

COURT FILE NUMBER 1801-05767

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

PLAINTIFF C.K.V. DEVELOPMENTS INC.

DEFENDANTS CENTRO MANAGEMENT & CONSULTING LTD.

DOCUMENT **FIRST REPORT OF THE COURT APPOINTED RECEIVER OF  
C.K.V. DEVELOPMENTS INC.**

**DATED JULY 24, 2019**

**PREPARED BY DELOITTE RESTRUCTURING INC.**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS DOCUMENT

Counsel  
Dentons Canada LLP  
1500, 850 – 2 Street SW  
Calgary, Alberta T2P 0R8

Attention: David Mann

Telephone: 403-268-7097

Receiver

Deloitte Restructuring Inc.  
700, 850 – 2<sup>nd</sup> Street SW  
Calgary, Alberta T2P 0R8

Attention: Robert J. Taylor

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## **APPENDICES**

- Appendix "A" – Consent Order dated March 12, 2019
- Appendix "B" – Consent to Act dated June 4, 2019
- Appendix "C" – Agreement for Sale dated May 31, 2017
- Appendix "D" – Statement of Receipts and Disbursements for the period June 4, 2019 to July 21, 2019

## INTRODUCTION

- 1) On March 12, 2019, the Court of Queen's Bench of Alberta granted a Consent Order (the "**Order**") appointing a receiver and manager of the lands and premises described as Plan 7545FN, Block 11, Lot 8 to 10 inclusive and the motel assets and business ("**Centro Motel**" or the "**Property**") of C.K.V. Developments Inc. (the "**Debtor**" or "**CKV**"). On June 4, 2019 (the "**Date of Receivership**"), Deloitte Restructuring Inc. (the "**Receiver**") consented to act as receiver and manager of Centro Motel. A copy of the Order and Consent to Act is attached hereto as Appendix "**A**" and Appendix "**B**" respectively.
- 2) The Receivership Order was granted as a result of an application by Centro Management & Consulting Ltd. ("**Centro Management**"), formerly known as Centro Motel Inc. pursuant to its contractual rights under the seller finance Agreement (the "**Agreement**") dated May 31, 2017. A copy of the Agreement is attached hereto as Appendix "**C**".
- 3) Following the issuance of the consent to act, the Receiver issued a statutory Notice and Statement of the Receiver (the "**Notice to Creditors**") pursuant to subsections 245(1) and 246(1) of the *Bankruptcy and Insolvency Act* (Canada).
- 4) The Order, together with related Court documents, the Notice to Creditors and this first report (the "**First Report**") have been posted on the Receiver's website (the "**Receiver's Website**") at <https://www.insolvencies.deloitte.ca/en-ca/Pages/CKV-Developments-Inc.-operating-as-Centro-Motel-.aspx>.
- 5) Unless otherwise provided, all other capitalized terms not defined in this First Report are as defined in the Receivership Order.

### Purpose

- 6) The purpose of this First Report is to:
  - a) Provide the Court with an update of the Receiver's activities since the Date of Receivership;
  - b) Provide the Court with additional information regarding the proposed Sale and Marketing Process; and
  - c) Respectfully recommend that this Honourable Court:
    - i. Approve the activities of the Receiver as described in this First Report, including, without limitation, the steps taken by the Receiver pursuant to the Receivership Order;
    - ii. Approve the Sale and Marketing Process (defined later in this First Report) proposed by the Receiver in respect of the Centro Motel, and authorizing and directing the Receiver to take all steps and actions reasonably necessary to implement, conduct and carry-out the Sale and Marketing Process;
    - iii. Approve the Receiver's statement of receipts and disbursements for the period June 4, 2019 to July 21, 2019; and
    - iv. Provide such further and other relief that the Court considers just and warranted in the circumstances.

## Terms of Reference

- 7) In developing the First Report, the Receiver has relied upon unaudited financial information prepared by the Debtor's management, the Debtor's books and records and discussions with its 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.

## Currency

- 8) All dollar amounts in this First Report are in Canadian dollars, unless otherwise indicated.

## BACKGROUND

- 9) The Centro Motel is a 31 room "L-shaped" boutique motel located at 4540 16 Avenue NW, Calgary, Alberta.
- 10) On February 2, 2017, Centro Management and CKV entered into a commercial purchase contract (the "**Purchase Contract**") for the purchase and sale of the Property. The more salient terms of the Purchase Contract are noted below:
  - a) The purchase price for the Centro Motel was \$3.3 million;
  - b) An initial deposit of \$165,000 was payable at the date of signing;
  - c) Centro Management agreed to finance \$2.8 million of the purchase price; and
  - d) The balance of \$335,000 was payable upon closing on May 31, 2017.
- 11) On May 31, 2017, Centro Management and CKV entered into the Agreement. Pursuant to the terms of the Agreement, Centro Management agreed to sell the motel business to CKV under certain terms and conditions which included, among other things, the following conditions:
  - a) The financed amount was \$2.8 million plus a 4% interest rate per annum on unpaid amounts;
  - b) The effective date was May 31, 2017 and was for a period of three years with a maturity date of May 31, 2020;
  - c) CKV was required to make monthly installments to Centro Management of \$10,500 on the last day of each month commencing June 30, 2017;
  - d) Two principal payments to Centro Management of \$100,000 each due on May 31, 2018 and May 31, 2019; and
  - e) Title to the Centro Motel would not pass to CKV until such time as CKV had made all payments to Centro Management as stated in the Agreement.

- 12) CKV made the required \$10,500 monthly installments to Centro Management; however, CKV did not make the two principal payments to Centro Management on May 31, 2018 and May 31, 2019 pursuant to the Agreement.
- 13) Centro Management holds registered security against CKV as it relates to the Centro Motel property. Centro Management is owed approximately \$2.66 million (excluding fees and costs it has incurred in connection with the receivership).
- 14) CKV is an Alberta-based corporation owned by Mr. Diego Rossi. CKV operates the Centro Motel pursuant to the Agreement. Mr. Rossi advised the Receiver that it also operates as a property development company that owns 11 condominium units, which are not subject to these receivership proceedings.
- 15) As at the Date of Receivership, the Centro Motel employed approximately 12 employees. Following the Date of Receivership, one employee resigned and two additional employees were hired to accommodate a seasonal increase in business.

### **POWERS OF THE RECEIVER**

- 16) The Order authorized the Receiver to, among other things:
  - a) Take possession of and exercise control over the Property, and the proceeds from the Property;
  - b) Preserve and protect the Property;
  - c) Manage, operate, and carry on business;
  - d) Engage an appraiser, accountants, counsel, and other such persons from time to time;
  - e) Receive and collect all monies owing to CKV;
  - f) Settle, extend, or compromise indebtedness owing to or by CKV;
  - g) Execute, assign, issue, and enforce documents in respect of the Property; and
  - h) Commence a sales process for the Property, which includes obtaining an appraisal of the Property and listing the Property with a licensed listing agent.

### **RECEIVER'S ACTIVITIES**

- 17) The Receiver has undertaken the following activities:
  - a) Attended Centro Motel to take possession and exercise control of the motel business, and met with the directors and employees;
  - b) Obtained online access to and secured Webrez, the online web reservation software;
  - c) Entered into new employment agreements with all the employees to continue operations and assist with administrative duties;

- d) Supervised and directed the employees;
- e) Arranged for an appraisal of the Property;
- f) Arranged to maintain the insurance coverage over the Property and had the Receiver added as a named insured and loss payee on the existing insurance policies;
- g) Arranged for continued service from critical utilities and vendors, and online booking systems;
- h) Informed the Canada Revenue Agency ("**CRA**") of the receivership and requested new tax accounts for the post-receivership period;
- i) Requested a pre-receivership audit be conducted on the Company's Goods and Services Tax ("**GST**") and payroll accounts by CRA.
- j) Notified CKV's creditors of the receivership;
- k) Notified CKV's various banks of the receivership, and provided instructions to put the accounts on hold;
- l) Opened new trust accounts in the name of the receivership estate to facilitate future receipts and disbursements;
- m) Prepared and updated from time to time a 13-week operating receivership cash flow;
- n) Corresponded with Dentons Canada LLP ("**Dentons**"), the Receiver's legal counsel, on various legal matters relating to the receivership including an independent review of the validity and enforceability of various security registered against the motel;
- o) Corresponded with creditors, employees, and other stakeholders; and
- p) Addressed additional matters as they arose from time to time.

## **OPERATIONS**

### **Employees**

- 18) As at the Date of Receivership, the directors and the motel manager advised the Receiver that the employee payroll was up to date and no amounts were outstanding to employees. The Receiver subsequently discovered that wages are owed to two employees which is discussed later in this First Report.

### **Books and Records**

- 19) The bulk of Centro Motel's books and records are kept at the director's personal residence. The Receiver has made several requests to Mr. Rossi (and his wife) to deliver up all of the books and records. While certain documents have been provided to the Receiver, certain books and records including historic and recent financial information and the accounts payable listing have not been provided.

- 20) The Receiver was provided with access to CKV's online booking system but has not been provided access to any additional accounting software. It is unclear to the Receiver whether CKV undertakes regular accounting for the motel business.

## **ASSETS**

### **Cash in Bank**

- 21) The Debtor's bank accounts were held at TD Bank and the accounts were frozen after the Date of Receivership. TD Bank continues to allow deposits to the accounts to facilitate timely collection of receivables from debit and credit card payments. Funds are being transferred by TD Bank to the Receiver's accounts on approximately a weekly basis.

### **Real Property**

- 22) The Receiver retained Newmark Knight Frank ("**NKF**") to perform a valuation of the Property. The appraisal will be provided to this Honourable Court by way of a Confidential Supplement to the First Report that will be filed in due course.

## **CREDITORS CLAIMS**

As at the Date of Receivership, and as noted previously, Centro Management is owed approximately \$2.66 million.

- 23) David Newsome, Alberta Treasury Branches ("**ATB**"), F.M.I. Consultants Ltd./Awakening Possibility Inc. have registered mortgages against the Property for the original principal amounts of \$1.3 million, \$700,000, and \$1.2 million respectively. While David Newsome's registration was registered prior to ATB, a postponement of the David Newsome mortgage to ATB was filed on November 28, 2013.
- 24) The Receiver's legal counsel is currently reviewing the validity, enforceability, and priority of each creditor's security.
- 25) The Receiver is aware of two employee claims for outstanding wages and vacation pay up to a maximum of approximately \$14,000. The claimants may be eligible for a partial recovery under the Wage Earners Protection Program, which may result in a potential priority claim by Service Canada of up to \$4,000.
- 26) A complete creditor listing has never been provided by CKV to the Receiver. Consequently, as at the date of this First Report, the Receiver has been unable to quantify the amounts owing to the Debtor's unsecured creditors.

## **SALE AND MARKETING PROCESS**

- 27) The Receiver intends to enter into a listing agreement with Royal LePage Mission ("**Royal LePage**" or the "**Listing Agent**") to market the Centro Motel for sale. Royal LePage is experienced in the marketing and sales of motels and was previously engaged as the Listing Agent for the Centro Motel in March 2019 prior to the Date of Receivership pursuant to an agreement between CKV and Centro Developments. Royal LePage is familiar with the Centro Motel and the Receiver is of the view that Royal LePage is the most appropriate Listing Agent to market the Centro Motel for sale.



- 28) The initial listing price was \$3.6 million. No offers were received by Royal LePage at that price.
- 29) The proposed Sales Process is as detailed below:
- a) The sales process will commence immediately after Court approval of the proposed Sales Process (August 2, 2019);
  - b) The listing price will be \$3.3 million.
  - c) Royal LePage shall solicit potential purchasers by:
    - i. sending out an introduction letter to potential purchasers as soon as reasonably practical;
    - ii. placing an advertisement in local, national or international publications as appropriate; and
    - iii. providing to any potential purchasers who execute an acceptable confidentiality agreement: (i) access to the Centro Motel; and (ii) access to a virtual data room to be maintained by the Receiver.
  - d) Royal LePage will market the Property for sale for a period of 45 days;
  - e) Prospective purchasers expressing an interest in purchasing the Property will be instructed by Royal LePage to submit their bids on September 16, 2019. Bids will not be accepted prior to September 16, 2019.

The Receiver shall review the bids received by Royal LePage forthwith and determine whether there are any acceptable bids. The Receiver will, upon accepting an acceptable bid, make application to this Honourable Court for approval of the sale of the Property and vesting such Property to the successful bidder.

## **STATEMENT OF RECEIPTS AND DISBURSEMENTS**

- 30) The Receiver has prepared a Statement of Receipts and Disbursements ("**SRD**") for the period of June 4, 2019 to July 21, 2019 as attached in Appendix "**D**". The notes to the SRD provide explanation of the receipts and disbursements incurred by the Receiver to date.

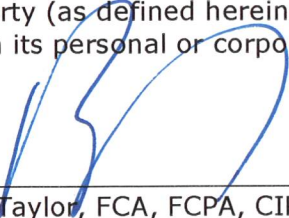
## **CONCLUSIONS AND RECOMMENDATIONS**

- 31) Based on the foregoing, the Receiver respectfully recommends that this Honourable Court grant the relief detailed in Section 6 c) of this First Report and such further and other relief, as this Honourable Court deems appropriate in the circumstances.

All of which is respectfully submitted at Calgary, Alberta this 24<sup>th</sup> day of July 2019.

**DELOITTE RESTRUCTURING INC.**

Solely in its capacity as  
Court appointed Receiver of  
The Property (as defined herein)  
And not in its personal or corporate capacity



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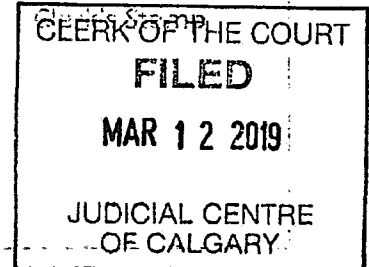
Robert J. Taylor, FCA, FCPA, CIRP, LIT, CFE  
Senior Vice-President

## Appendix "A"

Form 27

[Rules 6.3 and 10.52(1)]

COURT FILE NUMBER 1801-05767  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
PLAINTIFF C.K.V. DEVELOPMENTS INC.  
(RESPONDENT)  
DEFENDANT CENTRO MOTEL INC.  
(APPLICANT)  
DOCUMENT CONSENT ORDER



ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT Jensen Shawa Solomon Duguïd Hawkes LLP  
800, 304 - 8 Avenue SW  
Calgary, Alberta T2P 1C2

Robert Hawkes QC  
Tel: 403 571 1520  
Fax: 403 571 1528  
File: 11711-003

DATE ON WHICH ORDER WAS PRONOUNCED: MARCH 12, 2019  
NAME OF JUSTICE MAKING THIS ORDER: The Honourable Justice D.K. MILLER  
LOCATION OF HEARING: Calgary, Alberta

**UPON THE APPLICATION** of CENTRO MOTEL INC.; **AND UPON** reference to the Affidavits of Dino Rossi and Brian Webb sworn and filed in this Action;

**AND UPON HEARING** counsel for the Applicant; **AND UPON NOTING** the consent of counsel for the Respondent.

**IT IS HEREBY ORDERED THAT:**

1. Centro Motel Inc., now known as Centro Management & Consulting Ltd. ("Centro") may exercise its contractual rights under the Agreement for Sale entered into effective May 31, 2017 ("AFS"), between Centro and C.K.V. Developments Inc. ("CKV") without further Order of this Court.

2. Under paragraph 9 of the AFS, Centro may appoint a Receiver Manager over:

PLAN 7545FN, BLOCK 11, LOTS 8 to 10 INCLUSIVE  
EXCEPTING THEREOUT ALL MINES AND MINERALS

("Lands")

and the motel assets and business located on the Lands (the "Motel Business"). The Land and the Motel Business will be referred to as the Property.

3. The Receiver Manager 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 Manger is hereby expressly empowered and authorized to do any of the following where the Receiver Manger 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 and protect the Property, or any part or parts thereof, including, but not limited to the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate and carry on the motel business, 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 other business, or cease to perform any contracts of CKV or Centro in relation to the Property;
- (d) to engage an appraiser, accountants, 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 receive and collect all monies and accounts now owed or hereafter owing to CKV and to exercise all remedies of CKV in collecting such monies, including, without limitation, to enforce any security held by CKV;
- (f) to settle, extend or compromise any indebtedness owing to or by CKV;
- (g) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver Manager's name or in the name and on behalf of CKV, for any purpose pursuant to this Order;
- (h) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

4. No proceeding or enforcement process in any court or tribunal, shall be commenced or continued against the Receiver Manager except with the written consent of the Receiver Manager or with leave of this Court.

5. Except for gross negligence or wilful misconduct, as a result of its appointment or carrying out the provisions of this Order the Receiver Manager shall incur no liability or obligation that exceeds an amount for which it may obtain full indemnity from the Property. Nothing in this Order shall derogate from any limitation on liability or other protection afforded to the Receiver Manager under any applicable law.

6. The Receiver Manger manager shall proceed with a sales process for the Lands and the Motel Business as allowed by paragraph 9 of the AFS, including:

- (a) Obtaining an appraisal for the Lands and Motel Business;
- (b) Listing the Lands and the Motel Business for sale with a licensed commercial realtor specializing in motel properties.


7. CKV and its employees shall cooperate with the Receiver Manger manager both with respect to obtaining the appraisal, management of the property during the sale process and with respect to listing and showing the property.

8. The Receiver Manager shall seek Court approval for any sale of the Lands and the Motel Business, after first seeking the consent of both Centro and CKV.

9. The Receiver Manager, and counsel to the Receiver Manager, if any, shall be paid their reasonable fees and disbursements, in each case, incurred at their standard rates and charges. The Receiver Manager and counsel to the Receiver Manager shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, incurred both before and after the making of this Order in respect of these proceedings, and the Receiver Manager'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.

10. The Receiver Manager and its legal counsel shall pass their accounts from time to time.

11. Centro shall have its entire costs of these proceedings on a solicitor and his own client basis, payable by CKV.

  
Justice of the Court of Queen's Bench of  
Alberta

Consented to this 4<sup>th</sup> of day of July 2018

Llewellyn Law

  
Per: Meenu Aluwalia  
counsel for C.K.V. DEVELOPMENTS INC

Consented to this 5<sup>th</sup> of day of July 2018

JSS Barristers

  
Per: Robert Hawkes QC  
counsel for Centro Motel Inc.

## Appendix "B"



COURT FILE NUMBER	1801-05767
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PLAINTIFF	C.K.V. DEVELOPMENTS INC.
DEFENDANTS	CENTRO MOTEL INC.
DOCUMENT	<b>CONSENT TO ACT</b>
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<b>Jensen Shawa Solomon Duguid Hawkes LLP</b> 800, 304 – 8 Avenue SW Calgary, AB T2P 1C2
	Robert Hawkes QC Tel: 403 571 1520 Fax: 403 571 1528 File: 11711-003

**CONSENT OF RECEIVER TO ACT UNDER CONSENT ORDER**

Deloitte Restructuring Inc., a trustee within the meaning of subsection 2(a) of the Bankruptcy and Insolvency Act (Canada), does hereby consent to its appointment as Receiver and Manager, effective June 4, 2019, of C.K.V. Developments Inc. pursuant to the Consent Order agreed to on July 5, 2018 and pronounced by the Honorable Justice D.K. Miller on March 12, 2019.

Dated at the City of Calgary, in the Province of Alberta, this 4<sup>th</sup> day of June 2019.

Deloitte Restructuring Inc.



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Per: Robert J. Taylor, FCPA, FCA, CIRP, LIT, CFE  
Senior Vice-President

## Appendix "C"

**THIS AGREEMENT made effective the 31st day of May, 2017 (the "Effective Date"),**

**BETWEEN:**

**CENTRO MOTEL INC. of 2628 - 1 Avenue N.W., Calgary, Alberta T2N  
0C4 (hereinafter called the "Seller")**

**OF THE FIRST PART**

**- and -**

**C.K.V. DEVELOPMENTS INC. of 1112 Beverley Blvd. S.W., Calgary,  
Alberta T2V 2X5  
(hereinafter called the "Buyer")**

**OF THE SECOND PART**

**WHEREAS THE Seller agreed to sell to the Buyer and the Buyer agreed to purchase from the Seller, a motel business and the lands on which said business is situated, being municipally described as 4540 - 16 Avenue N.W., Calgary, Alberta and being legally described as follows:**

**PLAN 7545FN  
BLOCK 11  
LOTS 8 TO 10 INCLUSIVE  
EXCEPTING THEREOUT ALL MINES AND MINERALS  
(which business and lands are collectively referred to herein as the "Lands")**

**together with all the privileges and appurtenances thereto belonging or appertaining at, and pursuant to the Commercial Real Estate Purchase Contract #KLG-2017-01-31 (the "Purchase Contract") between the parties hereto dated effective February 2, 2017;**

**NOW THEREFORE, in consideration of the premises and the sums to be paid and the covenants to be observed as set out in this Agreement, the Parties agree as follows:**

- 1. The parties hereto acknowledge that the total indebtedness of the Buyer to the Seller, as at the Effective Date is TWO MILLION EIGHT HUNDRED THOUSAND — 00/100 (\$2,800,000.00) DOLLARS (the "Indebtedness");**
- 2. This Agreement shall take effect on the Effective Date and shall be effective for a term of THREE (3) YEARS, maturing on May 31, 2020 (the "Maturity Date").**
- 3. The Buyer shall pay the Indebtedness, with interest at the rate of FOUR (4.00%) PER CENT PER ANNUM, calculated and compounded annually, not in advance, as well after as before maturity of this Agreement until the Indebtedness, interest and all other moneys payable under this Agreement are paid in full. The Indebtedness, with interest at the rate aforesaid computed from May 31, 2017, shall become due and payable to the Seller in lawful money of Canada at the above noted address, or as the Seller may otherwise direct, as follows:**
  - (a) By equal successive monthly installments of TEN THOUSAND FIVE HUNDRED (\$10,500.00) DOLLARS (which shall be applied firstly in payment of interest, secondly in payment of all other charges due under this Agreement, and thirdly in the reduction of the principal sum)**

on the last day of each and every month starting on June 30, 2017, to and including the Maturity Date;

- (b) A principal payment of ONE HUNDRED THOUSAND (\$100,000.00) DOLLARS on May 31, 2018;
- (c) An additional principal payment of ONE HUNDRED THOUSAND (\$100,000.00) DOLLARS on May 31, 2019;
- (d) The Buyer shall have the right to prepay as set out in Section 32 hereof; and
- (e) The balance of the Indebtedness, Interest and all other monies secured hereunder shall become due and payable on the Maturity Date.

All interest deferred, unpaid or in arrears to be added to the Indebtedness and to bear interest at the rate aforesaid, payable at the times, in the manner and at the place hereinbefore provided for the payment of interest, from the time the same becomes due and payable. And in the case that the sums hereby secured or any part thereof be not paid at the time or times above set forth for payment thereof, the Buyer will, so long as such sums or any part thereof remain unpaid or owing on the security hereof, or during the continuance of this security, pay interest from day to day as hereinbefore provided on the said sums or so much thereof as shall for the time remain due, owing or unpaid during the continuance of this security. Provided that in the event of any default being made in the payment of any installment of interest secured under this Agreement, the same shall thereupon become part of the Indebtedness hereby secured and shall bear interest from the time when the same became due at the rate aforesaid, and on each day when any installment of interest falls due hereunder in each and every year until the whole of the said Indebtedness and interest secured hereby is fully paid and satisfied, all sums of money, whether interest or otherwise then due and remaining unpaid shall be added to the Indebtedness and bear interest at the rate aforesaid. And the Buyer covenants that the taking of a judgment or judgments under any of the covenants herein contained shall not operate as a merger of the said covenants or affect the right of the Seller to interest at the above rates on any moneys due or owing to the Seller during the continuance of this security under any of the covenants herein contained or on any judgment to be recovered thereon.

4. DURING THE TERM of this Agreement, property insurance will be maintained by the Seller and all premiums and other costs of maintaining said insurance in force shall be borne by the Buyer and paid to the Seller in equal monthly installments (plus goods and services tax or any tax substituted therefor), each in arrears. Said payments shall be adjusted as necessary upon five (5) days' prior notice from the Seller.

It is further agreed that the Buyer, at its sole cost and expense, will maintain in full force and effect comprehensive public liability insurance having limits of not less than \$5 million for bodily injury or death to one person, \$5 million for bodily injuries or death arising out of one occurrence, and \$5 million for property damage;

Insurance policies furnished under this Clause shall be issued by a responsible insurance company acceptable to the Seller, and such insurance coverage may be written under a blanket policy or policies obtained by the Buyer, which policy or policies may include other real estate owned or leased by the Buyer. The Seller, the Buyer and any mortgagee of the Seller shall all be named as insured parties in each such insurance policy, and each policy shall provide for written notice to the Seller and to any mortgagee of the Seller at least thirty (30) clear days prior to any cancellation,

modification, or lapse thereof. The Buyer shall furnish the Seller with copies of such Insurance policies upon request.

5. **NEITHER THE EXECUTION** nor registration nor acceptance of this Agreement, nor the advance of part of the moneys secured hereby, shall bind the Seller to advance any un-advanced portion of the Indebtedness, but nevertheless this Agreement shall take effect forthwith on the execution of these presents, and if the Indebtedness or any part thereof shall not be advanced at the date hereof, the Seller may advance the same in one or more sums to or on behalf of the Buyer at any future date or dates, and the amount of such advances when so made shall be secured hereby and repayable with interest as herein provided.

6. **THE SELLER MAY**, without the consent of the Buyer, mortgage the Lands and give this Agreement as security therefore; provided that:

- (a) The mortgage proceeds are advanced to the Buyer as part of the Indebtedness;
- (b) The form of the mortgage shall be acceptable to both the Seller and the Buyer and in the event of disagreement as to the form, the matter may be arbitrated;
- (c) The Seller shall apply the interest payments from the Buyer hereunder towards all payments under said mortgage;
- (d) It is a condition of such mortgage that if any default occurs under the mortgage the mortgagee shall give the Buyer notice of the default and the Buyer shall have sixty (60) days in which to remedy the default and if the default is remedied within the period, the mortgagee shall not by reason of the default exercise any right or remedy which it might have as mortgagee which would entitle it to possession of the whole or any part of the Lands; and
- (e) The Seller agrees to indemnify and save the Buyer harmless from any and all action by the mortgagee as a result of any payments being not made or by reason of any other default by the Seller under any of the terms of such mortgage.

7. **SUBJECT TO** the provisions of paragraph 5 hereof the Buyer agrees to execute any and all documents required to postpone this Agreement to such mortgage(s) and further agrees to execute any and all documents required to give effect to the assumption of such mortgage if and when title is conveyed to the Buyer.

8. **THE BUYER COVENANTS AND AGREES** that if default be made in the payment of said Indebtedness or of the interest thereon, or of any part of said Indebtedness or of said interest, or if the Buyer shall permit any act of waste upon said lands or premises, or removes or suffers the removal of any building or improvement now upon or hereafter placed upon said lands or premises, or permits anything by which the value thereof may be diminished, or does not have adequate insurance pursuant to Clause 4 above, then, and in any of such cases, the whole of said Indebtedness shall at the option of the Seller forthwith become due and be payable on fifteen (15) days written notice to that effect.

9. **IT IS AGREED** that if the whole of said Indebtedness is not paid in full after the expiration of the notice period as mentioned in clause 8 above, then the Buyer and all Guarantors to this Agreement expressly agree that it will be just and reasonable for the Seller to immediately enforce the Agreement and any Additional Security, including the Guarantees, and the Buyer and Guarantors

hereby consent to such Immediate enforcement and realization. The Buyer and Guarantors also waive any and all further notices with respect to such enforcement and realization (or legal proceedings associated therewith) including, without limitation, any notices required by the *Personal Property Security Act (Alberta)*, and further agree that:

- (a) The Seller may take all steps in this clause without notice and without Court Order;
- (b) It will be unjust and unreasonable for the Buyer and/or any Guarantors to make any application for a stay of proceedings under the *Bankruptcy and Insolvency Act (Canada)*, *Companies' Creditors Arrangement Act (Canada)* or otherwise;
- (c) It will be just and reasonable for the Seller in the course of exercising the remedies available to it to, without prior notice:
  - (i) Immediately list the Lands for sale; and/or
  - (ii) appoint a receiver and/or receiver-manager over the Lands and all or any portion of the assets secured by the Agreement and any Additional Security;
- (d) If the Seller seeks a Receivership Order from the court, then the Buyer and all Guarantors shall execute and consent to such Receivership Order, which shall contain a provision that the Receiver shall continue the Listing as noted in clause (c)(i) above, or other such sale listing as it sees fit, for a further 45 days after its appointment, after which time, the Lands may be sold to the highest bidder where it is understood that the Seller would be entitled to proceed to enforce the Guarantees in respect of any deficiency existing between the purchase price paid by the new purchaser and any amounts owing under the Agreement.

10. IT IS AGREED that all outgoings, including taxes, rates, levies, charges, assessments, and other impositions, whatsoever, rated, charged, assessed or imposed by authority of Parliament, or of any Legislature, or local authority, or otherwise howsoever on said lands and premises shall be DISCHARGED and PAID by, and the rents and profits from said lands and premises shall belong to the Seller up to, but not after March 1, 2017, and from and after that date all outgoings, including said taxes, rates, levies, charges, assessments and other impositions on said lands and premises shall be paid and discharged by, and the rents and profits from said lands and premises shall belong to the Buyer, and said rents, profits and outgoings shall, if necessary, be apportioned between the Seller and Buyer for the purpose of this provision.

11. PROVIDED ALWAYS that in the event of the Buyer making default in the payment of all or any of the outgoings herein agreed to be paid and discharged by the Buyer as and when the same respectively become due and payable, then the Seller may pay any such outgoings so due and unpaid, and the amount or amounts so paid by the Seller, together with all costs and expenses incurred in connection therewith as between solicitor and client shall be deemed to be secured hereby and charged upon said lands, and shall without demand therefore be payable forthwith by the Buyer to the Seller with interest at the rate hereinbefore provided to be paid on said indebtedness.

12. THE BUYER DOES ATTORN and become TENANT to the Seller of said lands and premises at a rental equal to, applicable in satisfaction of, and payable at the same time as the interest on said indebtedness hereinbefore provided to be paid, the legal relation of landlord and tenant of said lands and premises being hereby constituted between the Seller and Buyer; AND, if default is made in the payment of any interest or compounded interest, it shall be lawful for the Seller, and the Buyer doth hereby GRANT full power and licence to the Seller to enter upon said lands and premises, and seize

and distraint upon any goods thereon, and recover by way of rent reserved as in the case of demise of said lands and premises so much of the said interest and compound interest as may from time to time be in arrears or unpaid, together with all costs, charges, and expenses attending such levy or distress as in like cases of distress for rent; PROVIDED that the SELLER may at any time after default in payment of any sum herein agree to be paid by the Buyer, enter into and upon said lands and premises, or any part thereof, and determine the tenancy hereby created without giving any notice to quit.

13. AS SECURITY FOR the payment of all monies owing hereunder, the Buyer does hereby assign, transfer and set over unto the Seller all of the rents due or to accrue due and payable in respect of the Lands under any and all leases and rental agreements of any nature, kind and description, present and future, and all benefits and advantages to be derived therefrom, together with all the rights of the Buyer for the enforcement of the payment thereof, including the right of distress. Nothing herein contained shall be deemed to have the effect of making the Seller responsible for the collection of rents, or for the performance of any covenant, term or condition by the landlord or tenant contained in any lease or rental agreement. The Seller shall not by reason of the Assignment herein contained or by reason of any steps, actions, distress or other proceedings taken to enforce any of the Seller's rights hereunder, be deemed to be a mortgagee or seller in possession of the Lands.

14. THE BUYER COVENANTS, promises and agrees to and with the Seller that the Buyer will well and truly pay or cause to be paid to the Seller the indebtedness, together with interest, and all other sums paid or costs, charges and expenses incurred by the Seller herein, including all solicitor and client costs incurred by the Seller in regard to this Agreement, with interest thereon as and at the rate aforesaid on the days and times in manner above mentioned.

15. The Buyer will not under any circumstances permit any lien, encumbrance or charge to be filed against the Lands, and shall forthwith discharge any liens, encumbrances or charges that may be filed against the Lands.

16. THE SELLER AGREES that the Buyer, as of March 1, 2017, shall have the right to possession of said lands and premises, but must get possession at his own expense.

17. UPON:

- (a) Payment by the Buyer of the whole indebtedness, interest and all other moneys payable under this Agreement, and
- (b) The Buyer not being in default in the observance or performance of any of the covenants and conditions herein contained on the part of the Buyer to be observed and performed,

THE SELLER COVENANTS AND AGREES TO deliver to the Buyer a registerable Transfer conveying title to the Lands free and clear of all encumbrances other than:

- (c) The conditions and reservations expressed in the original grant thereof from the Crown;
- (d) Instrument numbers 7736FN (Restrictive Covenant) and 1767KA (Order);
- (e) Any encroachment agreements that may be required by the municipality;
- (f) Such encumbrances, liens or charges as may have been made or suffered by the Buyer;

Provided further that the Seller may use the funds payable by the Buyer on the Maturity Date to pay out all mortgages and other financial obligations that are the Seller's obligation to pay or discharge. Within a reasonable period of time after the Maturity Date, the Seller's lawyer will provide the Buyer's lawyer with evidence of all discharges including a certified copy of title.

18. IT IS AGREED that if the Buyer shall make default in the payment of said Indebtedness, or interest thereon, or any part thereof on the days hereinbefore mentioned for the payment of the same, or makes default in the observance or performance of any of the covenants, conditions or provisions of this agreement the times of payment aforesaid as well as the strict performance of each and every of the said other covenants, conditions and provisions of this agreement being conditions precedent, then and in either of such cases the Seller, if he shall deem it advisable in the exercise of an absolute and uncontrollable discretion so to do may at any time after the happening of any such default, DECLARE this agreement null and void as fully and completely as if this agreement had never been executed, by fifteen (15) days' written notice to that effect served on the Buyer or mailed in a registered letter addressed to it at its address above mentioned, and, upon the expiration of the time limited in the said notice, the rights and interest hereby created or then existing in favour of the Buyer, or derived under the provisions hereof, shall forthwith CEASE and DETERMINE without any legal proceedings being taken or other act being performed by or on behalf of the Seller, and the lands herein mentioned shall REVERT TO and REVEST IN the Seller and the Buyer shall have no right to reclaim any moneys paid in respect of this agreement and the same may be retained by the Seller as liquidated damages.

19. THE SELLER'S TITLE having been already examined and approved by the Buyer is accepted by it without further investigation, and the Lands having been inspected by it the description hereinbefore contained shall be deemed to be correct and no objections shall be made or compensation claimed on account of an error of description as to quantity or measurement or otherwise if any such be found.

20. IT IS AGREED that all improvements now on or hereafter placed upon the Lands shall remain thereon and not be removed or destroyed until final payment has been made for said lands and premises.

21. THE BUYER FURTHER COVENANTS AND AGREES to forthwith insure and during the currency of this agreement keep insured against loss or damage by fire each and every building on said above described lands in the sum of the full insurable value thereof in some insurance office to be approved of by the Seller, and will not do or suffer anything whereby the said policy or policies may be vitiated, and will pay all premiums and sums of money necessary for such purpose as the same shall become due, and will assign and deliver over unto the said Seller the policy or policies of insurance, receipt or receipts thereto appertaining; and if the Buyer shall neglect to keep the said buildings, or any of them, insured as aforesaid, or pay the said premiums, or deliver such receipts, then it shall be lawful for the Seller to insure the said buildings in the manner aforesaid, and all moneys expended by the Seller with interest at the rate aforesaid computed from the time or times of advancing the same shall be paid by the Buyer to the Seller on demand. And that all moneys received by virtue of any policy or policies may at the option of the Seller be either forthwith applied in or towards substantially rebuilding, reinstating and repairing the said buildings or in or towards the payment of the balance of the principal of said Indebtedness then remaining unpaid, and in case of a surplus then in or towards payment of the interest. Evidence of the renewal of such insurance shall be produced to the Seller at least ten days before the insurance then existing shall expire, otherwise the Seller may insure as hereinbefore provided.



22. ALL SUMS PAID by the Seller by reason of the Buyer's default in any of the terms of this Agreement, and all costs paid by the Seller as between solicitor and its own client on account of either any default by the Buyer, or for the collection of any sums payable under this Agreement, together with interest thereon at the aforesaid rate shall be added to the Principal hereby secured and be a charge upon the Lands and shall be paid by the Buyer to the Seller forthwith upon demand.

23. THE SELLER SHALL have a charge on the Lands to secure payment of the indebtedness and interest and all other monies payable under this Agreement.

24. ANY NOTICE REQUIRED to be given to the Buyer under the terms of this Agreement shall be deemed properly and sufficiently given and shall in all respects be valid and effectual if sent to the Buyer by prepaid post addressed to the Buyer at, and such notice shall be deemed to have been delivered to the Buyer five (5) days after the date the same was posted by prepaid registered mail. If to the knowledge of the Seller the address for the Buyer is not accurate, such notice shall be sent in the same manner to the last known address of the Buyer.

25. IT IS AGREED that the waiver by the Seller of the strict performance of any covenant, condition or stipulation herein contained shall not of itself constitute a waiver of or abrogate such covenant, condition or stipulation nor be a waiver of any subsequent breach of the same, or any other covenant, condition or stipulation.

26. THE SELLER may at such time or times as the Seller may deem necessary and without the concurrence of any other person send an inspector or agent or appoint a receiver to enter upon the Lands and to report upon the value, state and condition of the Lands, and the cost of so doing, together with interest thereon at the aforesaid rate shall be repaid by the Buyer to the Seller forthwith upon demand.

27. ANY JUDGEMENT obtained pursuant to the provisions of this Agreement shall not operate to merge such provisions with regard to the payment of interest and, notwithstanding such judgment, interest shall be payable at the rate set forth in this Agreement.

28. THE BUYER assigns, sets over and transfers to the Seller any and all awards or payments, including interest thereon, and the right to receive the same, which may be made with respect to the Lands or any part thereof.

29. IT IS FURTHER AGREED that time is to be considered the essence of this agreement and also that in reading and construing this agreement the word "Buyer" and all words pending thereon or relating thereto shall be read and construed as in the plural instead of the singular number if there be more than one Buyer named, and in such case the covenants shall be deemed to bind the Buyers severally as well as jointly; AND the word "Seller" and all words pending thereon or relating thereto shall, if there be more than one Seller named, be read and construed in the plural instead of in the singular number, and each of the powers given to and covenants made with the Seller shall be deemed to be given to and made with each of the Sellers alone as well as to or with them jointly; AND ALSO that the masculine gender shall include the feminine or a body corporate where the context or the parties hereto so require.

30. NO ASSIGNMENT of this Agreement shall be valid unless the same shall be for the entire interest of the Buyer and shall be approved and countersigned by the Seller which approval shall be granted in the Seller's sole and absolute discretion.

**31. THE COVENANTS, provisos, powers and licenses herein expressed or implied shall be binding upon and enure to the benefit of and may be exercised or enjoyed by the successors or assigns of the Seller, and by the approved assigns of the Buyer.**

**32. PROVIDE THE BUYER is not in default under the terms of this Agreement, it shall have the right to prepay the whole or any part of the indebtedness, interest and all other monies secured hereunder at any time without notice or bonus, but any partial prepayment shall not affect the Buyer's obligations to make all payments herein referred to until the respective amounts have been paid in full.**

**33. TIME SHALL be strictly and in every respect of the essence hereof.**


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34. SHOULD ANY PROVISION of this Agreement be or become illegal, invalid or not enforceable, it shall be considered separate and severable from this Agreement and the remaining provisions shall remain in force and be binding upon the parties.

IN WITNESS WHEREOF the parties hereto have hereunder set their respective hands and seals the day and year first above written.

**CENTRO MOTEL INC.**

**CKV DEVELOPMENTS INC.**

**c/s**  
Per:   
Name - *Brian Webb*  
Position - President

**c/s**  
Per: \_\_\_\_\_  
Name -  
Position - President

34. SHOULD ANY PROVISION of this Agreement be or become illegal, invalid or not enforceable, it shall be considered separate and severable from this Agreement and the remaining provisions shall remain in force and be binding upon the parties.

IN WITNESS WHEREOF the parties hereto have hereunder set their respective hands and seals the day and year first above written.

CENTRO MOTEL INC.

C.K.V. DEVELOPMENTS INC.

c/s

c/s

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

Name -  
Position - President

  
Per: DIRCO ROSSI

Name -  
Position - President

## Appendix "D"

**C.K.V. Developments Inc. - in Receivership**  
**Interim Statement of Receipts and Disbursements**  
**For the period June 4, 2019 to July 24, 2019**

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<b>Receipts</b>	<b>Amount</b>
Operating income	\$ 102,531
Miscellaneous refunds	143
<b>Total receipts</b>	<b><u>102,673</u></b>
<b>Disbursements</b>	
Payroll	41,248
Payment to Centro Management & Consulting Ltd.	11,259
Operating expenses	7,458
Property and business taxes	5,506
Insurance	2,280
Software and online booking fees	2,502
Employee expenses	550
GST	278
Filing fees	70
<b>Total disbursements</b>	<b><u>71,150</u></b>
<b>Excess of receipts over disbursements</b>	<b><u>\$ 31,523</u></b>