



COURT FILE NUMBER 1901-10871

COURT COURT OF QUEEN'S BRENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

COM Mar 26 2021
D.B Nixon
302789

APPLICANT BANK OF MONTREAL

RESPONDENTS UWAMS SUPPORTIVE LIVING LTD., MAXWELL UWAGA AND CAROL UWAGA

DOCUMENT **SUPPLEMENT TO THE FIRST REPORT OF THE COURT APPOINTED RECEIVER AND MANAGER OF UWAMS SUPPORTIVE LIVING LTD.**

**DATED MARCH 25, 2021
PREPARED BY DELOITTE RESTRUCTURING INC.**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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Introduction and background

1. On October 11, 2019 (the "**Date of Appointment**"), Deloitte Restructuring Inc. ("**Deloitte**") was appointed as interim receiver (the "**Interim Receiver**"), without security, of all the assets, undertakings, and properties of every nature and kind, including all proceeds (the "**Property**") of UWAMS Supportive Living Inc. ("**UWAMS**", the "**Company**" or the "**Debtor**") pursuant to the Order of the Court of Queen's Bench of Alberta (the "**Court**") (the "**Interim Receivership Order**").
2. On October 30, 2019 and December 2, 2019, the Interim Receiver filed its first and second report with the Court (the "**First Interim Receiver's Report**" and the "**Second Interim Receiver's Report**", respectively) which described, amongst other things, the Interim Receiver's activities and the Company's ongoing operations.
3. On November 8, 2019 and December 10, 2019, this Honourable Court extended the Interim Receivership Order pursuant to two continuation orders (the "**November 8 Order**" and "**December 10 Order**", respectively and together the "**Continuation Orders**") to provide the Debtor time to find alternative financing or other forms of solutions that was acceptable to its primary secured lender, the Bank of Montreal ("**BMO**").
4. On January 17, 2020, the Interim Receiver issued its third report to the Court (the "**Third Interim Receiver's Report**") in support of the January 23, 2020 application to, among other things, appoint a receiver and manager over all the Property of UWAMS.
5. On January 23, 2020 (the "**Date of Receivership**") Deloitte was appointed by order of the Court (the "**Receivership Order**") as the receiver and manager (the "**Receiver**"), without security, of the Property of UWAMS.
6. The Receiver's First report to the Court was dated March 17, 2021 (the "**First Report**"). The Interim Receivership Order and the Receivership Order, together with related Court documents, the Third Interim Receiver's Report, the Notice to Creditors and the First Report have been posted on the Receiver's website (the "**Receiver's Website**") at www.insolvencies.deloitte.ca/en-ca/Uwams.
7. This report is being prepared as a supplement to the First Report (the "**Supplement to the First Report**"). The Supplement to the First Report is filed by the Receiver in support of the Receiver's application to this Honourable Court on March 26, 2021 (the "**March 26, 2021 Application**"), in response to a request for adjournment of the March 26, 2021 Application.
8. Unless otherwise provided, all other capitalized terms not defined in this Supplement to the First Report are as defined in the Receivership Order and the First Report.

Purpose

9. The purpose of this Supplement to the First Report is to provide the Court with additional information with respect to the sale of the Property and the Purchasers intended use.

Terms of reference

10. In preparing this Supplement to the First Report, the Receiver has relied upon unaudited financial information prepared by the Debtor's management ("**Management**"), the Debtor's books and records, and discussions with Management. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of the information. The Receiver may refine or alter its observations as further information is obtained or brought to its attention after the date of this Supplement to the First Report.

11. The Receiver assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of the Supplement to the First Report. Any use, which any party makes of the Supplement to the First Report, or any reliance or decision to be made based on the Supplement to the First Report, is the sole responsibility of such party.
12. All dollar amounts in this Supplement to the First Report are in Canadian dollars, unless otherwise indicated.

Background

13. As described in the First Report, the Receiver engaged Flemming Realty Corporation and HoustonRealty.ca ("**FRC**" or the "**Listing Agent**") to list the Premises for sale. The listing price was set at \$1.1 million. FRC commenced its marketing program on May 23, 2020.
14. The original listing was extended on August 31, 2020 with a new expiry date of November 30, 2020 at the same price of \$1.1 million. On October 2, 2020, the listing price was reduced to \$1.05 million. On November 27, 2020 the listing was again extended to February 28, 2021 with no further changes to the listing price. On January 26, 2021, with no offers submitted, the Receiver extended the listing to May 31, 2021 and reduced the price to \$999,900.
15. One (1) offer was submitted to the Receiver by CHCS as further described in the Confidential Supplement to the First Report, which the Receiver is recommending be approved by the Court for the reasons set out in the First Report and Confidential Supplement to the First Report.

Response to request for adjournment

16. The CHCS offer was negotiated extensively before acceptance by the parties. A principal point of negotiation was the timing. The Receiver was aware that CHCS is seeking to operate a high-risk family services operation for currently hospitalized youth. CHCS has time-sensitive arrangements, driven by occupancy and housing requirements. In order to prepare the property for its proposed uses, CHCS is undertaking specific renovation and restoration work. The License Agreement among the Receiver and CHCS was entered into as a reflection of the urgency of CHCS getting access to this property and getting it prepared for occupancy. The Receiver understands placements for youth with CHCS have already been arranged. In the Receiver's view, time is clearly of the essence for this purchaser.
17. The work required to be done by CHCS has been exacerbated by the failed boiler and consequent water damage. CHCS has commenced some work already under the License Agreement and advised the Receiver the necessary restoration work is more extensive than previously contemplated. This will cause delay already, which will only be compounded if an adjournment is given.
18. This highlights the basis for the Receiver's respectful opposition to the request for adjournment. The Receiver is aware of the Purchaser's sensitivity to delay. If this matter is put over, the Receiver sees significant risk this transaction could be lost due to the Purchaser's inability to close within its timeline. This will prejudice the estate for several reasons: the only offer received in the past year will be lost; all professional costs to date will be thrown away; the estate will have the burden of significant restoration and renovation work, which CHCS was otherwise committed to; and there is no basis to assume a remarketing effort will result in a sale prospect that exceeds the added costs that the estate will otherwise incur.
19. The Receiver is cognizant of its obligations to all stakeholders, including the former principals of Uwams, who have requested adjournment. The Receiver is not aware of any benefit any stakeholder could gain from adjournment at this time. There is no disputed fact or evidence in question, there are no competing tenders or matters of controversy. In the Receiver's view, all necessary factors are met to proceed with the application as planned, and commercial realities dictate that the Receiver not accommodate any delay.

20. In the Receiver's respectful view, the offer in hand represents the best possible return to stakeholders in the circumstances. An adjournment would likely compromise that offer for no observable benefit.

Conclusions and Recommendations

21. This Supplement to the First Report is being filed in support of the March 26, 2021 Application seeking the approval of the CHCS APA.

* * *

All of which is respectfully submitted at Calgary, Alberta this 25th day of March 2021.

DELOITTE RESTRUCTURING INC.,

solely in its capacity as Court-appointed Receiver and Manager
of UWAMS Supportive Living Ltd.
and not in its personal or corporate capacity

Per:



Ryan Adlington, CPA, CA, CIRP, LIT
Senior Vice-President