZOR ENERGY CORP.**, corporation having an office in the City of Calgary, Alberta (the "**Purchaser**")

**WHEREAS** the Receiver was appointed as receiver and manager of the Property pursuant to the Receivership Order;

**WHEREAS** Vendor wishes to sell the Assets to the Purchaser, and the Purchaser wishes to purchase the Assets on the Closing Date subject to and in accordance with the terms and conditions of this Agreement.

**NOW THEREFORE** in consideration of the mutual promises made in this Agreement and for other good and valuable consideration, the Parties agree as follows:

# ARTICLE 1 INTERPRETATION

#### 1.1 Definitions

In this Agreement, unless the context otherwise requires:

- (a) "Abandonment and Reclamation Obligations" means all duties and obligations, whether arising under contract, Applicable Law or otherwise, relating to:
  - (i) the abandonment, closure, decommissioning, dismantling, disposal and removal of any facilities, equipment, tanks, vessels, foundations, structures, buildings and other tangible property or assets; and
  - (ii) the reclamation, remediation and restoration of the surface and subsurface of any lands, including the restoration, remediation and reclamation of the lands on or in which any of the property or assets described in Clause 1.1(a)(i) are or were located and any other lands used to gain access to any such property or assets or used otherwise in connection with the construction, installation, operation or maintenance of any such property or assets;

- that relate to or arise by virtue of the Assets.
- (b) "Agreement" means this Asset Purchase and Sale Agreement, including the attached Schedules.
- (c) "Applicable Law" means, in relation to any Person, property or circumstance, all laws and statutes, including regulations, rules, by-laws, ordinances and other statutory instruments enacted thereunder; all judgments, decrees, rulings and orders of courts, tribunals, commissions and other similar bodies of competent jurisdiction; all orders, rules, directives, policies and guidelines having force of law issued by any Governmental Authority; and, all terms and conditions of any Permits, that are in effect as of the relevant time and are applicable to such Person, property or circumstance.
- (d) "Approval and Vesting Order" means the approval of the Transaction and this Agreement by the Court and the vesting of the Assets in the name of the Purchaser, free and clear of any Encumbrances, other than any Permitted Encumbrances:
- (e) "Assets" means any and all of the present and after acquired property, rights, assets, entitlements, and undertakings of the Vendor, both real and personal, and including but not limited to the present and after acquired property, rights, entitlements and undertakings of the Vendor in and to: (i) the Facilities, (ii) the Incidental Tangibles, and (iii) the Miscellaneous Interests, but excluding the Excluded Assets.
- (f) "**AER**" means the Alberta Energy Regulator or any successor thereto having comparable jurisdiction.
- (g) "Assignors" mean Bailey and Jeffs, collectively.
- (h) "Bailey" means J. Cameron Bailey.
- (i) "Bailey Grid Note" means the Secured Grid Promissory Note, dated February 28, 2015, as granted by BlendForce to Bailey, as subsequently, amended, restated, modified, or supplemented from time to time.
- (j) "Bailey GSA" means the General Security Agreement, dated October 8, 2015, as granted by BlendForce to and in favour of Bailey, as subsequently, amended, restated, modified, or supplemented from time to time.
- (k) "BIA" means the Bankruptcy and Insolvency Act (Canada).
- (I) "Business Day" means a day, other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta, on which banks are open in Calgary, Alberta.
- (m) "Cash Component" has the meaning ascribed to that term in Clause 2.3(c)
- (n) "Claim" includes any right, claim or Encumbrance of any Person that may be asserted or made in whole or in part against the Vendor, whether or not asserted or made, in connection with any indebtedness, liability, obligation of any kind

whatsoever, and any interest accrued thereon or costs payable in respect thereof, including without limitation, by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including, without limitation, any legal, statutory, equitable or fiduciary duty) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and whether or not any indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present or future, known or unknown, by quarantee, surety, or otherwise, and whether or not any right or claim is executory or anticipatory in nature including, without limitation, any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action whether existing at present or commenced in the future, which indebtedness, liability or obligation, and any interest accrued thereon or costs payable in respect thereof (i) is based in whole or in part on facts prior to the granting of the Receivership Order, (ii) relates to a time period prior to the granting of the Receivership Order. or (iii) is a right or claim of any kind that would be a debt provable in bankruptcy within the meaning of the BIA had the Vendor become bankrupt on the same date as the Receivership Order was granted.

- (o) "Closing" means the completion of the Transaction.
- (p) "Closing Date" means five (5) Business Days after the granting of the Approval and Vesting Oder or such other date as the Parties may agree to in writing.
- (q) "Closing Place" means the offices of counsel to the Vendor or such other place as the Parties may agree to in writing.
- (r) "Closing Statement" has the meaning ascribed to that term in Clause 2.3.
- (s) "Closing Time" means 10:00 a.m. on the Closing Date or any other time that the Parties may agree to in writing.
- (t) "Court" means the Court of Queen's Bench of Alberta presiding over the Proposal Proceedings or any court sitting in appeal therefrom.
- (u) "Creditor" means any Person holding a Claim.
- (v) "Debt and Security Assignment Agreement" means the Assignment of Loan and Security Agreement, dated July 21, 2017, between, the Assignors, as the assignors, the Purchaser, as the assignee, the Vendor, as a debtor and guarantor, and Fortaleza, as a debtor.
- (w) "Encumbrance" means a Security Interest, an option to purchase, a right of first refusal, right of first offer or other pre-emptive or preferential right to purchase and any other adverse claim or encumbrance, whether similar or dissimilar to the foregoing.

- (x) "Environment" means the components of the earth and includes ambient air, land, surface and sub-surface strata, groundwater, any lake, river or other surface water, all layers of the atmosphere, all organic and inorganic matter and living organisms, and the interacting natural systems that include such components.
- (y) "Environmental Liabilities" means all past, present and future Losses and Liabilities, Claims and other duties and obligations, whether arising under contract, Applicable Law or otherwise, arising from, relating to or associated with:
  - (i) any damage to, pollution or contamination of, or other adverse situations pertaining to, the Environment;
  - (ii) compliance with, or the consequences of any non-compliance with, or the violation or breach of, any Applicable Law pertaining to the Environment or to the protection of the Environment; or
  - (iii) the protection, reclamation, remediation or restoration of the Environment;

that relate to or arise by virtue of the Assets or the ownership, use or operation thereof, but in each case, only insofar as the foregoing pertain to the Assets.

- (z) "Excise Tax Act" means the Excise Tax Act (Canada), together with all regulations and rules promulgated thereunder.
- (aa) "Excluded Assets" has the meaning ascribed to that term in Clause 1.4.
- (bb) "Facilities" means (i) the 08-14-666-10W5 Disposal Facility; and (ii) the disposal well, both as more particularly described in Schedule A.
- (cc) "General Conveyance" means an agreement substantially in the form set forth in Schedule B.
- (dd) "Governmental Authority" means any: (i) governmental entity or authority of any nature, including any governmental ministry, agency, branch, department or official, and any court, regulatory board, stock exchange or other tribunal; or (ii) individual or body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, regulatory or taxing authority or power of any nature, having or purporting to exercise jurisdiction or power over any Person, property, operation, transaction or other matter or circumstance.
- (ee) "**GST**" means the goods and services tax prescribed by Part IX of the Excise Tax Act.
- (ff) "Hazardous Substances" means any substance or material that is defined or otherwise designated under Applicable Law as being hazardous, dangerous or toxic or a pollutant or contaminant, the manufacture, processing, distribution, treatment, storage, disposal, transportation, sale, offer for sale, distribution, labeling, handling or use of which is prohibited, controlled or regulated under Applicable Law.

- (gg) "Incidental Tangibles" means all tangible depreciable property, equipment and assets exclusively used or intended for use in, or otherwise useful in connection with, the Facilities, other than the Facilities themselves, including all spare parts, tools, equipment, supplies, chemicals, lubricants, fuels and other inventories that are used for the purpose of, or in connection with or incidental to, the construction, installation, operation or maintenance of the Facilities, whether or not located on or in the vicinity of the Lands.
- (hh) "Initial Application" means the Application brought by the purchaser, returnable on August 18, 2017 at 10:00 a.m. seeking: (i) the appointment of the Receiver; and, (ii) approval of the SISP which contemplates the Vendor entering into this Agreement.
- (ii) "Jeffs" means James Jeffs.
- (jj) "Jeffs Grid Note" means the Secured Grid Promissory Note, dated February 28, 2015, as granted by BlendForce to and in favour of Jeffs, as subsequently, amended, restated, modified, or supplemented from time to time.
- (kk) "Jeffs GSA" means the General Security Agreement, dated October 8, 2015, as granted by BlendForce to and in favour of Jeffs, as subsequently, amended, restated, modified, or supplemented from time to time.
- (II) "Lands" means the lands on or in which the Facilities and Incidental Tangibles are located or any other lands used to gain access to the Facilities and Incidental Tangibles or used or otherwise occupied in connection with the construction, installation, operation or maintenance of the Facilities and Incidental Tangibles.
- (mm) "Loan Agreement" means the \$50,000 Loan Agreement, dated May 1, 2015, between Fortaleza, as the borrower, Bailey, as the lender, and BlendForce, as the guarantor, as subsequently, amended, restated, modified or supplemented from time to time.
- (nn) "Loan and Security Documents" means, collectively, the Secured Guarantee and the Loan Agreement.
- (oo) "Losses and Liabilities" means all losses, costs, expenses, interest, charges, assessments damages, liabilities, obligations, fines and penalties, including all reasonable costs incurred in investigating, defending or negotiating the settlement or resolution of any Claim or threatened Claim, and specifically including reasonable legal and other professional fees and expenses on a "full indemnity", "solicitor and his own client" or comparable basis, regardless of whether the foregoing arise in, under or by virtue of common law, equity or other Applicable Law, contract, negligence, strict liability, breach of duty or otherwise.
- (pp) "Miscellaneous Interests" means all property and rights that pertain to the Facilities or the Incidental Tangibles, excluding the Facilities and Incidental Tangibles, and any interest in the Facilities and Incidental Tangibles, including:
  - (i) the Title and Operating Documents;

- (ii) Surface Rights, together with all extensions, renewals, replacements, substitutions or amendments thereto:
- (iii) Permits, together with all extensions, renewals, replacements, substitutions or amendments thereto;
- (iv) warranties and guarantees from Third Parties regarding the Facilities and the Incidental Tangibles, including the construction and installation thereof, and any other goods, services, equipment or materials incorporated into or acquired for the purpose of incorporation into the Facilities and the Incidental Tangibles; and
- (v) all software and software licenses associated with or forming part of the Assets.
- (qq) "Closing Certificate" means a certificate given by each of the Parties which shall be substantially in the form specified in Schedule C.
- (rr) "Other Taxes" means all sales, value-added or similar taxes or other transfer taxes, fees and charges, other than GST, imposed or levied by any Governmental Authority on or in respect of the sale or supply of goods or services.
- (ss) "Party" means a party to this Agreement, and "Parties" means both of them.
- (tt) "Permit" means the licenses, permits, approvals and authorizations in respect of the construction, installation, ownership, use or operation of the Facilities described or identified in Schedule A Part 5 under the heading "Permits".
- (uu) "Permitted Encumbrances" means:
  - royalties, net profits interests and other encumbrances of a similar nature, and any reduction or conversion or alteration of interests, in respect of the Lands
  - (a) easements, rights of way, servitudes or other similar rights in land including, without limiting the generality of the foregoing, rights of way and servitudes for railways, roads, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone, telegraph or cable television conduits, poles, wires and cables;
  - (b) the right reserved to or vested in any government or other public authority to terminate any of the Permits or to require annual or other periodic payments as a condition of the continuance thereof;
  - rights reserved to or vested in any municipality or Governmental Authority to control or regulate any of the Assets in any manner, and all applicable laws, rules and orders of any governmental authority;
  - (d) the right reserved to or vested in any Governmental Authority to levy taxes on Petroleum Substances or the income or revenue therefrom;

- (e) undetermined or inchoate liens incurred or created as security in favour of the person conducting the operation of any of the Assets for the Vendor's proportion of the costs and expenses of such operations of or on the Assets, which relate to obligations not accrued, due, or delinquent at or prior the Closing Date;
- (f) liens granted in the ordinary course of business to a public utility or Governmental Authority in connection with operations conducted with respect to the Assets;
- (g) the reservations, limitations, provisos and conditions in any original grants from any Governmental Authority of any of the Lands or interests therein and statutory exceptions to title and the terms and conditions of the Permits;
- (h) the terms and conditions of the Title and Operating Documents, including, without limitation, the requirement to pay any rentals or royalties to the grantor thereof to maintain the Title and Operating Documents in good standing and any royalty or other burden reserved to the grantor thereof or any gross royalty trusts applicable to the grantor's interest in any of the Title and Operating Documents; and,
- (i) those which are expressly identified in Schedule D hereto.
- (j) "Person" will be broadly interpreted and includes: (i) a natural person, whether acting in his or her own capacity, or in his or her capacity as executor, administrator, estate trustee, trustee or personal or legal representative, and the heirs, executors, administrators, estate trustees, trustees or other personal or legal representatives of a natural person; (ii) a corporation or a company of any kind, a partnership of any kind, a sole proprietorship, a trust, a joint venture, an association, an unincorporated association, an unincorporated syndicate, an unincorporated organization or any other association, organization or entity of any kind; and, (iii) a Governmental Authority.
- (k) "Petroleum Substances" means natural gas, natural gas liquids and other related hydrocarbons and any and all other substances related to any of the foregoing, whether liquid or gaseous.
- (I) "Pre-Closing Period" means the period from the date of this Agreement to the Closing Date.
- (m) "Priority Payables" means any:
  - (i) claim by the Canadian Revenue Agency on account of source deductions or GST:

solely to the extent and to the quantum that any such claim(s) rank in priority to the Senior Security and the Senior Secured Obligations

(n) "Purchase Price" has the meaning ascribed to that term in Clause 2.2.

- (o) "Receiver" means FTI Consulting in its capacity as receiver and manager pursuant to the Receivership Order
- (p) "Receivership Order" means, if granted and in the form granted by the Court, the receivership order sought by the Purchaser in the Receivership Proceedings on August 18, 2017, as may be subsequently amended, modified, supplemented, or restated, from time to time.
- (q) "Receiver's Charge" has the same meaning as ascribed to such term in the proposed form of the Receivership Order attached as part of the Initial Application;
- (r) "Receiver's Borrowing Charge" has the same meaning as ascribed to such term in the proposed form of the Receivership Order attached as part of the Initial Application
- (s) "Receivership Proceedings" means the proceedings before the Court and identified as Court File No. \_\_\_\_\_\_\_.
- (t) "Release" means any release, spill, leak, pumping, pouring, emission, emptying, discharge, injection, escape, leaching, disposal, dumping, deposit, spraying, burial, abandonment, incineration, seepage, placement or migrating to, into or through the environment as described under any Applicable Law relating to the Environment.
- (u) "ROFR" means a right of first refusal, pre-emptive right of purchase or similar right to Vendor's Assets or any interest therein that may become operative by virtue of this Agreement or the completion of the Transaction.
- (v) "Sales Agent" means NRG Divestitures Inc.
- (w) "Sales Process" means the sales process conducted by the Sale Agent with respect to the Assets.
- (x) "Secured Grid Notes" means collectively the Bailey Grid Note, the Bailey GSA, the Jeffs Grid Note, and the Jeffs GSA.
- (y) "Secured Guarantee" means the Guarantee and General Security Agreement, dated May 11, 2015, as granted by BlendForce to and in favour of Bailey, as subsequently, amended, restated, modified or supplemented from time to time.
- (z) "Security Interest" means any mortgage, charge, security interest, pledge, assignment, hypothecation, title retention, finance lease or trust securing payment or performance of any Obligation.
- (aa) "Senior Security" means, collectively, the Jeffs GSA, the Bailey GSA, the Secured Guarantee, along with any and all other Security Interest or interest granted by the Vendor pursuant to, under, or in connection with the Secured Grid Notes, the Loan and Security Agreements, the Senior Secured Obligations, or the Debt and Security Assignment Agreement.

- (bb) "Senior Secured Obligations" means the Obligations of the Vendor to the Purchaser under the Secured Grid Notes, the Loan and Security Agreement, the Debt and Security Assignment Agreement or as may otherwise be secured by the Senior Security.
- (cc) "SISP" means the Sales and Investments Solicitation Procedures as contemplated as part of the Initial Application.
- (dd) "Specific Conveyances" means all approvals, consents, conveyances, assignments, transfers, novations, trust declarations and other documents or instruments, other than and in addition to the General Conveyance, that are reasonably required or desirable, in accordance with good oil and gas industry practices, to convey, assign and transfer the Assets or any portion thereof to Purchaser and, if applicable, to make Purchaser a party to, and to novate Purchaser into, the Title and Operating Documents.
- (ee) "Superior Offer" has the same meaning as ascribed to such term in the SISP.
- (ff) "Surface Rights" means fee simple title to, leases of and easements, rights of way, rights of entry, and all other rights to occupy, cross or otherwise use or enjoy the surface or the subsurface of, the Lands, including those rights and interests described or identified in Schedule A Part 4 under the heading "Surface Rights".
- (gg) "Swan Hill Property Taxes" means the property taxes owed by the Vendor in connection with and secured by the Assets solely to the extent that any such municipal property tax obligations have priority over the Senior Security and the Senior Secured Obligations
- (hh) "Tax" means all taxes, duties, fees, premiums, assessments, imposts, levies, rates, withholdings, dues, government contributions and other charges of any kind whatsoever, whether direct or indirect, together with all interest, penalties, fines, additions to tax or other additional amounts, imposed by any Governmental Authority.
- (ii) "**Tax Law**" means any Applicable Law that imposes Tax or that deals with the administration or enforcement of liabilities for Tax.
- (jj) "**Third Party**" means any Person other than a Party.
- (kk) "Title and Operating Documents" means all agreements and other instruments and documents relating to the acquisition, ownership, use, construction, installation, operation or maintenance of the Facilities and the Incidental Tangibles.
- (II) "**Transaction**" means the sale by Vendor of the Assets to Purchaser, on, subject to and in accordance with the terms and conditions of this Agreement.
- (mm) "Transaction Taxes" is defined in Clause 2.5(a).

### 1.2 Schedules

Appended to this Agreement are the following Schedules:

Schedule A:

Part 1 - Facilities

Part 2 – Incidental Tangibles
Part 3 – Disposal Wells
Part 4 – Surface Rights

Part 5 – Permits

Schedule B: Form of General Conveyance

Schedule C: Forms of Certificates
Schedule CD: Permitted Encumbrances

These Schedules are incorporated into and form part of this Agreement. If any term or condition of any such Schedule conflicts or is inconsistent with any term or condition in the main body of this Agreement, the term or condition in the main body of this Agreement shall prevail to the extent of the conflict or inconsistency.

# 1.3 Interpretation

In this Agreement, unless a clear contrary intention appears:

- (a) the singular number includes the plural number and vice versa;
- (b) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually;
- (c) use of the masculine, feminine or neuter gender includes all genders;
- (d) if a term is defined in this Agreement, a derivation of that term will have a corresponding meaning;
- (e) reference to any agreement (including this Agreement), document or instrument means such agreement, document or instrument as amended, restated or modified and in effect from time to time in accordance with the terms thereof;
- (f) reference to any Applicable Law means such Applicable Law as amended, modified, codified, replaced or re-enacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder and reference to any section or other provision of any Applicable Law means that provision of such Applicable Law from time to time in effect and constituting the substantive amendment, modification, codification, replacement or re-enactment of such section or other provision:

- (g) reference in any agreement (including this Agreement) to any Article, Clause, Clause, Section, Appendix, Schedule or Exhibit means the specified Article, Clause, Clause, Section, Appendix, Schedule or Exhibit to that agreement;
- (h) "Agreement", "this Agreement", "herein", "hereunder", "hereof", "hereto" and words of similar import are references to the applicable agreement, document or instrument in which it is used as a whole and not, unless a particular section or other part thereof is referred to, to any particular section or other part;
- (i) "including" (and, with correlative meaning, "include") means including without limiting the generality of any description preceding or succeeding such term;
- (j) the division of this Agreement and the recitals, table of contents and headings, if any, in it are for convenience of reference only and do not affect the construction or interpretation of it;
- (k) unless otherwise indicated, all references to currency, dollars or \$ are deemed to mean Canadian dollars;
- (I) references to time of day or date means the local time or date in Calgary, Alberta; and
- (m) this Agreement was negotiated by the Parties with the benefit of legal representation and any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any Party shall not apply to any construction or interpretation hereof or thereof.

#### 1.4 Excluded Assets

The Purchaser shall notify the Vendor on the date that is one (1) Business Day before the day that the Approval and Vesting Order application materials are to be served with a listing of any property, rights, entitlements and undertakings of the Vendor to be excluded from the Assets (the "Excluded Assets").

# ARTICLE 2 PURCHASE AND SALE AND CLOSING

### 2.1 Purchase and Sale

Vendor hereby agrees to sell, assign, transfer and convey the Assets to Purchaser on the Closing Date, and Purchaser hereby agrees to purchase and receive the Assets from Vendor, on, subject to and in accordance with the terms of this Agreement.

### 2.2 Purchase Price

The consideration to be paid by Purchaser to Vendor for the Assets, inclusive of any and all costs, fees, expenses, GST and Other Taxes (collectively, the "**Purchase Price**") shall be comprised of the following:

- (a) cash, in an amount sufficient to pay any and all outstanding obligations and liabilities secured by the Receiver's Charge and the Receiver's Borrowing Charge, if any; and,
- (b) cash, in an amount sufficient to repay any and all outstanding Priority Payables; and,
- (c) the assumption of the Swan Hill Property Taxes; and,
- (d) a credit bid of the Senior Security Obligations.

# 2.3 Closing Statement

Not less than three (3) Business Days before the Closing Date, the Vendor will deliver to the Purchaser a statement which will itemize good faith estimates by the Vendor of the following, as at the Closing Date:

- (a) the accrued and unpaid obligations and liabilities outstanding under the Receiver's Charge and the Receiver's Borrowing Charge, if any;
- (b) the accrued and unpaid Priority Payables, if any; and,
- (c) the necessary cash to close require under Clause 2.2(a) and 2.2(b) of this Agreement (the "Cash Component").

(such statement being the "Closing Statement"). The Closing Statement shall also be accompanied by a copy of the working papers of the Vendor used in its preparation, together with any other evidence supporting the amounts specified in the Closing Statement as the Purchaser may reasonably request.

## 2.4 Allocation of Purchase Price

The Parties agree that Purchase Price will be allocated among the Assets in the manner specified by the Purchaser in a written notice to the Vendor prior to Closing, acting reasonably. The Purchaser and the Vendor will cooperate in the filing of all elections under Tax Laws as required to give effect to that allocation for Tax purposes. The Purchaser and the Vendor will prepare and file their respective Tax returns in a manner consistent with that allocation and those elections and will take no position inconsistent with such allocations for any Tax purpose (including in any audit, judicial or administrative proceeding).

#### 2.5 Taxes and Tax Elections

With respect to the purchase of the Assets, and subject to the implementations of the allocation of the Purchase Price in accordance with Clause 2.4 of this Agreement:

(a) all sales, use, goods and services, value-added and similar transfer Taxes in connection with the transfer of the Assets, and all recording and filing fees collectively, "Transaction Taxes"), that are imposed by reason of the sale, transfer, assignment and delivery of the Assets will be borne by the Purchaser. The Purchaser and Vendor will cooperate to (a) determine the amount of Transaction Taxes payable in connection with the Transaction, (b) provide all

requisite exemption certificates, and (c) prepare and file any and all required Tax returns for or with respect to such Transaction Taxes with any and all appropriate taxing Governmental Authorities;

- (b) if applicable, at the Closing, the Vendor and the Purchaser will execute jointly an election under section 167 of the ETA to have the purchase and sale of the Assets take place on a goods and services tax-free basis under the ETA. The Purchaser will file the elections in the manner and within the time prescribed by the relevant Tax Laws; and
- (c) if requested by the Purchaser, the Vendor will cooperate and take all necessary actions to effect and shall cause its subsidiaries to use their commercially reasonable efforts to effect such reorganization of its operations, subsidiaries and assets or the structure of the transaction before closing as the Purchaser may reasonably request and to allow the Purchaser to maximize the value of the proposed acquisition to the Purchaser ("Pre-Closing Reorganization"), provided no such Pre-Closing Reorganization will result in any substantial reduction in the overall economic value of the consideration paid by the Purchaser to the Vendor contemplated by the Transaction.

# 2.6 Closing

- (a) Subject to all other provisions of this Agreement, Closing shall take place at the Closing Place at the Closing Time.
- (b) Possession of, title to, and beneficial ownership of, the Assets sold, assigned, transferred and conveyed hereunder shall pass from Vendor to Purchaser upon Closing.

# 2.7 Delivery of Title and Operating Documents and Other Documents

At Closing, Vendor shall deliver or cause to be delivered to Purchaser the Title and Operating Documents and such other agreements and documents to which the Assets are subject and the original copies of those contracts, agreements, records, books, documents, licences, reports and data relating to the Assets which are in its possession and control. Notwithstanding the foregoing, to the extent that there are any pending or threatened Claims, audits or other matters involving or relating to such Assets that pertain to the period prior to Closing, Vendor, at its own cost, may make and retain copies of the relevant portions of such materials.

### 2.8 Payments at Closing

- (a) Subject to the satisfaction or waiver of the respective conditions precedent to Closing provided for herein, at the Closing Time, Purchaser shall pay to Vendor the aggregate of:
  - (i) the Purchase Price; and,
  - (ii) plus an amount equal to the Transaction Taxes in respect of the Transaction as provided in Clause 2.5(a).

(b) All amounts payable by Purchaser at the Closing Time shall be paid in immediately available funds by wire transfer, bank draft or certified cheque. If applicable, Vendor shall provide Purchaser with appropriate wire transfer information no later than three (3) Business Days prior to the Closing Date.

# ARTICLE 3 CONDITIONS OF CLOSING

#### 3.1 Purchaser's Conditions

- (a) The obligation of Purchaser to complete the Transaction is subject to the following conditions precedent, which are inserted into and made part of this Agreement for the exclusive benefit of Purchaser and may be waived, only by Purchaser:
  - (i) the representations and warranties of Vendor set forth in Clause 5.1 shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Time;
  - (ii) all material obligations and covenants of Vendor in this Agreement that are to be performed or complied with prior to or at the Closing Time shall have been performed or complied with in all material respects;
  - (iii) at the Closing Time, Vendor shall have delivered all agreements, certificates, and other instruments and documents and taken the actions required pursuant to Clause 4.1;
  - (iv) no suit, action or other proceeding, including by a Governmental Authority, shall have been initiated or threatened and no Governmental Authority shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the completion of the Transaction which has not been vacated or dismissed prior to the Closing Time:
  - all necessary governmental and other regulatory approvals to the sale of the Assets that are required prior to Closing shall have been obtained without conditions;
  - (vi) the Approval and Vesting Order shall have been granted by the Court and such Approval and Vesting Order will not have been stayed, varied, or vacated;
  - (vii) the Cash Component of the Purchase Price will not exceed \$150,000; and,
  - (viii) the Assets shall have suffered no material adverse damage or change and no Release shall have occurred with respect to the Assets.
- (b) If any of the conditions precedent in Clause 3.1(a) have not been satisfied or complied with at or before the Closing Time and have not been waived by Purchaser at or before the Closing Time, without limiting any rights or remedies

- that Purchaser may have at law or in equity, Purchaser may terminate this Agreement by written notice to Vendor immediately prior to the Closing Time.
- (c) If Purchaser terminates this agreement in accordance with Clause 3.1(b) for any reason other than material breach of this Agreement by the Vendor the Parties shall be released and discharged from the further performance of any duties or obligations under this Agreement.

#### 3.2 Vendor's Conditions

- (a) The obligation of Vendor to complete the Transaction is subject to the following conditions precedent, which are inserted into and made part of this Agreement for the exclusive benefit of Vendor and may be waived:
  - (i) the representations and warranties of Purchaser set forth in Clause 5.3 shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Time;
  - (ii) all material obligations and covenants of Purchaser in this Agreement that are to be performed or complied with prior to or at the Closing Time shall have been performed or complied with in all material respects;
  - (iii) at the Closing Time, Purchaser shall have duly tendered the Purchase Price, and delivered the agreements, certificates and other instruments and documents and taken the actions required pursuant to Clause 4.2;
  - (iv) the Approval and Vesting Order shall have been granted by the Court and such Approval and Vesting order will not have been stayed, varied, or vacated:
  - (v) no Superior Offer shall have been received as a result of the Sales Process; and,
  - (vi) no suit, action or other proceeding, including by a Governmental Authority, shall have been initiated or threatened and no Governmental Authority shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the completion of the Transaction which has not been vacated or dismissed prior to the Closing Time.
- (b) If any of conditions precedent set forth in Clause 3.2(a) have not been satisfied or complied with at or before the Closing Time and have not been waived by Vendor at or before the Closing Time, Vendor may terminate this Agreement by written notice to Purchaser immediately prior to the Closing Time.
- (c) If Vendor terminates this Agreement as provided in Clause 3.2(b) as a consequence of any of the conditions precedent set forth in Clause 3.2(a) not having been satisfied or complied with, the Parties shall be released and discharged from the further performance of any duties or obligations under this Agreement.

### 3.3 Efforts to Fulfil Conditions Precedent

Each Party shall proceed diligently and in good faith and use its commercially reasonable efforts to satisfy and comply with the conditions precedent in Clauses 3.1(a) and 3.2(a), prior to the Closing Time, and shall provide the other Parties with any reasonable assistance in the satisfaction of and compliance with the conditions precedent in Clauses 3.1(a) and 3.2(a) that another Party may reasonably request.

# ARTICLE 4 CLOSING DELIVERIES

## 4.1 Deliveries by Vendor at Closing

At the Closing Time, Vendor shall deliver, cause to be delivered or execute, as applicable:

- (a) a General Conveyance duly executed by Vendor;
- (b) a filed true copy to the Approval and Vesting Order;
- (c) an executed copy of the Receiver's Certificate;
- (d) a certificate of the Vendor substantially in the form attached hereto as Schedule "C" hereto, dated as of the Closing Date; and,
- (e) such other items as may be specifically required hereunder.

### 4.2 Deliveries and Actions by Purchaser at Closing

At the Closing Time, Purchaser shall deliver, cause to be delivered, or execute as applicable:

- (a) the Cash Component payable to Vendor at Closing;
- (b) the General Conveyance duly executed by Purchaser;
- (c) a certificate of the Purchaser substantially in the form attached hereto as Schedule "C" hereto, dated as of the Closing Date; and,
- (d) such other items as may be specifically required hereunder.

# 4.3 Specific Conveyances

(a) Vendor, at its own cost, shall use its reasonable efforts to prepare the Specific Conveyances required in respect of the Assets prior to the Closing Time, and to deliver such Specific Conveyances to Purchaser at the Closing Time, provided that, if and to the extent that any Specific Conveyances are not delivered by Vendor to Purchaser at the Closing Time, Vendor shall prepare and deliver to Purchaser the remaining Specific Conveyances required in respect of the Assets as soon as is reasonably practicable after Closing.

- (b) It shall not be necessary for any Specific Conveyances delivered by Vendor at the Closing Time to have been executed prior to or at Closing by any of the parties thereto except for Vendor.
- (c) To the extent that Purchaser is required to execute any Specific Conveyances, it shall do so promptly after the delivery to Purchaser of such Specific Conveyances by Vendor, whether at or after the Closing Time, as the case may be
- (d) In respect of any Specific Conveyances that require execution by Third Parties, promptly after the delivery to Purchaser of such Specific Conveyances by Vendor, whether at or after the Closing Time, as the case may be, and, if necessary, the execution of such Specific Conveyances by Purchaser, Vendor shall co-operate with Purchaser and provide all reasonable assistance that Purchaser may reasonably request in connection with the procurement of the execution of such Specific Conveyances by the parties thereto other than the Parties.
- (e) In respect of any Specific Conveyances that do not require execution by Third Parties, promptly after the delivery to Purchaser of such Specific Conveyances by Vendor, whether at or after the Closing Time, as the case may be, and, if necessary, execution by Purchaser, Purchaser shall deliver such Specific Conveyances to the appropriate recipients thereof, including the registration with the appropriate Governmental Authorities of any such Specific Conveyances that require registration.

# 4.4 Submission of License Transfer Applications

- (a) Within one (1) Business Day of Closing, Vendor shall prepare and where applicable, electronically submit an application to the Alberta Energy Regulator (the "AER") for the transfer of all relevant licences, permits or approvals held in the name of Vendor in respect of the Assets, and Purchaser shall, where applicable, electronically ratify and sign such application.
- (b) Should the AER deny any such transfer because of a mis-description or other minor deficiencies in the application, Vendor shall within two (2) Business Days correct the application for the transfer and Purchaser shall electronically ratify and sign such application.
- (c) If the AER requires a Party (hereinafter referred to as "Such Party") to make a security deposit to approve any license transfer application in respect of the Assets such that Vendor can transfer and Purchaser can accept such transfer of any and all applicable well or facility licences and approvals, Such Party shall, prior to the Closing Time, notify the other Party of same and promptly make such deposits such that the transfers can be processed and the license transfer application be approved as soon as is practicable following Closing.

# ARTICLE 5 REPRESENTATIONS AND WARRANTIES

# 5.1 Representations and Warranties of Vendor

Subject to Clause 5.2, Vendor makes the following representations and warranties to and in favour of Purchaser as of the date of this Agreement and such representations and warranties shall be deemed to be repeated as of the Closing Date:

- (a) the Receiver has been appointed by the Court as receiver and manager of the Vendor's Assets and such appointment is valid and subsists;
- (b) the Vendor has good right, full power, and absolute authority to sell, assign, transfer, convey, and set over the interest of the Vendor in and to the Assets, subject only to the terms and conditions of the Receivership Order and the Approval and Vesting Order;
- (c) the Vendor is not a non-resident of Canada for the purposes of section 116 of the *Income Tax Act* (Canada); and,
- (d) the Vendor is a registrant under the *Excise Tax Act* for the purposes of GST and its registration number is ●.

# 5.2 Limitation Regarding Vendor's Representations and Warranties

Except as expressly set forth in Clause 5.1, Vendor makes no other representation or warranty whatsoever in respect of or pertaining to the Facilities or Transaction, including any representation or warranty regarding:

- (a) itself;
- (b) the accuracy or completeness of any data or information supplied by or on behalf of it under this Agreement or otherwise in connection with the Transaction; or
- (c) the quality, condition, fitness for any particular purpose or merchantability of the Facilities and Incidental Tangibles;

and Vendor hereby expressly negates, and Purchaser hereby waives, all other representations or warranties relating to any such Person, property, circumstance or matter, regardless of whether made directly or indirectly, in verbal, written or electronic form, by or on behalf of Vendor or any of its directors, officers, employees or other personnel, consultants, agents, auditors, counsel or representatives, or implied under or arising by operation of law or by custom.

# 5.3 Representations and Warranties of Purchaser

Purchaser hereby makes the following representations and warranties to and in favour of Vendor as of the date of this Agreement and such representations and warranties shall be deemed to be repeated as of the Closing Date:

- (a) Purchaser is a corporation incorporated pursuant to the laws of Alberta, and is registered to carry on business in the Province of Alberta;
- (b) the execution, delivery and performance of this Agreement by Purchaser has been duly and validly authorized by any and all requisite action on the part of its directors, officers, shareholders or partners, as the case may be, and will not result in any violation of, be in conflict with, or constitute a default under, the constating documents of Purchaser;
- (c) Purchaser has all requisite power, authority and capacity to enter into and perform this Agreement and to purchase and accept the Assets to be sold, transferred and conveyed hereunder in accordance with the provisions of this Agreement;
- (d) the execution, delivery and performance of this Agreement by Purchaser will not result in any violation of, be in conflict with or constitute a default under: (i) any term or provision of any agreement or instrument to which Purchaser is party or by which Purchaser is bound, or (ii) any Applicable Law that is specifically applicable to Purchaser, except, in either case, where such conflict or default would not adversely affect the ability of Purchaser to complete the Transaction in all material respects as contemplated in this Agreement;
- (e) no authorization or approval or other action by, and no notice to or filing with, any Governmental Authority is required for the due execution, delivery and performance by Purchaser of this Agreement, other than authorizations, approvals or exemptions previously obtained and currently in force or to be obtained as and when required during the Pre-Closing Period and any customary post-closing consents; and
- (f) Purchaser is a registrant under the *Excise Tax Act* for the purposes of GST and its registration number is ●.

# 5.4 Survival of Representations and Warranties

The respective representations and warranties set forth in Clauses 5.1 and 5.3, together with the qualifications thereof in Clause 5.2, shall survive Closing for the 12-month period immediately following Closing.

# ARTICLE 6 PRE-CLOSING PERIOD

# 6.1 Maintenance of the Facilities and Incidental Tangibles

During the Pre-Closing Period, Vendor shall, to the extent that the nature of its interest in and to the Facilities and Incidental Tangibles permits, and subject to the Permitted Encumbrances and all Title and Operating Documents and any other agreements and documents to which the Facilities or its interest therein may be subject:

(a) continue to maintain the Facilities and Incidental Tangibles in substantially the same manner as it is being maintained as of the date of this Agreement and in

- material compliance with all Applicable Law, applicable Permits and the relevant Title and Operating Documents;
- (b) obtain an adequate and appropriate insurance policy with respect to and covering the Assets, which insurance policy will list the Purchaser as a beneficiary thereof; and,
- (c) pay or direct the payment of all costs and expenses relating to the Assets which become due and payable during the Pre-Closing Period, other than any amounts being disputed in good faith.

### 6.2 Consent of Purchaser

Notwithstanding Clause 6.1, during the Pre-Closing Period, Vendor shall not, without the written consent of Purchaser, which consent shall not be unreasonably withheld, delayed or conditioned by Purchaser:

- (a) make any commitment or propose, initiate or authorize any individual capital expenditure with respect to the Assets in excess of \$10,000, except in the case of an emergency or in respect of amounts which Vendor may be committed to expend or be deemed to authorize for expenditure without its consent;
- (b) surrender or abandon the Assets or any part thereof;
- (c) amend or terminate or agree to any amendment to or termination of any Title and Operating Document or any other agreement or document to which the Assets are subject, or enter into any new agreement or commitment relating to the Assets other than in the ordinary course of business; or
- (d) sell, encumber or otherwise dispose of the Assets or any part thereof.

# 6.3 Limitation of Liability for Pre-Closing Period

- (a) If Closing occurs, Vendor shall have no liability for any Losses and Liabilities or any Claims arising from or otherwise relating to the construction, installation, operation or maintenance of the Facilities during the Pre-Closing Period pursuant to Clauses 6.1 and 6.2 and, upon Closing, Vendor shall be released from any and all Claims of any nature that Purchaser or any of its respective successors or assigns may then have or thereafter may have against Vendor howsoever relating to such construction, installation, operation or maintenance of the Facilities pursuant to Clauses 6.1 and 6.2, but only to the extent pertaining to any of the Assets, and except to the extent that any such Losses and Liabilities or any such Claims arise as a direct consequence of the gross negligence or wilful misconduct of Vendor.
- (b) If Closing occurs, Purchaser shall be liable for all Losses and Liabilities suffered sustained, paid or incurred by Vendor, as a result of any actions taken, omissions made or purportedly made or construction, installation, operations or maintenance conducted or purportedly conducted by or on behalf of Vendor under Clauses 6.1 and 6.2, except to the extent arising as a direct consequence of the gross negligence or wilful misconduct of Vendor.

# ARTICLE 7 POST-CLOSING MATTERS

# 7.1 Post-Closing Matters

- (a) Following Closing, if and to the extent that Purchaser must be novated into, recognized as a party to, or otherwise accepted as assignee or transferee of the Assets or any portion thereof, including any Title and Operating Documents or other agreements governing or otherwise pertaining to the Facilities or the construction, installation, operation or maintenance thereof, the following provisions shall apply with respect to the applicable Assets or portion thereof until such novation, recognition or acceptance has occurred:
  - (i) at Purchaser's sole cost and expense, Vendor shall hold and administer the Assets or applicable portion thereof on behalf of Purchaser as provided in this Clause 7.1(a);
  - (ii) Vendor may not initiate or authorize any construction, installation, operation or maintenance with respect to any interest in the Assets held by it on behalf of Purchaser pursuant to this Clause 7.1(a), except upon the written direction of Purchaser or if Vendor reasonably determines that such operations are required for the protection of life or property, in which case it may take any actions that it reasonably determines are required in the circumstances, provided that, in such latter case it shall promptly notify Purchaser of such actions and its estimate of the costs and expenses associated therewith; and
  - (iii) Vendor shall use its reasonable efforts to promptly provide to Purchaser all invoices, bills, statements, notices and other information, documents and correspondence issued by Third Parties and relating to any interest in the Assets held by it on behalf of Purchaser pursuant to this Clause 7.1(a) that it receives and shall respond promptly to such bills, statements, notices and other information, documents and correspondence pursuant to the written instructions of Purchaser, but only if such instructions are received on a timely basis, provided that, Vendor may, but shall not be obliged to, refuse to follow any such instructions that it reasonably believes to be contrary to Applicable Law or in conflict with any applicable Title and Operating Document or other agreement.
- (b) If and to the extent that Vendor holds or administers any interest in the Assets and takes actions with respect to any such interest on behalf of Purchaser pursuant to Clause 7.1(a), Vendor shall be deemed to hold such interest as bare trustee and to be acting as the agent of Purchaser in such regard. Purchaser does hereby, and at all times hereafter shall, ratify and affirm all actions taken by Vendor or refrained to be taken by Vendor pursuant to the terms of Clause 7.1(a) in such capacity, with the intention that all such actions shall be for all purposes deemed to be those of Purchaser.
- (c) If Vendor participates in any operations in respect to any interest in the Assets as the bare trustee and agent of Purchaser pursuant to Clause 7.1(a), then Vendor may require Purchaser to secure the costs to be incurred by Vendor on behalf of

Purchaser in respect to such operations in such manner as may be reasonably appropriate in the circumstances.

# 7.2 Limitation of Liability for Post-Closing Operations

- (a) Vendor shall not be liable for any Losses and Liabilities arising from or otherwise relating to the construction, installation, operation or maintenance by it of the Facilities or any interest therein after Closing pursuant to Clause 7.1(a) or the discharge by it of its obligations pursuant to the other provisions of Clause 7.1(a), except to the extent that any such Losses and Liabilities or any such Claims arise as a direct consequence of the gross negligence or wilful misconduct of Vendor.
- (b) Purchaser shall be liable for all Losses and Liabilities suffered, sustained, paid or incurred by Vendor, and, in addition and as an independent covenant, shall defend, indemnify and save harmless Vendor from and against all Losses and Liabilities suffered, sustained, paid or incurred by Vendor and all Claims made against Vendor, in either case, as a result of any actions taken or operations conducted under the other provisions of Clause 7.1(a), except to the extent arising as a direct consequence of the gross negligence or wilful misconduct of Vendor.

# ARTICLE 8 TERMINATION

# 8.1 Right of Termination

This Agreement may be terminated at any time prior to Closing by mutual written agreement of each of the Vendor and the Purchaser.

# 8.2 Superior Offer

This Agreement shall automatically terminate upon a Superior Offer being completed pursuant to and in accordance with the terms of the SISP.

#### 8.3 Effect of Termination

If this Agreement is terminated as permitted by or otherwise in accordance with the terms of this Agreement, each of the Vendor and the Purchaser shall be released from all of their obligations to each other hereunder.

# ARTICLE 9 GENERAL

### 9.1 Further Assurances

Each Party will, from time to time and at all times after Closing, without further consideration, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required in order to fully perform and carry out the terms of this Agreement.

# 9.2 Entire Agreement

The provisions contained in any and all documents and agreements collateral hereto, shall at all times be read subject to the provisions of this Agreement and, in the event of conflict, the provisions of this Agreement shall prevail. This Agreement supersedes all other agreements, documents, writings and verbal understandings among the Parties relating to the subject matter of this Agreement and expresses the entire agreement of the Parties with respect to the subject matter of this Agreement.

## 9.3 Governing Law

This Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta, excluding any conflict of laws rules or principles embodied therein that would permit or require the application of the laws of another jurisdiction, and shall, in every regard, be treated as a contract made in the Province of Alberta.

# 9.4 Assignment; Enurement

This Agreement may not be assigned by a Party without the prior written consent of each other Party, which consent shall be within the discretion of each Party and may be unreasonably and arbitrarily withheld. This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective administrators, trustees, receivers, successors and permitted assigns.

### 9.5 Time of Essence

Time shall be of the essence in this Agreement.

### 9.6 Notices

(a) The Parties' respective initial addresses and fax numbers for the delivery of notices, communications and statements required, permitted or contemplated in this Agreement shall be as follows:

To Vendor:

FTI Consulting Canada Inc. 720, 440 – 2nd Avenue S.W. Calgary, AB T2P 5E9 Canada

Attention: Dustin Olver

Email: Dustin.olver@fticonsulting.com

To Purchaser:

Razor Energy Corp. 800, 500 - 5th Ave SW Calgary, AB T2P 3L5

Attention: Doug Bailey

Email: dbailey@razor-energy.com

- (b) All notices, communications and statements required, permitted or contemplated in this Agreement shall be in writing, and shall be delivered as follows:
  - (i) by personal delivery or courier service delivery to a Party at the address of the Party for the delivery of notices, communication and statements hereunder, in which case the item so delivered shall be deemed to have been received on the date of delivery, but only if such delivery takes place prior to 5:00 p.m. on a Business Day. If the actual delivery of such item occurs after 5:00 p.m. on a Business Day or on a day that is not a Business Day, then such item shall be deemed to have been received on the first Business Day following the date on which such actual delivery was made; or
  - (ii) by email to a Party at the email of the Party for the delivery of notices, communications and statements hereunder, in which case the item so transmitted shall be deemed to have been received when it has been received in its entirety in a legible form, but only if such transmission and receipt are completed prior to 4:30 p.m. on a Business Day. If such transmission and receipt are completed after 4:30 p.m. on a Business Day or on a day that is not a Business Day, then such item shall be deemed to have been received on the first Business Day following the date on which such transmission and receipt were completed.
- (c) A Party may from time to time change its address or its email for the delivery of notices, communications and statements hereunder by giving written notice of such change to each other Party.

### 9.7 Invalidity of Provisions

If any of the provisions of this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained in this Agreement shall not in any way be affected or impaired thereby.

### 9.8 Waiver

No failure on the part of any Party in exercising any right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any right or remedy in law or in equity or by other Applicable Law or otherwise conferred. No waiver of any provision of this Agreement, including this Clause 9.8, shall be effective otherwise than by an instrument in writing dated subsequent to the date of this Agreement, executed by a duly authorized representative of the Party making such waiver.

## 9.9 No Merger

The respective representations, warranties, covenants and indemnities of the Parties contained in this Agreement, including all qualifications thereof and limitations thereon, shall not be merged in any assignments, conveyances, transfers and other documents provided for under this Agreement and shall survive Closing to the extent provided in the respective terms thereof.

### 9.10 Amendment

This Agreement shall not be varied or amended in any respect other than by an instrument in writing dated subsequent to the date of this Agreement, and executed by a duly authorized representative of each Party.

# 9.11 No Third Party Beneficiaries

This Agreement is made for the benefit of the Parties and their respective successors and permitted assigns and, except as expressly provided herein, is not intended to benefit, or be enforceable by, anyone that is not a Party. The Parties expressly exclude any provision of any Applicable Law that would confer rights or benefits under this Agreement to a Person that is not a Party or otherwise permit any Person that is not a Party to enforce any provision of this Agreement, other than the Parties' respective successors or permitted assigns, as the case may be.

# 9.12 Counterpart Execution

This Agreement may be executed in any number of counterparts with the same effect as if all signatories to the counterparts had signed one document. All such counterparts shall together constitute and be construed as one instrument. For avoidance of doubt, a signed counterpart provided by way of facsimile transmission or other electronic means shall be as binding upon the Parties as an originally signed counterpart.

[Signature page to follow]

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

# BLENDFORCE ENERGY SERVICES INC. by its court appointed receiver and manager FTI Consulting Canada Inc., in its capacity as court appointed receiver and manager of the assets, properties, and undertakings of BlendForce Energy Services Inc., and not in its personal or corporate capacity Per: Name: Title: RAZOR ENERGY CORP. RAZOR ENERGY CORP.

This is a counterpart execution page for the Asset Purchase and Sale Agreement Between BlendForce Energy Services Inc., as Vendor and Razor Energy Corp., as Purchaser, dated as of August 15, 2017.

### **SCHEDULE A**

#### PART 1

This is Schedule A Part 1 attached to and forming part of an Asset Purchase and Sale Agreement made as of August 15, 2017 between BlendForce Energy Services Inc., as Vendor and Razor Energy Corp., as Purchaser.

## **FACILITIES**

Location of Disposal Facilities Nampa 2 **ALBERTA** McLennan 2 High Prairie 43 Valleyview Blendforce Swan Hills 8-14-66-10W5 isposal Facility Jan. 2010 Swan Hills Athabasca Lac la Biche 43 Secure Energy Judy Creek FST 01-03-64-10W5 Tervita Judy Creek FST 05-19-63-10W5 Fox Creek Fort 35 2 RJ Oil Whitecourt Doris Disposal 07-02-63-05W5 Smoky Lake Mayerthorpe 2 Mayerthorpe FST 16-31-56-08W5 43 Fort Saskatchewan Edson Edmonton 16 Spruce Grove Vegraville Hinton Drayton Valley

BlendForce Energy Services Inc. has right, title, benefit and interest in the following assets located in the town of Swan Hills, Alberta.

Physical Street Address: 5276 Watson Street, Swan Hills AB. UWI: 02-14-066-10W5M.

This is Schedule A Part 2 attached to and forming part of an Asset Purchase and Sale Agreement made as of August 15, 2017 between BlendForce Energy Services Inc., as Vendor and Razor Energy Corp., as Purchaser.

# **INCIDENTAL TANGIBLES**

All incidental tangibles associated with or pertaining to the Assets.

This is Schedule A Part 3 attached to and forming part of an Asset Purchase and Sale Agreement made as of August 15, 2017 between BlendForce Energy Services Inc., as Vendor and Razor Energy Corp., as Purchaser.

# **DISPOSAL WELLS**

This is Schedule A Part 4 attached to and forming part of an Asset Purchase and Sale Agreement made as of August 15, 2017 between BlendForce Energy Services Inc., as Vendor and Razor Energy Corp., as Purchaser.

# **SURFACE RIGHTS**

All surface rights associated with or pertaining to the Assets.

This is Schedule A Part 5 attached to and forming part of an Asset Purchase and Sale Agreement made as of August 15, 2017 between BlendForce Energy Services Inc., as Vendor and Razor Energy Corp., as Purchaser.

# **PERMITS**

All permits associated with or pertaining to the Assets.

#### **SCHEDULE B**

This is Schedule B attached to and forming part of an Asset Purchase and Sale Agreement made as of August 15, 2017 between BlendForce Energy Services Inc., as Vendor and Razor Energy Corp., as Purchaser.

# **FORM OF GENERAL CONVEYANCE**

#### **GENERAL CONVEYANCE**

THIS GENERAL CONVEYANCE is made this \_\_\_\_ day of \_\_\_\_\_, 2017.

BETWEEN:

**BLENDFORCE ENERGY SERVICES INC.**, by its court appointed receiver and manager **FTI Consulting Canada Inc.**, in its capacity as court appointed receiver and manager of the assets, properties, and undertakings of BlendForce Energy Services Inc., and not in its personal or corporate capacity ("Vendor")

- and -

**RAZOR ENERGY CORP.**, corporation having an office in the City of Calgary, Alberta ("**Purchaser**")

WHEREAS pursuant to the provisions of an asset purchase and sale agreement dated August 15, 2017 between Vendor and Purchaser (the "Sale Agreement"), Purchaser has agreed to purchase Vendor's interest in the "Assets", as defined in the Sale Agreement, subject to the terms and conditions set forth in the Sale Agreement:

**NOW THEREFORE THIS GENERAL CONVEYANCE WITNESSES** that Vendor and Purchaser agree as follows:

#### 1. Definitions

Unless otherwise defined in this General Conveyance, capitalized words when used in this General Conveyance have the meaning ascribed to them in the Sale Agreement.

# 2. Conveyance

Pursuant to and for the consideration provided for in the Sale Agreement, Vendor hereby sells, assigns, transfers, conveys and sets over to Purchaser Vendor's entire right, title, estate and interest in and to the Assets, and Purchaser hereby purchases and accepts such Assets, to have and to hold the same absolutely, together with all benefits and advantages to be derived therefrom, subject to the terms and conditions of the Sale Agreement.

### 3. Effective Date

This General Conveyance shall be effective as the date first written above.

### 4. Subordinate Documents

This General Conveyance is executed and delivered by the parties hereto pursuant to and for the purposes of the provisions of the Sale Agreement and the provisions of the Sale Agreement shall prevail and govern in the event of a conflict between the provisions of the Sale Agreement and this General Conveyance.

#### 5. Enurement

This General Conveyance shall be binding upon and enure to the benefit of each of the parties hereto and their respective receivers, receiver-managers, successors and assigns.

#### 6. Further Assurances

Each party hereto will, from time to time and at all times hereafter, at the request of the other party but without further consideration, do all such further acts and execute and deliver all such further documents as shall be reasonably required in order to fully perform and carry out the terms of this General Conveyance.

# 7. Merger

Nothing contained in this Agreement shall in any way result in a merger of the terms and conditions of the Sale Agreement with the terms and conditions of this General Conveyance and the parties hereto specifically agree that all such terms and conditions of the Sale Agreement shall continue to apply to the within conveyance.

#### 8. Governing Law

This General Conveyance shall be governed by and construed in accordance with the laws of the Province of Alberta.

### 9. Counterpart Execution

This General Conveyance may be executed in any number of counterparts with the same effect as if all signatories to the counterparts had signed one document. All such counterparts shall together constitute and be construed as one instrument. For avoidance of doubt, a signed counterpart provided by way of facsimile transmission or other electronic means shall be as binding upon the parties hereto as an originally signed counterpart.

IN WITNESS WHEREOF the parties hereto have executed this General Conveyance as of the date first written above.

# BLENDFORCE ENERGY SERVICES INC. by its court appointed receiver and manager FTI Consulting Canada Inc., in its capacity as court appointed receiver and manager of the assets, properties, and undertakings of BlendForce Energy Services Inc., and not in its personal or corporate capacity Per: Name: Title: Name: Title: RAZOR ENERGY CORP.

### **SCHEDULE C**

This is Schedule C attached to and forming part of an Asset Purchase and Sale Agreement made as of August 15, 2017 between BlendForce Energy Services Inc., as Vendor and Razor Energy Corp., as Purchaser.

#### FORM OF CERTIFICATE FOR VENDOR

#### **OFFICER'S CERTIFICATE**

TO: Razor Energy Corp. ("Purchaser")

RE: Asset Purchase and Sale Agreement dated August 15, 2017 (the "Sale Agreement") between BlendForce Energy Services Inc., by its court appointed receiver and manager FTI Consulting Canada Inc., in its capacity as court appointed receiver and manager of the assets, properties, and undertakings of BlendForce Energy Services Inc., and not in its personal or corporate capacity, ("Vendor") and Purchaser

The undersigned, **[INSERT NAME]**, being the **[INSERT TITLE]** of Vendor, hereby certifies, for and on behalf of Vendor and not in his/her personal capacity, as follows:

- 1. The undersigned is personally familiar with the matters hereinafter certified.
- 2. This certificate is made and delivered pursuant to the Sale Agreement.
- 3. The definitions contained in the Sale Agreement are adopted in this Certificate and wherever used shall have the meanings ascribed to them in the Sale Agreement.
- 4. The representations and warranties of Vendor set forth in clause 5.1 of the of the Sale Agreement that are made or are deemed to be repeated as of the Closing Time are true in all material respects as of the Closing Time,
- 5. All obligations and covenants of Vendor to be performed or complied with prior to or at the Closing Time (other than in respect to the agreements, certificates and other instruments and documents to be delivered at the Closing Time by Vendor pursuant to clause 4.1 of the Sale Agreement) have been timely performed or complied with in all material respects.

DATED at Calgary, Alberta, as of the day of	, 2017.
BLENDFORCE ENERGY SERVICES INC. by its court receiver and manager FTI Consulting Canada Inc., in it as court appointed receiver and manager of the assets, and undertakings of BlendForce Energy Services Inc., are personal or corporate capacity	ts capacity properties,
Per: Name:	
Title:	

# FORM OF CERTIFICATE FOR PURCHASER

#### OFFICER'S CERTIFICATE

TO: BlendForce Energy Services Inc. ("Vendor")

RE: Asset Purchase and Sale Agreement dated August 15, 2017 (the "Sale Agreement") between Vendor, and Razor Energy Corp. ("Purchaser")

The undersigned, **[INSERT NAME]**, being the **[INSERT TITLE]** of Purchaser, hereby certifies, for and on behalf of Purchaser and not in his/her personal capacity, as follows:

- 1. The undersigned is personally familiar, in his/her capacity as an officer of Purchaser, with the matters hereinafter certified.
- 2. This certificate is made and delivered pursuant to Subclause 4.2(b) of the Sale Agreement.
- 3. The definitions contained in the Sale Agreement are adopted in this Certificate and wherever used shall have the meanings ascribed to them in the Sale Agreement.
- 4. The representations and warranties of Purchaser set forth in clause 5.3 of the Sale Agreement that are made or are deemed to be repeated as of the Closing Time are true in all material respects as of the Closing Time.
- 5. All obligations and covenants of Purchaser to be performed prior to or at the Closing Time (other than in respect to the payment, agreements, certificates and other instruments and documents to be tendered or delivered at the Closing Time by Purchaser pursuant to Clause 4.2) have been timely performed in all material respects.

DATED at Calgary, Alberta, as of the	day of	, 2017.
RAZOR ENERGY CORP.		
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# **SCHEDULE D**

This is Schedule CD attached to and forming part of an Asset Purchase and Sale Agreement made as of August 15, 2017 between BlendForce Energy Services Inc., as Vendor and Razor Energy Corp., as Purchaser.

# PERMITTED ENCUMBRANCES

1) The Swan Hill Property Taxes.