

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

IN THE MATTER OF an application under subsection 243(1) of the
Bankruptcy and Insolvency Act, RSC 1985, c B-3, as amended, and section 101
of the *Courts of Justice Act*, RSO 1990, c C.43, as amended.

B E T W E E N :

CORTLAND CREDIT LENDING CORPORATION

Applicant

- and -

**SEQUENT AI LTD., SEQUENT AI EXCHANGE CO LTD., and FULCRUM
STONEWORKS EXCHANGE CO LTD.**

Respondents

**FACTUM OF THE RECEIVER
(Approval and Vesting Order)
(Returnable September 22, 2026)**

September 18, 2026

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Table of Contents

PART I.	NATURE OF THE MOTION.....	1
PART II.	THE FACTS	2
A.	Background	2
B.	The SISP	4
C.	Cortland Subsequent Credit Bid.....	5
D.	Results of the Claims Procedure	8
PART III.	ISSUES AND THE LAW	9
A.	Approval and Vesting Order and Transaction Should be Approved	10
(i)	Transaction Terms Are Fair and Reasonable and Order Is Appropriate.....	14
(ii)	Receiver Supports the Approval and Vesting Order.....	16
B.	The Fees and Activities Should be Approved.....	17
(i)	Approval of Activities.....	18
PART IV.	ORDER REQUESTED	21

PART I. NATURE OF THE MOTION

1. This Factum is filed in support of a motion by the Receiver¹ for an Approval and Vesting Order, approving the Transaction arising from the Successful Bid identified in the SISP and granting related relief. No other Qualified Bid was received by the Bid Deadline.
2. The Transaction contemplates the sale of the Purchased Shares of the non-Debtor operating company, Stoneworks Technologies Inc. (“**Stoneworks Technologies**”), to the Purchaser. The Purchaser is an entity related to Cortland Credit Lending Corporation (“**Cortland**”), the agent for the Senior Lenders under the Senior Credit Agreement.
3. The Transaction is a form of “credit bid.” The Purchaser will, among other things, assume the Senior Credit Agreement Secured Debt and pay the Priority Payables Consideration. The Debtors and PJS will be released from their obligations in respect of the Senior Credit Agreement Secured Debt.
4. The Receiver recommends approval of the Transaction. The opportunity was marketed widely in accordance with the Court-approved SISP. The Transaction represents the highest and best available outcome identified in the SISP, and is expected to provide minimal interruption to the ongoing operations of Stoneworks Technologies.
5. The Receiver also seeks an Ancillary Order approving the Receiver’s Reports and the activities described therein, and the fees and disbursements of the Receiver and its counsel.

¹ Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Third Report of the Receiver dated September 16, 2026 (the “**Third Report**”).

PART II. THE FACTS

6. The facts in support of this motion are more fully set out in the Third Report of the Receiver dated September 16, 2026 (the “**Third Report**”).²

A. Background

The Debtors and Operating Entities

7. On application by Cortland and pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated April 17, 2026 (the “**Receivership Order**”), AlixPartners Restructuring, Inc. was appointed as receiver and manager (in such capacity, the “**Receiver**”) of all of the assets, properties and undertakings of Sequent AI Ltd. (the “**Borrower**”), Sequent AI ExchangeCo Ltd. (“**Sequent Exchangeco**”) and Fulcrum Stoneworks Exchangeco Ltd. (“**Stoneworks Exchangeco**”, and collectively with the Borrower and Sequent Exchangeco, the “**Debtors**”).³

8. Each of Stoneworks Exchangeco and Sequent Exchangeco is a holding company (collectively, the “**Holding Companies**”) that own shares of operating entities providing technology services to organizations in Canada. Stoneworks Exchangeco owns certain shares in Stoneworks Technologies and Sequent Exchangeco owns certain shares of P J S Systems Inc. (“**PJS**” and together with Stoneworks Technologies, the “**Operating Entities**”).⁴

² The Receiver also relies on its First Report dated April 28, 2026 (the “**First Report**”) and the Second Report dated July 31, 2026.

³ Third Report, at paragraph 1.0.1.

⁴ Third Report, at paragraph 2.1.2.

9. The Operating Entities have their own management and operations and continue to operate in normal course.⁵

10. The principal focus of these proceedings has been to seek and implement a transaction in respect of the property of the Debtors (chiefly, their direct and indirect interests in the Operating Entities) or a refinancing of the Debtors' business.⁶

Secured Debt

11. Cortland is the Debtors' primary secured creditor. Pursuant to an amended and restated credit agreement dated June 29, 2023 (as later amended, the "**Senior Credit Agreement**"), certain lenders party from time to time (the "**Senior Lenders**") granted a credit facility to the Borrower in the total amount of CDN \$41,000,000 (the "**Credit Facility**").⁷ Cortland acts as agent for the Senior Lenders.

12. As at the date of the Receivership Order, the total amount outstanding under the Credit Facility was approximately \$32 million (the "**Indebtedness**" or the "**Cortland Debt**").⁸ As of September 15, 2026, the Indebtedness is approximately \$34.7 million.⁹

13. Each Holding Company is a guarantor of the Credit Facility pursuant to guarantees dated June 29, 2023 (the guarantee from Stoneworks Exchangeco, the "**Stoneworks Exchangeco Guarantee**") in favour of Cortland, as agent.¹⁰

⁵ Third Report, at paragraph 2.1.5.

⁶ Third Report, at paragraph 1.0.2.

⁷ Third Report, at paragraph 2.2.1.

⁸ Third Report, at paragraph 2.2.1.

⁹ Third Report, at paragraph 2.2.1.

¹⁰ Third Report, at paragraph 2.2.3.

14. Prior to the date of the Receivership Order, Cortland issued demands in respect of the Indebtedness from each of the Debtors.¹¹

B. The SISP

15. On May 5, 2026, this Court granted an order (the “**SISP Approval Order**”), approving, among other things, a sale and investment solicitation process (the “**SISP**”) in respect of the Property of the Debtors.¹²

16. Commencement of the SISP was delayed due to various factors, including difficulty obtaining access to key materials relating to the Operating Entities (which are outside the receivership). As a result, the Receiver modified the SISP milestones in accordance with the discretion granted to it in the SISP, including extending the Bid Deadline from the original date of June 12, 2026 (approximately 5 weeks from the intended SISP commencement) to July 21, 2026 (the “**Bid Deadline**”) (approximately five weeks from the actual SISP commencement date of June 16, 2026).¹³

17. In accordance with the SISP, the Receiver, among other things, prepared a Teaser and Confidential Information Memorandum, a form of NDA, a Sales Process Letter advising interested parties of the milestone dates and the requirements for participation in the SISP, and established a virtual data room with information regarding the Operating Entities.¹⁴

¹¹ Third Report, at paragraph 2.2.6.

¹² Third Report, at paragraph 3.0.1.

¹³ Second Report, at paragraphs 3.01.1-3.01.6.

¹⁴ Second Report, at paragraph 3.1.1.

18. The Teaser was distributed to 103 potential purchasers (the “**Buyer’s List**”). The Buyers List included parties identified by the principal of Stoneworks Technologies, parties who had contacted the Receiver expressing an interest in the SISP since the Filing Date, and other strategic and financial parties. The Receiver followed up with each potential purchaser on the Buyers List several times to determine each party’s interest in the opportunity, including by email on June 22, 2026 and by phone on June 24 and June 25, 2026, where possible.¹⁵

19. The Receiver also caused a notice of the SISP to be posted on the Receiver’s Website on June 16, 2026 and published in The Globe and Mail (National Edition) on June 22, 2026.¹⁶

20. At the Bid Deadline, two letters of intent (“**LOIs**”) were submitted but neither of them met the definition of a Qualified Bid given they did not meet the definition of Supportable Offer, since, among other things, none provided for sufficient consideration to fully satisfy or otherwise address the Cortland Debt in cash, without deductions, set-offs, withholdings or reductions of any kind, and sufficient additional consideration to pay the Priority Payables.¹⁷

C. Cortland Subsequent Credit Bid

21. The SISP provides that if no Qualified Bid is received by the Bid Deadline then Cortland may submit a Cortland Subsequent Credit Bid within seven business days (the “**Cortland Subsequent Bid Deadline**”).¹⁸

¹⁵ Second Report, at paragraph 3.1.1.

¹⁶ Second Report, at paragraph 3.1.1.

¹⁷ Third Report, at paragraph 3.0.3.

¹⁸ Third Report, at paragraph 3.0.4.

22. A Cortland Subsequent Credit Bid must include consideration in an amount greater than or equal to: (i) the assumption of all or any portion of the Cortland Debt; and (ii) payment in full in cash on closing of all current or future amounts owing as secured by any charges, Liens or interests that rank in priority to the entirety of the Cortland Debt plus accrued but unpaid interest, fees, expenses and other costs, including legal fees and expenses, including without limitation, all accrued and unpaid interest, fees, expenses, costs, legal fees and expenses as of the Closing Date (the “**Senior Credit Agreement Secured Debt**”), including without limitation, any court-ordered charges or statutory priority claims, as determined by the Receiver through the Claims Procedure (the “**Priority Payables**”).¹⁹

23. As permitted by the SISP, the Receiver extended certain deadlines to allow Cortland further time to finalize its bid: (a) the deadline for Cortland to submit a binding and irrevocable term sheet to August 12, 2026, (b) the deadline for Cortland to submit a binding and irrevocable agreement of purchase and sale to September 4, 2026, and (c) the Outside Date to September 30, 2026.²⁰

24. Cortland submitted a binding and irrevocable term sheet on August 11, 2026 (the “**Binding Term Sheet**”).²¹ The Receiver determined that the Binding Term Sheet met the definition of a Cortland Subsequent Credit Bid and was the Successful Bid pursuant to the SISP.

25. The Binding Term Sheet contemplated a potential dissolution of Stoneworks Exchangeco such that Cortland would purchase the Purchased Shares from the Borrower.

¹⁹ Third Report, at paragraph 3.0.5.

²⁰ Third Report, at paragraph 3.0.7 and 3.0.11.

²¹ Third Report, at paragraph 3.0.8.

However, following discussions among the advisors for the Purchaser and the Receiver, the Purchaser determined to proceed with a purchase from Stoneworks Exchangeco directly.²²

26. To facilitate this structure, the Receiver has prepared an acknowledgment to be delivered as part of the closing under the SPA, pursuant to which Stoneworks Exchangeco acknowledges and agrees that it is a direct obligor in respect of the outstanding Indebtedness (the “**Debt Acknowledgment**”).²³

27. The Receiver subsequently extended the deadline for Cortland to deliver the binding SPA from September 4, 2026 to September 16, 2026.²⁴

28. On September 16, 2026, the Receiver and Workstone Holdings Inc., controlled by Cortland and incorporated for the purpose of the Transaction (the “**Purchaser**”) entered into a share purchase agreement (the “**SPA**”), which is conditional upon court approval.²⁵

29. The Share Purchase Agreement contemplates a sale of the Purchased Shares of Stoneworks Technologies to the Purchaser in exchange for assumption of the Senior Credit Agreement Secured Debt and a cash payment of all Priority Payables as described further below.²⁶

30. The Share Purchase Agreement also contemplates the purchase of shares held by a third party, Clementi, who is party to a drag-along agreement. The Clementi Drag-Along Agreement obliges Clementi to sell his shares in the event of a sale of shares by Stoneworks Exchangeco,

²² Third Report, at paragraph 3.0.9.

²³ Third Report, at paragraph 3.0.10.

²⁴ Third Report, at paragraph 3.0.11.

²⁵ Third Report, at paragraph 3.0.12.

²⁶ Third Report, at paragraph 5.0.1(d).

on terms described in that agreement.²⁷ The Receiver is not seeking to transfer such shares pursuant to the Approval and Vesting Order but rather such shares will be transferred contractually.

31. The Receiver is of the view that the Transaction set out in the Share Purchase Agreement is appropriate, represents the highest and best value identified in the court-approved SISP and should be approved.²⁸

D. Results of the Claims Procedure

32. The Court approved a Claims Procedure pursuant to a Claims Procedure Order dated August 7, 2026.²⁹ The Claims Bar Date was August 31, 2026 at 5:00 pm (EST).³⁰

33. The purpose of the Claims Procedure was to identify Priority Payables to be paid on closing of a transaction and to identify potential claims against Stoneworks Exchangeco in the event Cortland elected to seek to dissolve Stoneworks Exchangeco or amalgamate it with the Borrower. Once the Purchaser determined that a dissolution or amalgamation was not required, the Claims Procedure focused on identifying Priority Payables.³¹

34. In total, eight claims against the Debtors were received by the Claims Bar Date. None of them constituted a Priority Payable.³² The only Priority Payables of which the Receiver is

²⁷ Third Report, at paragraph 5.0.1(d).

²⁸ Third Report, at paragraph 5.1.1.

²⁹ Third Report, at paragraph 1.0.4.

³⁰ Third Report, at paragraph 4.0.1.

³¹ Third Report, at paragraph 4.0.2.

³² Third Report, at paragraph 4.0.3.

aware are the administrative costs of the Receiver and its counsel, and the Receiver's borrowings.³³

35. The largest unsecured Claim asserted in the Claims Procedure was submitted by Stoneworks Technologies against the Borrower, which is with respect to an inter-company loan in the amount of \$21,473,659 (the "**Inter-Company Debt**").³⁴

36. On September 4, 2026, the Receiver sent a notice to all eight claimants notifying them that no distributions are anticipated to unsecured creditors or holders of equity claims and the Receiver would be exercising its discretion under the Claims Procedure Order to deliver any Notice of Revision or Disallowance at a later date if appropriate.³⁵

PART III. ISSUES AND THE LAW

37. The issues before this Court are as follows:

- (a) **Should the Court grant the Approval and Vesting Order and approve the Transaction contemplated therein?** Yes. The Transaction represents the highest and best bid identified in the Court-approved SISP and the *Soundair* principles are satisfied.
- (b) **Should the Court approve the Receiver's activities the fees and disbursements of the Receiver and its counsel?** Yes, such activities and fees are reasonable, fair and appropriate.

³³ Third Report, at paragraph 4.0.4.

³⁴ Third Report, at paragraph 4.0.5.

³⁵ Third Report, at paragraph 4.0.6.

A. Approval and Vesting Order and Transaction Should be Approved

38. In reviewing a proposed sale of assets in the context of a receivership, a court is to consider the factors set out by the Court of Appeal in *Royal Bank v. Soundair Corp.*³⁶

- (a) whether the receiver has made a sufficient effort to get the best price and has not acted improvidently;
- (b) whether the interests of all parties have been considered;
- (c) the efficacy and integrity of the process by which offers are obtained; and
- (d) whether there has been unfairness in the working out of the process.³⁷

39. In making this assessment, the court should generally uphold the business judgment of the Receiver overseeing the sale, and only reject the Receiver's recommendation in the most exceptional circumstances, such as where those sales do not satisfy the *Soundair* principles.³⁸

40. In this case, the *Soundair* principles have been satisfied.

41. The Transaction was identified pursuant to the Court-approved SISP, which was conducted in accordance with its terms. The Receiver marketed the opportunity broadly over an approximately five-week solicitation period, distributing marketing materials to over 100 prospective purchasers and publishing notice of the opportunity in *The Globe and Mail* and on the Receiver's Website as required by the SISP.³⁹

³⁶ *Royal Bank of Canada v. Soundair Corp.*, [\(1991\) 4 OR \(3d\) 1](#) (ONCA) [*Soundair*].

³⁷ *Soundair* at [para. 21](#), *Soundair* has been applied in a variety of cases, including *CCM Master Qualified Fund v. blutip Power Technologies*, [2012 ONSC 1750](#).

³⁸ *Soundair* at [para. 21](#); *Terrace Bay Pulp Inc. (Re)*, [2012 ONSC 4247](#) [Morawetz J] at [paras. 45-66](#).

³⁹ Second Report, at paragraph 3.1.1.

42. A fair and reasonable process was followed that made sufficient effort to identify the best price. Despite those efforts, neither of the two LOIs submitted at the Bid Deadline constituted a Supportable Offer capable of satisfying the Indebtedness.⁴⁰

43. The SISP contemplated that in such a scenario, a Cortland Subsequent Credit Bid could be submitted by the Cortland Subsequent Bid Deadline. The Transaction arises from the Cortland Subsequent Credit Bid that was submitted as contemplated by the SISP and which constitutes the Successful Bid in the SISP.⁴¹

44. Cortland supports the Transaction and, as the key secured creditor, it was consulted throughout in accordance with the SISP.⁴²

45. The Receiver is not aware of any unfairness in the working out of the process. Moreover, since the assets of the Debtors consist only of shares, the Receiver is not aware of any other reasonable “liquidation” alternative to realize on the Purchased Shares.⁴³

46. The Transaction itself is fair and reasonable and represents the best available option for stakeholders.

47. The key terms of the SPA are as follows:⁴⁴

- a) **Purchased Shares:** the Purchaser is acquiring the Purchased Shares, being all issued and outstanding shares of Stoneworks Technologies in the Receiver’s possession and control, including:
 - i. the shares of Stoneworks Technologies held by Stoneworks Exchangeco, being 200 Class B non-voting shares, 32,599,800

⁴⁰ Third Report, at paragraph 3.0.3.

⁴¹ Third Report, at paragraph 3.0.4.

⁴² Third Report, at paragraph 5.1.1(i).

⁴³ Third Report, at paragraph 5.1.1(f).

⁴⁴ Third Report, at paragraph 5.0.1.

Class B preferred shares and 198,000 Class D preferred shares (the “**Stoneworks Exchangeco SW Shares**”); and

- ii. the 200 Class A voting common shares held by Mr. Giuseppe Antonio Clementi (the “**Clementi SW Shares**”).

b) **Purchase Price:** the aggregate of:

- i. a cash payment for the Clementi SW Shares (the “**Clementi Consideration**”), in an amount to be agreed with Mr. Clementi in writing or determined by the Receiver pursuant to the Clementi Drag-Along Agreement dated January 30, 2026 (the “**Clementi Drag-Along Agreement**”);
- ii. a cash payment in an amount estimated by the Receiver to satisfy all Priority Payables to termination of these proceedings plus any amounts for the administration of bankruptcy proceedings for the Debtors (the “**Estimated Priority Payables Amount**”), which amount shall be subject to a final adjustment, and which shall include the fees of the Receiver and its counsel as secured by the Receiver’s Charge and the Receiver’s Borrowings Charge, and any Claims ranking in priority to Cortland, the Receiver being aware of no such Claims (the “**Priority Payables Consideration**” and together with the Clementi Consideration, the “**Cash Purchase Price**”); and
- iii. the assumption by the Purchaser of the Assumed Liabilities, which include the entirety of the Senior Credit Agreement Secured Debt.

c) **Debt Acknowledgment:** as a condition of and deliverable at closing, the Receiver is to deliver the Debt Acknowledgment.

d) **Assumed Liabilities:** include all outstanding Liabilities owing by Stoneworks Exchangeco to Cortland under the Senior Credit Agreement, the Stoneworks Exchangeco Guarantee, which includes the Senior Credit Agreement Secured Debt. The parties have agreed to a form of agreement pursuant to which the Purchaser shall assume the Senior Credit Agreement Secured Debt (the “**Secured Debt Assignment and Assumption Agreement**”).

e) **Agreements:** all rights and obligations of Stoneworks Exchangeco under the Ingram Micro Drag-Along Agreement and the Ingram Micro Waterfall Agreement, neither of which contain any restrictions on assignment.

f) **Excluded Liabilities:** Assumed Liabilities expressly excludes the Inter-Company Debt owing from the Borrower to Stoneworks Technologies, which is not assumed and survives closing.

- g) **Representations and Warranties:** consistent with the terms of a standard insolvency transaction (i.e., on an "as is, where is" and "without recourse" basis, with limited representations and warranties).
- h) **Releases:** the SPA provides for the following contractual releases:
 - i. a release by the Purchaser of the Debtors, PJS and Mr. Clementi from claims related to accrued and contingent liabilities owed to the Purchaser as of closing (excluding the Inter-Company Debt);
 - ii. a release by Cortland, on behalf of the Senior Lenders, of the Debtors and PJS under the Senior Credit Agreement;
 - iii. an acknowledgment and waiver from Stoneworks Technologies in respect of claims it may have against the Debtors and PJS relating to the Transaction or the Senior Credit Agreement Secured Debt; and
 - iv. a release by Cortland of the continuing security interest granted by Mr. Clementi to Cortland in all of Mr. Clementi's right, title and interest in the Clementi SW Shares pursuant to a pledge agreement dated January 29, 2026 (the "**Clementi Security Interest**").
- i) **Closing Date:** the Business Day following the satisfaction or waiver of the closing conditions in Sections 5.01 and 5.02 of the SPA, or such other date as the parties may agree in writing. The Time of Closing is 10:00 a.m. (Toronto time) on the Closing Date.
- j) **Outside Date:** September 30, 2026.
- k) **Material Conditions:** the conditions include, but are not limited to, the following:
 - i. the Court's entry and issuance of the AVO, which must not be stayed, varied, set aside or successfully appealed;
 - ii. the Receivership Order not having been stayed, varied, set aside or successfully appealed;
 - iii. delivery of the Debt Acknowledgment and assignment to the Purchaser of Stoneworks Exchangeco's rights under the Ingram Micro Drag-Along and Waterfall Agreements; and
 - iv. the Purchaser obtaining the releases referred to above from Cortland and Stoneworks Technologies.

(i) Transaction Terms Are Fair and Reasonable and Order Is Appropriate

48. The Receiver is of the view that the Transaction terms are fair and reasonable and that the terms of the Approval and Vesting Order sought are appropriate. Among other things:

(a) Assumption of Debt is Appropriate – the Transaction provides for the assumption in full of all of the Senior Credit Agreement Secured Debt by the Purchaser as well as payment of all Priority Payables ranking ahead of such secured debt. This structure is akin to a “credit bid”; however, rather than having the secured debt holder bid their own debt (and extinguish such debt), the Purchaser in this case is a separate entity that is assuming the secured debt and delivering a release from Cortland that will release each Debtor from its obligations pursuant to the Senior Credit Agreement. This structure, therefore, delivers value to the Debtors’ estates equal to the value of the Assumed Liabilities and Cash Consideration. The Court has approved similar assumption structures in other cases.⁴⁵

(b) Priority Payables Adjustment Appropriate - The SPA contemplates that the Purchaser will satisfy all Priority Payables. The Claims Procedure confirmed that there are no “third party” Priority Claims: the Priority Payables consist of the fees of the Receiver and its counsel and the Receiver’s borrowings for the receivership and any subsequent bankruptcy, if required. It is difficult to calculate the Priority Payables with certainty at Closing since such amounts continue to accrue and since it is possible that there may be receipts from the sale of the PJS shares subsequent

⁴⁵ *Canadian Overseas Petroleum Limited (Re)*, [2024 ABCA 190](#); *PCAS Patient Care Automation Services Inc. (Re)*, [2012 ONSC 2840](#).

to Closing that would be applied to satisfy such fees.⁴⁶ Accordingly, the Receiver and the Purchaser have agreed that the Purchaser will pay an estimated Priority Payables amount at Closing and that there will be a post-closing adjustment mechanism at the Adjustment Date (no later than three months after the Closing Date, unless otherwise agreed) and the Final Adjustment Date (15 days prior to termination of the receivership unless otherwise agreed). The post-closing adjustment:

- (i) will take into consideration the Priority Payables incurred (and estimated) on those dates, and net receipts from any sales of other assets on those dates; and
- (ii) may require a top-up by the Purchaser or may result in a return of any excess payment to the Purchaser, provided that in no event shall the Purchaser receive more than the amount it paid for the Estimated Priority Payables Amount it pays on Closing.⁴⁷

(c) **Releases Appropriate** – the Transaction does not contemplate court-ordered releases. Rather, the Releases contemplated are contractual releases to be delivered by various parties, including Cortland.⁴⁸ The Releases are intended to ensure that the Debtors obtain the benefit of the Transaction and do not continue to be liable for the Assumed Liabilities, directly or indirectly.

⁴⁶ Third Report, at paragraph 5.0.6.

⁴⁷ Third Report, at paragraph 5.0.7.

⁴⁸ Third Report, at paragraph 5.0.1(j).

(d) **Debt Acknowledgement Appropriate** – the Transaction contemplates the purchase of the Purchased Shares from Stoneworks Exchangeco. Stoneworks Exchangeco is a guarantor in respect of the Senior Credit Agreement Secured Debt, and Cortland made a demand on the guarantee prior to the receivership.⁴⁹ The Debt Acknowledgement requested by the Purchaser provides that Stoneworks Exchangeco acknowledges and agrees that it is a direct obligor in respect of the outstanding Indebtedness. The Receiver is of the view that the Debt Acknowledgement is accurate and that it is appropriate to execute it to facilitate the Transaction.⁵⁰

(e) **Clementi SW Shares** – since the Clementi SW Shares are not owned by the Debtors, they will not be transferred pursuant to the Approval and Vesting Order. Rather, they will be transferred contractually pursuant to an Assignment Agreement directly with Clementi or through the Receiver exercising the rights of Stoneworks Exchangeco pursuant to the Clementi Drag-Along Agreement.⁵¹

(ii) Receiver Supports the Approval and Vesting Order

49. The Receiver is of the view that the Transaction represents the best available outcome in the circumstances and that it should be approved and the Approval and Vesting Order granted. Among other things, the Transaction:

(a) provides the highest proposed consideration of any offer provided in the SISP (including the LOIs that did not constitute Qualified Bids). In particular, it

⁴⁹ Third Report, at paragraph 2.2.3-2.2.5.

⁵⁰ Third Report, at paragraph 3.0.10.

⁵¹ Third Report, at paragraph 5.0.3.

provides for the assumption in full of the Senior Credit Agreement Secured Debt and release of the Debtors from such obligations, together with payment of the Priority Payables;⁵²

(b) is not subject to any financing or due diligence condition and is only subject to customary closing conditions. Approval of the Transaction will allow the parties to proceed to closing the Transaction quickly to minimize impact on the operations of the key operating company, Stoneworks Technologies;⁵³

(c) the Transaction terms and Approval and Vesting Order terms are reasonable and appropriate;⁵⁴

(d) the Transaction was selected pursuant to the court-approved SISP;⁵⁵ and

(e) the *Soundair* factors are met.

B. The Fees and Activities Should be Approved

50. On this motion, the Receiver is seeking approval of the Receiver's Reports and the Receiver's conduct and activities described therein, and approval of its fees and the fees of its counsel to August 31, 2026.

⁵² Third Report, at paragraph 5.1.1(e).

⁵³ Third Report, at paragraph 5.1.1(j) and (l).

⁵⁴ Third Report, at paragraph 5.1.1(a).

⁵⁵ Third Report, at paragraph 5.1.1(d).

(i) Approval of Activities

51. The Receiver's activities set out in the Receiver's Report include, among other things:⁵⁶

- a. corresponding regularly with McCarthy regarding all aspects of these proceedings;
- b. corresponding regularly with Cortland, and its counsel, regarding all aspects of these proceedings, including the SISP, the Claims Procedure, the Cortland Subsequent Credit Bid and the Transaction;
- c. corresponding regularly with management of the Operating Entities, particularly Stoneworks Technologies, regarding the affairs of the Debtors and the SISP;
- d. preparing the First Report and related materials in connection with the motion returnable May 5, 2026 for approval of the SISP, attending Court (virtually) in respect of that motion;
- e. conducting the SISP, including preparing the teaser and Confidential Information Memorandum, buyers list and form of confidentiality agreement, preparing and maintaining the virtual data room, launching the SISP, and responding to due diligence requests from prospective purchasers;
- f. reviewing and assessing the LOIs received by the Bid Deadline, and corresponding with McCarthy, Cortland and the offering parties regarding the LOIs;
- g. advancing the Cortland Subsequent Credit Bid, including reviewing and commenting on the Preliminary Cortland Term Sheet, the Binding Term Sheet and successive turns of the SPA, and corresponding with McCarthy and Cortland's counsel regarding the transaction structure and mechanics;
- h. addressing matters relating to the shares of Stoneworks Technologies held by third parties, including the Clementi Drag-Along Agreement, the Debt Acknowledgment and the Ingram Micro agreements;
- i. preparing the Second Report and related materials in connection with the motion returnable August 7, 2026 for approval of the Claims Procedure, and attending Court (virtually) in respect of that motion;
- j. administering the Claims Procedure, including arranging for publication and distribution of the notice to creditors and Claims Package, corresponding with

⁵⁶ Third Report, at paragraph 6.0.1.

the Canada Revenue Agency and other potential claimants, and reviewing proofs of claim received;

- k. evaluating options and next steps in respect of the realization of the PJS shares, including extensive correspondence with the management of PJS;
- l. issuing three notices of termination to the Borrower's former employees and attending to related payroll matters, including Records of Employment, T4s and access to the Debtors' payroll system;
- m. administering Wage Earner Protection Program for the former employees of the Borrower;
- n. corresponding with Management regarding operational issues;
- o. attending to the Debtors' cash management, including controlling receipts and disbursements and processing wires and cheques;
- p. responding to inquiries from creditors, suppliers, employees and other stakeholders;
- q. maintaining the Receiver's Website for these proceedings; and
- r. preparing this Third Report.

52. The Court has the inherent jurisdiction to review the activities of a court-appointed receiver and, if satisfied that the receiver has acted reasonably, prudently, and not arbitrarily, to approve the activities set out in the applicable receiver's report(s). This assessment is made on an objective basis.⁵⁷

53. In *Target Canada*, this Court identified several good policy and practical reasons for monitors in *Companies' Creditors Arrangement Act* proceedings to routinely seek court approval of their reports and activities, and for courts to grant such approvals. These include: (a) allowing the monitor to bring its activities before the Court; (b) allowing an opportunity for stakeholder's concerns to be addressed; (c) enabling the Court to satisfy itself that the monitor's

⁵⁷ *Leslie & Irene Dube Foundation Inc. v P218 Enterprises Ltd.*, [2014 BCSC 1855](#), at [para. 54](#), citing *Bank of America Canada v. Willann Investments Ltd.*, [1993] O.J. No. 1647 (Ct. J.) at paras. 3-5, *aff'd* [1996] O.J. No. 2806 (C.A.).

activities have been conducted in a prudent and diligent manner; (d) providing protection for the monitor not otherwise provided by the CCAA; and (e) protecting creditors from delay that may be caused by re-litigation of steps or potential indemnity claims by the monitor.⁵⁸

54. This Court has determined that these policy and practical reasons apply equally to receivership proceedings and motions seeking approval of a receiver's reports and activities.⁵⁹

55. All of the Receiver's activities, as set out in the First Report, Second Report and Third Report, were reasonable, necessary and undertaken in good faith and in accordance with the Receiver's powers and duties as set out in the Receivership Order. The Receiver respectfully submits that the reports and the activities of the Receiver described therein should be approved.

Fee Approval

56. Pursuant to the Receivership Order, the Receiver and its counsel seek to be paid their reasonable fees and disbursements, in each case at their standard rates and charges. The Receiver and its counsel have maintained detailed records of their time and disbursements as they relate to these receivership proceedings.

57. For the period from the Appointment Date to August 31, 2026, the Receiver's accounts total \$170,360.25 in fees, excluding disbursements and HST. McCarthy's fees from the Appointment Date to August 31, 2026, total \$512,068.50, excluding disbursements and HST.

⁵⁸ *Target Canada Co. (Re)*, [2015 ONSC 7574](#) at [paras. 2, 22-23](#).

⁵⁹ *Hanfeng Evergreen Inc., (Re)*, [2017 ONSC 7161](#) at [para. 15](#).

58. The Receivership Order provides that the Receiver and its counsel shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, unless otherwise ordered by the Court on the passing of accounts.⁶⁰

59. The Receiver submits that the fees and disbursements incurred by the Receiver and its counsel, as more particularly described in the Fee Affidavits, are fair and reasonable in the circumstances, having regard to the value provided.⁶¹ The fees and disbursements have been validly incurred in accordance with the provisions of the Orders issued in respect of these receivership proceedings.

PART IV. ORDER REQUESTED

60. For the reasons set out above, the Receiver respectfully requests the approval of the Approval and Vesting Order and the Ancillary Relief Order.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 18th day of September, 2026.



McCarthy Tétrault LLP
Sanea Tanvir
Lawyer for the Receiver

⁶⁰ Third Report, Appendix 1: Appointment Order at para. 17.

⁶¹ *Bank of Nova Scotia v. Diemer*, [2014 ONCA 851](#) at [para. 33](#), [45](#).

**SCHEDULE “A”
LIST OF AUTHORITIES**

1. *Bank of Nova Scotia v. Diemer*, [2014 ONCA 851](#)
2. *Canadian Overseas Petroleum Limited (Re)*, [2024 ABCA 190](#)
3. *CCM Master Qualified Fund v. blutip Power Technologies*, [2012 ONSC 1750](#)
4. *Hanfeng Evergreen Inc., (Re)*, [2017 ONSC 7161](#)
5. *Leslie & Irene Dube Foundation Inc. v P218 Enterprises Ltd.*, [2014 BCSC 1855](#)
6. *PCAS Patient Care Automation Services Inc. (Re)*, [2012 ONSC 2840](#)
7. *Royal Bank of Canada v. Soundair Corp.*, [\(1991\) 4 OR \(3d\) 1](#) (ONCA)
8. *Target Canada Co. (Re)*, [2015 ONSC 7574](#)
9. *Terrace Bay Pulp Inc. (Re)*, [2012 ONSC 4247](#)

SCHEDULE “B” RELEVANT STATUTES

***Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3**

Court may appoint receiver

- 243 (1) Subject to subsection (1.1), on application by a secured creditor, a court may appoint a receiver to do any or all of the following if it considers it to be just or convenient to do so:
 - (a) take possession of all or substantially all of the inventory, accounts receivable or other property of an insolvent person or bankrupt that was acquired for or used in relation to a business carried on by the insolvent person or bankrupt;
 - (b) exercise any control that the court considers advisable over that property and over the insolvent person’s or bankrupt’s business; or
 - (c) take any other action that the court considers advisable.

Orders respecting fees and disbursements

- (6) If a receiver is appointed under subsection (1), the court may make any order respecting the payment of fees and disbursements of the receiver that it considers proper, including one that gives the receiver a charge, ranking ahead of any or all of the secured creditors, over all or part of the property of the insolvent person or bankrupt in respect of the receiver’s claim for fees or disbursements, but the court may not make the order unless it is satisfied that the secured creditors who would be materially affected by the order were given reasonable notice and an opportunity to make representations.

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

Proceeding Commenced at Toronto

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