

COURT FILE NUMBER 1603-20704

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE EDMONTON

PLAINTIFF(S) ROYAL BANK OF CANADA

DEFENDANTS ELEMENTS WEST INC., DAMEN TRUCKING LTD., PETER DAMEN,
DAVID DAMEN, ANDREW DAMEN, and KAREN DAMEN

DOCUMENT **SUPPLEMENTAL REPORT TO THE FIRST REPORT OF THE RECEIVER**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

Counsel
Dentons Canada LLP
2900 Manulife Place
10180 101 Street
Edmonton, Alberta T5J 3V5

Attention: Ray Rutman
Telephone: 780-423-7246
Email: ray.rutman@dentons.com

Deloitte Restructuring Inc.
2000 Manulife Place
10180 101 Street
Edmonton, Alberta T5J 4E4

Attention: Gordon Smith
Telephone: 780-421-3863
Fax: 780-421-3782
Email: gosmith@deloitte.ca

Introduction

1. On December 2, 2016, Elements West Inc. and Damen Trucking Ltd. (individually referred to hereafter as "**Elements**" and "**Damen**", respectively, and as the "**Companies**" collectively) were placed into receivership pursuant to an Order (the "**Receivership Order**") issued by the Court of Queen's Bench of Alberta (the "**Court**"). Deloitte Restructuring Inc. ("**Deloitte**") was appointed as receiver (the "**Receiver**").
2. This report is supplemental to the First Report of the Receiver (the "**First Report**") dated January 31, 2017, in support of the Receiver's amended application for an Order approving a sales process.

Purpose of this report

3. The purpose of this supplemental report is to:
 - 3.1. Advise the Court on developments in the sales process since the filing of the First Report; and
 - 3.2. Respectfully recommend that this Honourable Court approve the amended sales process of the chattels of the Companies.

Terms of reference

4. In developing this First Report, the Receiver has relied upon unaudited financial information prepared by the Companies' management, the Companies' 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. The Receiver expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this First Report, or relied upon by the Receiver in preparing this First Report.

Developments since the First Report

5. Trailer Wizards Ltd. filed proof of security with the Receiver and the Receiver's legal counsel has opined that it is enforceable on its terms. As discussed in the First Report, the prior registrations by Royal Bank of Canada ("**RBC**") and Canadian Western Bank ("**CWB**") rank in priority to the Trailer Wizards Ltd. security.
6. The Receiver received correspondence from the Workers' Compensation Board ("**WCB**") advising of its priority claim pursuant to Sections 129 and 130 of the Workers' Compensation Act in the amount of \$7,316.28.
7. The Receiver completed a sale of miscellaneous parts, 2010 Peterbilt 387 (Unit 006 / VIN: 1XPWD49X4AD113190), and 2002 Freightliner Classic XL (Unit 2 / VIN: 1FUJAPCG73LL66438) to a party related to the Companies for the sum of \$35,000, inclusive of GST, as it was superior to the auctioneer values. Court approval was not required for this transaction as it was under the \$100,000 threshold set out in the Receivership Order.
8. Tricor Lease & Finance Corp. has advised the Receiver of its intention to take possession of the 2014 GMC Sierra 1500 (Unit 706 / VIN: 3GTU2UEC2EG385568) and 2013 GMC Sierra 3500 (Unit 701 / VIN: 1GD423CG8DF109729) (collectively the "**Tricor Assets**") and realize on its security.
9. EW Transport Inc., a party related to the Companies, has submitted an offer (the "**EW Offer**") to purchase all of the Companies' chattels excluding the Tricor Assets and has provided certified funds representing 20% of the purchase price as a non-refundable deposit. The EW Offer is attached hereto and marked as Appendix "**A**".
10. The EW Offer includes one asset inadvertently omitted from the chattel list appended to the First Report as Schedule 1. Specifically, one 2005 GMC Sierra 2500 was omitted and one 2004 Dodge Ram 2500 should in fact be a 2004 GMC Sierra 2500. An amended chattels list showing the disposition of each chattel with changes bolded and underlined is attached hereto and marked as Appendix "**B**".
11. The Receiver has consulted with RBC and CWB who have advised of their support of the amended sales process in favour of a transaction with EW Transport Inc.

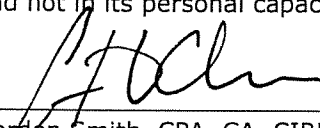
Conclusion and recommendation

12. The EW Offer is superior to all offers received by the Receiver to date and the Receiver recommends that it be permitted to accept it, with payment due on or before February 24, 2017, failing which the Receiver will be permitted to accept the Osman proposal, or an alternative offer equal to or superior to the Osman proposal.

All of which is respectfully submitted this 10th day of February, 2017.

DELOITTE RESTRUCTURING INC.,

In its capacity as Court-appointed Receiver of
Elements West Inc. and Damen Trucking Ltd.
and not in its personal capacity


for: _____
Gordon Smith, CPA, CA, CIRP, LIT, CFE, CBV
Senior Vice-President

APPENDIX "A"

APPENDIX “A” IS REMOVED

APPENDIX "B"

AMENDED CHATTELS LIST

APPENDIX "B"

Elements West Inc					
Unit #	Description	Serial Number	Specific PPSA creditor	Disposition / Note	
201	2014 Lode King SDE53	2LDSD533XEE057620	RBC	EW Offer	
202	2014 Lode King SDE53	2LDSD5331EE057621		EW Offer	
203	2014 Lode King SDE53	2LDSD5333EE057622		EW Offer	
102	2014 Peterbilt Truck 389	1XPXD49X7ED243426		EW Offer	
103	2014 Peterbilt Truck 389	1XPXD49X9ED243427		EW Offer	
104	2014 Peterbilt Truck 389	1XPXD49XDED243428		EW Offer	
204	2014 Lode King SDE 53-3	2LDSD5335EE057623		EW Offer	
205	2014 Lode King SDE 53-3	2LDSD5337EE057624		EW Offer	
301	2015 Temisko 51' Semi-Trailer End-Loader	2TMFX513XFN751401		EW Offer	
302	2015 Temisko 51' Semi-Trailer End-Loader	2TMFX5131FN751402		EW Offer	
105	2016 Peterbilt Conventional 389	1XPXD49X8GD340623		EW Offer	
706	2014 GMC Sierra 1500	3GTU2UEC2EG385568		Tricor Lease & Finance Corp	1
701	2013 GMC Sierra 3500HD	1GD423CG8DF109729		Tricor Lease & Finance Corp	1
208	2016 Manac Super B Flatdeck	2M513097XG1156068		CWB	EW Offer
209	2016 Manac Super B Pup	2M5120854G1156070	EW Offer		
101	2004 Mack Vision 600	?	N/A	EW Offer	
206	2015 SWS 24' Deck Trailer	4UGFH2425FD027727	N/A	EW Offer	
?	2008 Bobcat Model S300	A5GP20817	N/A	2	
N/A	Miscellaneous Parts and Shop Tools	N/A	N/A	Sold	
Damen Trucking Ltd.					
006	2010 Peterbilt 387	1XPWD49X4AD113190	RBC	Sold	
?	2010 Peterbilt 389	1XPXD49X6AD107203		EW Offer	
703	2009 Chevrolet K1500	1GNFK26389R234033	Ally Credit Canada Ltd.	EW Offer	
?	2000 Wabash 53FT Tridem Reefer	1JJV533W6YL713124	Wells Fargo	EW Offer	
207	1995 Wabash 53FT Tridem Stepdeck	2M5131619S1035479		EW Offer	
?	1995 Jeep Easy Ride T/A Trailer	2N9MGE72XSE016121		EW Offer	
?	2004 GMC Sierra 2500	1GTHK29U84E303132	N/A	EW Offer	
?	2005 GMC Sierra 2500	?	N/A	EW Offer	
2	2002 Freightliner Classic XL	1FUJAPCG73LL66438	N/A	Sold	

Notes

- 1) Tricor Lease & Finance Corp. has requested the release of the assets for realization of its security interest.
- 2) This asset was transferred to a third party prior to the receivership. The Receiver is determining whether the transfer is void against the Receiver.