

**THE QUEEN'S BENCH  
WINNIPEG CENTRE**

**IN THE MATTER OF: THE APPOINTMENT OF A RECEIVER PURSUANT TO SECTION 243 OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985 c.B-3, AS AMENDED AND SECTION 55 OF *THE COURT OF QUEEN'S BENCH ACT*, C.C.S.M. c.C280**

BETWEEN:

**ROYAL BANK OF CANADA**

Plaintiff,

-and-

**FORCE RENTALS LTD. AND 5060470 MANITOBA LTD.**

Respondents.

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**FIRST REPORT OF DELOITTE RESTRUCTURING INC.,  
IN ITS CAPACITY AS COURT APPOINTED RECEIVER OF  
FORCE RENTALS LTD. AND 5060470 MANITOBA LTD.**

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**January 7, 2019**

**RECEIVER**

DELOITTE RESTRUCTURING INC.

360 Main Street, Suite 2300

Winnipeg, Manitoba R3C 3Z3

Brent Warga

Ph: (204) 942-0051

Fax: (204) 947-2689

Email: [bwarga@deloitte.ca](mailto:bwarga@deloitte.ca)

**COUNSEL TO THE RECEIVER**

MLT AIKINS LLP

Barristers and Solicitors

3000 – 360 Main Street

Winnipeg, Manitoba R3C 4G1

J.J. Burnell

Ph: (204) 957-4663

Fax: (204) 957-4285

Email: [jburnell@mltaikins.com](mailto:jburnell@mltaikins.com)

**TABLE OF CONTENTS**

INTRODUCTION ..... 1  
TERMS OF REFERENCE ..... 2  
BACKGROUND ..... 3  
OPERATIONS..... 6  
ASSETS ..... 6  
CREDITOR CLAIMS ..... 7  
STATUS OF REFINANCING ..... 8  
STATEMENT OF RECEIPTS AND DISBURSEMENTS..... 9

**EXHIBITS**

Exhibit A – Receivership Order

Exhibit B – Statement of Receipts and Disbursements for the period December 21, 2018 to January 6, 2019

## INTRODUCTION

1. On December 18, 2018, Royal Bank of Canada (“**RBC**” or the “**Applicant**”) made an application to the Court of Queen’s Bench for Manitoba (the “**Court**”) seeking an order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c. B-3, as amended (the “**BIA**”), and section 55 of *The Court of Queen’s Bench Act*, C.C.S.M. c. C280, as amended, to appoint Deloitte Restructuring Inc. (“**Deloitte**”) as receiver (the “**Receiver**”), without security, of all the present and after acquired assets, undertakings, and properties (the “**Property**”) of Force Rentals Ltd. (“**Force**”) and 5060470 Manitoba Ltd. (O/A Titan Production Testing) (“**Titan**”) (collectively the “**Companies**”). The Honourable Justice C. W. Martin adjourned the December 18, 2018 hearing to December 21, 2018 to provide additional time for the Companies to pursue alternate refinancing to repay RBC, and to enable the Applicant and Canada Revenue Agency (“**CRA**”) additional time to determine if a consent receivership order could be agreed upon with respect to certain priorities.
2. On December 21, 2018 (the “**Date of Receivership**”), the Honourable Justice C. W. Martin granted an Order (the “**Receivership Order**”) appointing Deloitte as Receiver. A copy of the Receivership Order (attached hereto as Exhibit A) and other information regarding the receivership proceedings can be accessed on Deloitte’s website (the “**Receiver’s Website**”) at [www.insolvencies.deloitte.ca/en-ca/forcerentals](http://www.insolvencies.deloitte.ca/en-ca/forcerentals).
3. The Receivership Order provides, *inter alia*, for the following:
  - a) No proceeding (a “**Proceeding**”) against or in respect of the Companies or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of the Court and any and all Proceedings currently underway against or in respect of the Companies or the Property are hereby stayed and suspended pending further Order of the Court.
  - b) Subject to any application made pursuant to paragraph 32 of the Receivership Order, the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges and the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a

charge (the “**Receiver’s Charge**”) on the Property as security for such fees and disbursements, both before and after the making of the Receivership Order, and the Receiver’s Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person (as defined in the Receivership Order), but subject to sections 14.06(7), 81.4(4) and 81.6(2) of the BIA.

- c) Any interested party may apply to the Court to vary or amend the Receivership Order on not less than seven (7) days’ notice to the Receiver and to RBC and to any other party likely to be affected by the order sought or upon such other notice, if any, as the Court may order. Without limiting the generality of the foregoing, any interested party may apply to this Court on notice to any other party likely to be affected for a determination as to whether amounts owing under sections 227(4) and (4.1) of the *Income Tax Act*, R.S.C. 1985 c. 1 (5<sup>th</sup> Supplement), sections 23(3) and (4) of the *Canada Pension Plan*, R.S.C. 1985, c. C-8, sections 86(2) and (2.1) of the *Employment Insurance Act*, R.S.C. 1996, c. 23, section 46 of the *Income Tax Act*, C.C.S.M. c.110 (Manitoba), and sections 222(1) and 222(3) of the *Excise Tax Act*, R.S.C. c. E-15, take priority to payment of the Receiver’s Charge and/or the Receiver’s Borrowings Charge (as defined in the Receivership Order).

- 4. The purpose of this report (the “**First Report**”) is to inform the Court as to the following:
  - a) the initial activities of the Receiver since the Date of Receivership;
  - b) details of the Companies’ assets and liabilities including the charges, security interests, and encumbrances registered against the Property; and
  - c) the Receiver’s summary of ongoing operations and refinancing efforts of the Companies.

## **TERMS OF REFERENCE**

- 5. In preparing this First Report, the Receiver has relied upon unaudited financial

information, the books and records of the Companies, and discussions with former management of the Companies (“**Management**”), interested parties, and the stakeholders of the Companies.

6. The financial information of the Companies has not been audited, reviewed or otherwise verified by the Receiver as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that this First Report may not disclose all significant matters about the Companies. Additionally, none of the Receiver’s procedures were intended to disclose defalcations or other irregularities. If the Receiver were to perform additional procedures or to undertake an audit examination of the financial statements in accordance with generally accepted auditing standards, additional matters may have come to the Receiver’s attention. Accordingly, the Receiver does not express an opinion nor does it provide any other form of assurance on the financial or other information presented herein. The Receiver may refine or alter its observations as further information is obtained or brought to its attention after the date of this First Report.
7. Unless otherwise stated, all monetary amounts contained in this First Report are expressed in Canadian dollars.
8. Capitalized terms used in this First Report but not defined herein are as defined in the Receivership Order.

## **BACKGROUND**

9. Force is a private company incorporated in October 2007 and Titan is a private company incorporated in December 2007, both under the laws of the Province of Manitoba. The Companies provided oil field services and oil field equipment rentals primarily in and around Southwestern Manitoba. As of November 22, 2018, according to the Corporations Branch (Manitoba) Registry, the sole directors of Force were Mr. Derek Coulter (President) (“**Mr. Coulter**”) and Mr. Todd Hayward (Secretary and Vice-President), and the sole directors of Titan were Mr. Aaron Rookes (President) and Mr. Coulter (Secretary and Treasurer).

10. The Companies' head office was located in owned premises at 165 Queen Street West in Virden, Manitoba (the "**Virden Office**"). The Companies' primary assets consisted of pressure tanks, flare stacks, barrel test tanks, flow back tanks, pipe, and light towers. Based on discussions with Management and a review of the Companies' October 31, 2018 internal financial statements, the netbook book value of the land, buildings, and equipment approximated \$2.1 million for Force and approximately \$0.8 million for Titan.
11. RBC is the principal lender to the Companies and holds various first ranking security positions as against the Companies and their assets. RBC was owed approximately \$2.3 million by the Companies at the Date of Receivership (approximately \$1.7 million by Force and approximately \$0.6 million by Titan).

### **Powers of the Receiver**

12. The Receiver's powers are detailed in Paragraph 3 of the Receivership Order and include the power to take and maintain possession and control of the Property; the power to manage, operate, and carry on the business of the Companies; and the power to market and sell the Property (subject to Court approval if one sale exceeds \$100,000 or if in the aggregate the sales exceed \$250,000), among others.
13. The Receivership Order also empowers the Receiver to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$250,000 (or such greater amount as the Court may by further Order authorize) (the "**Borrowing Facility**").

### **Possession and Control of the Property**

14. At the Date of Receivership, the majority of Titan's equipment was located at 128 Tiger Moth Road in Virden, Manitoba (SW1/4 35-10-26 WPM) on approximately 4.5 acres of land owned by Titan (the "**Titan Equipment Site**"). The majority of Force's equipment was located at 157010 257 Road outside of Virden, Manitoba (NE 14-10-27W) on approximately 8.3 acres of land owned by Mr. Coulter's mother (and not by the Companies) (the "**Force Equipment Site**"). At the Date of Receivership, Management

also advised that certain of the Companies' equipment was located at various third party sites and was either subject to rental/lease agreements or out for repairs.

15. Since the Date of Receivership, the Receiver has taken the following steps with respect to the assets and operations of the Companies:

- a) Attended at the Virden Office, the Titan Equipment Site, and the Force Equipment Site on December 21, 2018 to take possession and control of the assets, take an inventory of the assets, and meet with Management and the remaining employees;
- b) Secured manual and electronic books and records of the Companies and arranged to have the locks changed on the Virden Office;
- c) Terminated all remaining Force and Titan employees (not already laid off and previously terminated by the Companies) effective on the Date of Receivership;
- d) Arranged to retain key employees to assist with administrative duties, financial reporting, and locating, transporting, and securing of the Property;
- e) Confirmed the existence of insurance coverage on Titan's assets (which is up for renewal on February 1, 2019) and had the Receiver added as a loss payee on the existing policy;
- f) Confirmed that the majority of Force's insurance on its assets lapsed in August 2018 and commenced actions to obtain appropriate coverage for Force's equipment (which efforts are still underway as at the date of this First Report);
- g) Arranged for temporary (short term) storage of Force's equipment at the Force Equipment Site;
- h) Arranged for the redirection of the mail of the Companies to the Receiver's office;
- i) Posted notice of the receivership proceedings at the Virden Office;

- j) Requested Management provide contact details for all third parties storing, leasing, or renting any assets of the Companies to enable the Receiver to provide these parties with a copy of the Receivership Order and confirm that the assets were safe and secure; and
- k) Drafted, reviewed, and finalized this First Report.

## **OPERATIONS**

- 16. On the Date of Receivership, the Companies were winding down operations for the December holiday period, and with the exception of equipment out on rent/lease agreements or out for repairs, the only active job that either of the Companies had underway was a 24-hour project for Corex Resources Ltd., which Titan had started the morning of December 21, 2018 (at land location 102/7-12-10-28W1). In consultation with RBC, the Receiver made arrangements with certain Titan employees and contract workers to finish the project and have the equipment returned to the Titan Equipment Site upon completion.
- 17. As it was the Companies intention to limit operations during the last two weeks of December 2018 in any event, with the exception of equipment out on rent/lease, the Receiver decided to cease the Companies' operations at the Date of Receivership.

## **ASSETS**

### **Accounts Receivable**

- 18. At the Date of Receivership, the Receiver obtained a copy of Titan's accounts receivable sub-ledger which indicated that Titan was owed approximately \$253,000 from seven (7) customers. The Receiver notified all customers of the appointment of the Receiver on December 31, 2018, and requested immediate payment of the outstanding invoices. As at the date of this First Report, the Receiver has not received any collections.
- 19. As at the date of this First Report, the Receiver has not been able to obtain an updated accounts receivable sub-ledger for Force as a result of limited cooperation from Force's directors. As at October 31, 2018, (the date of the most recent information made available



to the Receiver by RBC) Force's accounts receivable approximated \$71,000 owing from ten (10) customers. The Receiver continues to reach out to Management to obtain the necessary support to pursue collections of the remaining accounts receivable, if any.

### **Equipment and Capital Assets**

20. The net book value of the Companies' land, buildings, and equipment (the "**Capital Assets**") was reported by Management to be approximately \$2.9 million (approximately \$0.8 million for Titan and approximately \$2.1 million for Force) as at October 31, 2018. The Capital Assets consist of the Virden Office (and associated land), the Titan Equipment Site, pressure tanks, flare stacks, office trailers, barrel test tanks, flow back tanks, frac bladders, boilers, light towers, scrubber devices, and piping.
21. As at the date of this First Report, with the exception of the equipment out on rent/lease or out for repairs, all of the Capital Assets are being stored at the Titan Equipment Site or the Force Equipment Site. The Receiver continues to work with Management to identify the equipment out on rent/lease and the physical locations of same. For parties that have been identified by Management as being in possession of the Companies' equipment, the Receiver has made initial contact with the parties to confirm that they are in possession of the equipment, the terms of any rental/lease arrangements, and the amounts owing for any repair work.
22. As the Companies did not maintain accurate and up-to-date equipment lists, the Receiver has had to compile the lists of Capital Assets based on its physical site inspections and contacting various third parties believed to be possession of the Companies' equipment.

### **CREDITOR CLAIMS**

23. As at the date of this First Report, the Receiver and the Receiver's independent legal counsel, MLT Aikins LLP ("**MLT Aikins**"), have not yet reviewed the validity and priority of the secured and priority claims that have been identified.
24. The Receiver has been advised by legal counsel representing CRA that Force may owe approximately \$130,000 for unremitted payroll source deductions, and approximately

\$60,000 for unremitted goods and services tax (“GST”). CRA has further advised that Titan may owe approximately \$110,000 for unremitted payroll source deductions. As at the date of this First Report, CRA has not undertaken any payroll source deduction or GST trust audits to confirm the amounts owing.

25. Other creditors include rental and leasing companies who, based on Manitoba Personal Property Registry (“PPR”) searches, may have priority interests in certain of the Companies’ equipment. As at the date of this First Report, the Receiver has not yet reviewed and determined priority interests, if any, of the parties disclosed in the PPR. If appropriate, the Receiver will consider releasing interest in any such assets once ownership has been determined.
26. At the Date of Receivership, there were eleven (11) individuals with unpaid wages and vacation pay totaling approximately \$38,000. The Receiver continues to work with Management to compile the necessary employee details to complete the required filings under the Wage Earner Protection Program (WEPP).
27. As at the Date of Receivership, the Companies had listed unsecured creditors with claims of approximately \$580,000 (approximately \$354,000 for Force and approximately \$226,000 for Titan).

#### **STATUS OF REFINANCING**

28. At the December 21, 2018 hearing, Tapper Cuddy LLP (“**Tapper Cuddy**”), legal counsel representing Titan, requested that a court hearing be scheduled in early January 2019 to allow Titan the opportunity to come back before the Court and advise the Court and the Receiver of any refinancing that it may have been able to secure.
29. On January 3, 2019, the Receiver contacted Tapper Cuddy to obtain an update on Titan’s refinancing efforts. On January 4, 2019, Tapper Cuddy advised the Receiver that the Companies were hoping to have sufficient funds to payout RBC in full for both Titan’s and Force’s debt obligations (approximately \$2.3 million), and that the funds were expected to be paid into trust with Tapper Cuddy on Monday January 7, 2019.

30. As at the time of finalizing and filing this First Report, Tapper Cuddy confirmed that they were not yet holding any funds in trust, but Management advised the Receiver that the Companies were expecting Tapper Cuddy to be in receipt of certain refinancing proceeds (to be held in trust) on or before January 8, 2018.

#### **STATEMENT OF RECEIPTS AND DISBURSEMENTS**

31. The Receiver has prepared a Statement of Receipts and Disbursements for the period of December 21, 2018 to January 6, 2019 for the Companies, a copy of which is attached to this First Report as Exhibit B. Given the limited time that has passed since the Date of Receivership, the Receiver has not yet paid any of the approximate \$87,000 in outstanding Receivership costs as at the date of this First Report (primarily comprised of estimated insurance premiums of \$26,000, subcontractor and wage costs of approximately \$17,000, Receiver's fees and disbursements of approximately \$43,000, and miscellaneous administration costs (mail redirection, locksmith, and filing fees) of approximately \$1,000).

32. As at the date of this First Report, in accordance with paragraph 21 of the Receivership Order, on January 3, 2019, the Receiver issued Receiver's Certificate No. 1, and RBC agreed to advance \$125,000 in accordance with the Court authorized Borrowing Facility to fund the receivership proceedings. As at the date of this First Report, although approved by RBC, the Receiver had not yet received the funds borrowed from RBC.

All of which is respectfully submitted at Winnipeg, Manitoba, this 7<sup>th</sup> day of January, 2019.

#### **DELOITTE RESTRUCTURING INC.**

In its capacity as Receiver of Force Rentals Ltd. and  
5604070 Manitoba Ltd. and not in its personal capacity.



Per: Brent Warga, CPA, CA, CIRP, LIT  
Senior Vice-President

**Exhibit A – Receivership Order**

File No. CI 18-01-18370

**THE QUEEN'S BENCH  
WINNIPEG CENTRE**

**IN THE MATTER OF: THE APPOINTMENT OF A RECEIVER PURSUANT TO  
SECTION 243 OF THE BANKRUPTCY AND INSOLVENCY  
ACT R.S.C. 1985, c. B-3 AS AMENDED AND SECTION 55  
OF THE COURT OF QUEEN'S BENCH ACT, C.C.S.M. c.  
C280**

**BETWEEN:**

**ROYAL BANK OF CANADA,**

- and -

**APPLICANT,**

**FORCE RENTALS LTD. and 5604070 MANITOBA LTD.,**

**RESPONDENTS.**

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**CONSENT RECEIVERSHIP ORDER**

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**FILLMORE RILEY LLP**  
1700 - 360 Main Street  
Winnipeg, Manitoba  
R3C 3Z3

Telephone: 204-957-8319  
Facsimile: 204-954-0319

**J. MICHAEL J. DOW/ AARON W.K. CHALLIS**  
File No. 180007-807/JMJD

THE QUEEN'S BENCH  
WINNIPEG CENTRE

THE HONOURABLE MR. )                    Friday, the 21st day  
JUSTICE MARTIN        )                    of December, 2018

IN THE MATTER OF : THE APPOINTMENT OF A RECEIVER PURSUANT TO  
SECTION 243 OF THE BANKRUPTCY AND INSOLVENCY ACT R.S.C. 1985, c. B-3  
AS AMENDED AND SECTION 55 OF THE COURT OF QUEEN'S BENCH ACT,  
C.C.S.M. C. C280

BETWEEN:

ROYAL BANK OF CANADA,

APPLICANT,

- and -

FORCE RENTALS LTD. and 5604070 MANITOBA LTD.,

RESPONDENTS.

CONSENT RECEIVERSHIP ORDER

THIS APPLICATION made by the Applicant for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and s. 55 of the Court of Queen's Bench Act, C.C.S.M. c. C280 (the "QBA") appointing Deloitte Restructuring Inc. as receiver (in such capacity the "Receiver") without security, of all the assets, undertakings and properties of the Respondents, Force Rentals Ltd. and 5604070 Manitoba Ltd., was heard this day at the Law Courts Building, 408 York Avenue, Winnipeg, Manitoba.

ON HEARING submissions of counsel on behalf of Royal Bank of Canada ("RBC"), 5604070 Manitoba Ltd. and the Department of Justice, no other interested party appearing although properly served as evidenced by the Affidavits of Service filed herein and upon reading the Consent to Receivership Order from each of the Respondents, Force Rentals

Ltd. and 5604070 Manitoba Ltd. (collectively the "**Debtors**") and the personal Guarantors of the indebtedness owed by Force Rentals Ltd. and 5604070 Manitoba Ltd. to the Applicant, and upon hearing all other parties present, and on reading the Notice of Application on behalf of the Applicant dated December 13, 2018, the Affidavit of Gordon Fry sworn on the 11th day of December, 2018, the consent of Deloitte Restructuring Inc., the Brief of Law on behalf of the Applicant and the pleadings and proceedings herein;

THE COURT ORDERS:

### **SERVICE**

1. The time for service of the Notice of Application is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

### **APPOINTMENT**

2. Pursuant to s. 243(1) of the BIA and s.55 of the QBA, Deloitte Restructuring Inc. is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of FORCE RENTALS LTD. and 5604070 MANITOBA LTD. acquired for, or used in relation to the business carried on by the Debtors, including all proceeds thereof and all real property and personal property in respect thereto (collectively, the "**Property**").

### **RECEIVER'S POWERS**

3. The Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property, and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, protect and maintain control of the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate and carry on the business of the Debtors, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtors;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties including, without limitation, those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtors or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtors, and to exercise all remedies of the Debtors in



collecting such monies, including, without limitation, to enforce any security held by the Debtors;

- (g) to settle, extend or compromise any indebtedness owing to or by the Debtors;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property or the business of the Debtors, whether in the Receiver's name or in the name and on behalf of the Debtors, for any purpose pursuant to this Order or otherwise authorized by the Court;
- (i) to undertake environmental or worker's health and safety assessments of the Property and operations of the Debtors;
- (j) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtors, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding, provided, however, that nothing in this Order shall authorize the Receiver to defend or settle the action on which this Order is made unless otherwise directed by the Court;
- (k) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;

- (l) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business:
  - (i) without the approval of this Court in respect of any transaction not exceeding \$100,000.00, provided that the aggregate consideration for all such transactions does not exceed \$250,000.00; and
  - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause,and in each such case notice under ss. 59(10) of *The Personal Property Security Act* or s. 134(1) of the *Real Property Act of Manitoba* shall not be required;
- (m) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (n) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (o) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (p) to apply for any permits, licenses, approvals or permissions as may be required by any governmental authority and any renewals thereof for and

on behalf of and, if thought desirable by the Receiver, in the name of the Debtors;

- (q) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtors, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtors;
- (r) to exercise any shareholder, partnership, joint venture or other rights which the Debtors may have;
- (s) to assign the Debtors into bankruptcy; and
- (t) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations;

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtors, and without interference from any other Person.

#### **DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER**

4. (i) The Debtors, (ii) all of their current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on their instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property

to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. All Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtors, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or documents prepared in contemplation of litigation or due to statutory provisions prohibiting such disclosure.
6. If any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this

paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require, including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

#### **NO PROCEEDINGS AGAINST THE RECEIVER**

7. No proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

#### **NO PROCEEDINGS AGAINST THE DEBTORS OR THE PROPERTY**

8. No Proceeding against or in respect of the Debtors or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtors or the Property are hereby stayed and suspended pending further Order of this Court.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

9. All rights and remedies (including, without limitation, set-off rights) against the Debtors, the Receiver or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtors to carry on any business which the Debtors is not lawfully entitled to carry on, (ii) exempt the Receiver or the

Debtors from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien, provided that no further steps shall be taken in respect of such registration except for service of any initiating documents on the Debtors and the Receiver.

#### **NO INTERFERENCE WITH THE RECEIVER**

10. No Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, license or permit in favour of or held by the Debtors, including, without limitation, insurance coverage, without written consent of the Receiver or leave of this Court.

#### **CONTINUATION OF SERVICES**

11. All Persons having oral or written agreements with the Debtors or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtors are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtors' current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtors or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

**RECEIVER TO HOLD FUNDS**

12. All funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further order of this Court.

**EMPLOYEES**

13. Subject to the employees' rights to terminate their employment, all employees of the Debtors shall remain the employees of the Debtors until such time as the Receiver, on the Debtors' behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 153 and 227 of the *Income Tax Act*, R.S.C. 1985 c. 1 (5<sup>th</sup> Supplement), sections 21 and 23 of the *Canada Pension Plan*, R.S.C. 1985, c.C-8, sections 82 and 86 of the *Employment Insurance Act*, R.C. 1996, c. 23, sections 81.4(5) and 81.6(3) of the BIA or the *Wage Earner Protection Program Act*.

**PIPEDA**

14. Pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtors, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

**LIMITATION ON ENVIRONMENTAL LIABILITIES**

15. Nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, *The Environment Act (Manitoba)*, *The Water Resources Conservation Act*



*(Manitoba), The Contaminated Sites Remediation Act (Manitoba), The Dangerous Goods Handling and Transportation Act (Manitoba), The Public Health Act (Manitoba) or The Work Place Safety and Health Act (Manitoba)* and regulations thereunder (the "**Environmental Legislation**"), provided, however, that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

16. (a) Notwithstanding anything in any federal or provincial law, the Receiver is not personally liable in that position for any environmental condition that arose or environmental damage that occurred:
- (i) before the Receiver's appointment; or
  - (ii) after the Receiver's appointment unless it is established that the condition arose or the damage occurred as a result of the Receiver's gross negligence or wilful misconduct.
- (b) Nothing in sub-paragraph (a) exempts the Receiver from any duty to report or make disclosure imposed by a law referred to in that sub-paragraph.
- (c) Notwithstanding anything in any federal or provincial law, but subject to sub-paragraph (a) hereof, where an order is made which has the effect of requiring the Receiver to remedy any environmental condition or environmental damage affecting the Property, the Receiver is not

personally liable for failure to comply with the order, and is not personally liable for any costs that are or would be incurred by any person in carrying out the terms of the order,

(i) if, within such time as is specified in the order, within ten (10) days after the order is made if no time is so specified, within ten (10) days after the appointment of the Receiver, if the order is in effect when the Receiver is appointed, or during the period of the stay referred to in clause (ii) below, the Receiver:

A. complies with the order, or

B. on notice to the person who issued the order, abandons, disposes of or otherwise releases any interest in any real property affected by the condition or damage;

(ii) during the period of a stay of the order granted, on application made within the time specified in the order referred to in clause (i) above, within ten (10) days after the order is made or within ten (10) days after the appointment of the Receiver, if the order is in effect when the Receiver is appointed, by,

A. the court or body having jurisdiction under the law pursuant to which the order was made to enable the Receiver to contest the order; or

B. the court having jurisdiction in bankruptcy for the purposes of assessing the economic viability of complying with the order; or

- (iii) if the Receiver had, before the order was made, abandoned or renounced or been divested of any interest in any real property affected by the condition or damage.

Nothing in this Order shall derogate from the protection afforded to the Receiver by s. 14.06 of the BIA or any other applicable legislation.

#### **LIMITATION ON THE RECEIVER'S LIABILITY**

- 17. The Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or willful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

#### **RECEIVER'S ACCOUNTS**

- 18. Subject to any application made pursuant to Paragraph 32 herein, the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges and the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4) and 81.6(2) of the BIA.

19. The Receiver and its legal counsel shall pass their accounts from time to time and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of this Court, but nothing herein shall fetter this Court's discretion to refer such matters to a Master of this Honourable Court.
20. Prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including the legal fees, disbursements and applicable taxes, incurred at the normal rates and charges of the Receiver or its counsel, not to exceed \$150,000.00 without prior leave of the Court, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

#### **FUNDING OF THE RECEIVERSHIP**

21. Subject to any application made pursuant to Paragraph 32 herein, the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$250,000.00 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the

Receiver's Charge, and the charges set out in sections 14.06(7), 81.4(4) and 81.6(2) of the BIA.

22. The Receiver is granted leave to apply to the Court for an Order increasing the limit of the Receiver's Borrowings Charge.
23. Neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.
24. The Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.
25. The monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

#### **ALLOCATION**

26. That any interested party may apply to this Court on notice to any other party likely to be affected, for an order allocating the Receiver's Charge and Receiver's Borrowings Charge, and/or the value of any assets comprising the Property that are or have been consumed during the course of the receivership, amongst the various assets comprising the Property.

#### **GENERAL**

27. The Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

28. Nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtors.
29. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.
30. The Receiver shall be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside of Canada.
31. The Applicant shall have its costs of this application, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a solicitor and client basis to be paid by the Receiver from the Debtors' estate with such priority and at such time as this Court may determine.
32. Any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to RBC and to any other party likely to be affected by the order sought or upon such other notice, if any, as this

Court may order. Without limiting the generality of the foregoing, any interested party may apply to this Court on notice to any other party likely to be affected for a determination as to whether amounts owing under sections 227(4) and (4.1) of the *Income Tax Act*, R.S.C. 1985 c. 1 (5<sup>th</sup> Supplement), sections 23(3) and (4) of the *Canada Pension Plan*, R.S.C. 1985, c.C-8, sections 86(2) and (2.1) of the *Employment Insurance Act*, R.C. 1996, c. 23, section 46 of the *Income Tax Act*, C.C.S.M. c.110 (Manitoba), and sections 222(1) and 222(3) of the *Excise Tax Act*, R.S.C. c.E-15, take priority to payment of the Receiver's Charge and/or the Receiver's Borrowings Charge.

#### **FURTHER SERVICE**

33. The Applicant and the Receiver be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Respondents' creditors or other interested parties at their respective addresses as last shown on the records of the Respondents and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing. Interested persons who do not send a request, in writing, to counsel for the Applicant to be added to the service list (hereinafter defined) shall not be required to be served further in these proceedings.
34. A true copy of the Order served pursuant to paragraph 33 above shall be accompanied by a cover letter in the form attached as Schedule "B" to this Order.

35. Counsel for the Applicant shall prepare and keep a current list ("**Service List**") containing the name and contact information (which may include the address, telephone number and facsimile number or e-mail address) for service to: the Applicant; the Receiver; and each creditor or other interested party who has sent a request, in writing, to counsel for the Applicant to be added to the Service List. The Service List shall indicate whether each person on the Service List has elected to be served by email or facsimile, and failing such election the Service List shall indicate service by e-mail. The Service List shall be posted on the website of the Receiver at the address indicated in paragraph 37 herein.
36. Every person who is served with a copy of the Order pursuant to paragraph 33, and who requires notice in respect of all further proceedings in this matter, shall provide to counsel for the Applicant and the Receiver a demand for notice of such proceedings, which demand for notice shall be in the form and sent in the manner provided in the attached Schedule "B" to this Order (the "**Demand for Notice**") and shall contain an electronic mail address or a facsimile number to which such further notice of these proceedings shall be sent. The failure of any person to provide the Demand for Notice hereby releases the Receiver and the Applicant from any requirement to provide further notice in respect of these proceedings to any such person until such time as a properly completed Demand for Notice is received by each of the Receiver and the Applicant from such person.
37. The Applicant, the Receiver, and all parties on the Service List may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor may post a copy of any or all such materials on its website at [www.insolvencies.deloitte.ca/forcerentals](http://www.insolvencies.deloitte.ca/forcerentals).



38. This matter shall come back before the Court on Wednesday, January 9, 2019, at 1:00 p.m.

\_\_\_\_\_  
DATE

Digitally signed by C.W. Martin,  
J.  
Date: 2018.12.21 16:01:34 -06'00'

SCHEDULE "A"  
RECEIVER CERTIFICATE

CERTIFICATE NO.

AMOUNT \$

1. THIS IS TO CERTIFY that Deloitte Restructuring Inc., the receiver (the "**Receiver**") of the assets, undertakings and properties FORCE RENTALS LTD. and 5604070 MANITOBA LTD. (the "**Debtors**") acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Manitoba Court of Queen's Bench (the "**Court**") dated the \_\_\_\_\_ of \_\_\_\_\_, 2018 (the "**Order**") made in action having Court file number \_\_\_\_\_, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$\_\_\_\_\_, being part of the total principal sum of \$250,000.00 which the Receiver is authorized to borrow under and pursuant to the Order.

2. The Principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated at the rate of \_\_\_\_\_ per cent above the prime commercial lending rate of \_\_\_\_\_ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at \_\_\_\_\_.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

Deloitte Restructuring Inc. solely in its capacity as Receiver of the Property, and not in its personal capacity

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

**SCHEDULE "B"**

**COVER LETTER OF DEMAND FOR NOTICE**

[Date]  
[Address]

Attention:

**Re: IN THE MATTER OF THE RECEIVERSHIP OF FORCE RENTALS LTD. AND 5604070  
MANITOBA LTD. (THE "DEFENDANTS")**

A Receiver has been appointed by Order of the Court of Queen's Bench for Manitoba over the undertaking of the Defendants and all of the Defendants' present and after acquired personal property. Enclosed is a copy of the Court Order appointing Deloitte Restructuring Inc. as Receiver.

You are being provided with a copy of the Order because you are a creditor of each of or one of the Defendants.

If you would like to receive notice of all further proceedings in relation to the receivership of the Defendants, please complete the Demand for Notice attached to this letter and send the Demand for Notice by electronic mail (email) or facsimile to each of the following persons:

1. Fillmore Riley LLP  
1700 – 360 Main Street  
Winnipeg, MB R3C 3Z3  
Attention: J. Michael Dow  
Email: mdow@fillmoreriley.com  
Fax: 204-954-0319
  
2. Deloitte Restructuring Inc.  
360 Main Street, Suite 2300  
Winnipeg, MB R3C 3Z3  
Attention: John Fritz  
Email: jofritz@deloitte.ca  
Fax: 204-947-2689

**If you fail to properly complete the Demand for Notice and forward the Demand for Notice by email or facsimile to each of the above-referenced persons indicating that you would like to receive further notice of the receivership proceedings, then you will not receive, nor will you be entitled to receive, any further notice of the receivership proceedings.**

Yours truly,

**DEMAND FOR NOTICE**

**TO:**

- 1. Fillmore Riley LLP  
1700 – 360 Main Street  
Winnipeg, MB R3C 3Z3  
Attention: J. Michael Dow  
Email: mdow@fillmoreriley.com  
Fax: 204-954-0319
  
- 2. Deloitte Restructuring Inc.  
360 Main Street, Suite 2300  
Winnipeg, MB R3C 3Z3  
Attention: John Fritz  
Email: jofritz@deloitte.ca  
Fax: 204-947-2689

**Re: In the Matter of the Receivership of FORCE RENTALS LTD. AND 5604070  
MANITOBA LTD. (THE “DEFENDANTS”)**

I hereby request that notice of all further proceedings in the above receivership be sent to me in the following manner:

- (a) by email, at the following email address:

\_\_\_\_\_ ; or

- (b) by facsimile, at the following facsimile number:

\_\_\_\_\_.

Signature: \_\_\_\_\_

Name of Creditor: \_\_\_\_\_

Address of Creditor: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Phone Number: \_\_\_\_\_

**Exhibit B – Statement of Receipts and Disbursements for the period December 21, 2018 to January 6, 2019**

**FORCE RENTALS LTD. AND 5604070 MANITOBA LTD.**  
**STATEMENT OF RECEIPTS AND DISBURSEMENTS**  
for the period of December 21, 2018 to January 6, 2019

<b>Receipts</b>	<b>Notes</b>	
Accounts receivable collections		\$ -
Cash on hand		8,225
Receiver's borrowings	1	-
<b>Total Receipts</b>		<b>8,225</b>
 <b>Disbursements</b>		
Insurance	2	-
Locks		-
Legal fees and disbursements		-
Mail redirection		-
PST paid on legal fees		-
Receiver fees and disbursements		-
Subcontractor payments		-
Wages		-
<b>Total Disbursements</b>		<b>-</b>
 <b>Excess of Receipts over Disbursements</b>		<b>\$ 8,225</b>

**Notes:**

- 1) On January 3, 2019, the Receiver issued Receiver Certificate No. 1, and RBC agreed to advance \$125,000 in accordance with the Court authorized Receiver's Borrowing Charge. As at the date of the First Report, although approved by RBC, the Receiver was not yet in receipt of the funds from RBC.
- 2) Given the limited time that has passed since the Date of Receivership, the Receiver has not yet paid any of the approximate \$87,000 in outstanding Receivership costs as at the date of this First Report (primarily comprised of estimated insurance premiums of \$26,000, subcontractor and wage costs of approximately \$17,000, Receiver's fees and disbursements of approximately \$43,000, and miscellaneous administration costs (mail redirection, locksmith, and filing fees) of approximately \$1,000).