



COURT FILE NUMBER 1901-10871

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

IN THE MATTER OF THE INTERIM RECEIVERSHIP OF UWAMS
SUPPORTIVE LIVING LTD.

PLAINTIFF THE BANK OF MONTREAL

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

DOCUMENT **SECOND REPORT OF DELOITTE RESTRUCTURING INC., IN
ITS CAPACITY AS COURT APPOINTED INTERIM RECEIVER
OF UWAMS SUPPORTIVE LIVING LTD.**

DATED DECEMBER 2, 2019

PREPARED BY DELOITTE RESTRUCTURING INC.

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT

Interim Receiver
DELOITTE RESTRUCTURING INC.
Suite 700, 850 - 2nd Street SW
Calgary, AB T2P 0R8

Attention: Ryan Adlington
Tel: 403-261-8135
Email: radlington@deloitte.ca

Legal Counsel
DENTONS CANADA LLP
Suite 1500, 850 - 2nd Street SW
Calgary, AB T2P 0R8

Attention: Derek Pontin / John Regush
Tel: 403-268-6301/ 403-268-7086
Email: derek.pontin@dentons.com / john.regush@dentons.com

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Introduction

1. On October 11, 2019 (the "**Date of Appointment**"), Deloitte Restructuring Inc. was appointed as Interim Receiver (the "**Interim Receiver**"), without security, of all the assets, undertakings, and properties of every nature and kind, including all proceeds (the "**Property**") of UWAMS Supportive Living Inc. ("**UWAMS**", the "**Company**" or the "**Debtor**") pursuant to the Order of the Court of Queen's Bench of Alberta (the "**Court**") dated October 11, 2019 (the "**Interim Receivership Order**").
2. The Interim Receivership Order empowered, but did not obligate the Interim Receiver to, among other things, where the Interim Receiver considered it necessary or desirable:
 - a) to monitor the Debtor's receipts and disbursements, including, without limitation, the right to access all information relating to the Debtor's accounts or finance activities at any financial institution;
 - b) 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 Interim Receiver's powers and duties, including without limitation those conferred by this Order;
 - c) to report to, meet with and discuss with such affected Persons (as defined in the Interim Receivership Order) as the Interim Receiver deems appropriate all matters relating to the Property and the interim receivership, and to share information, subject to such terms as to confidentiality as the Interim Receiver deems advisable;
 - d) to register a copy of this Order and any other orders in respect of the Property against title to any of the Property, including without limitation the lands described in Schedule "A" of the Interim Receivership Order; and
 - e) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.
3. The Interim Receivership Order provided for an initial stay of proceedings to and including November 10, 2019, or until further Order of the Court.
4. On November 8, 2019, this honourable Court extended the Interim Receivership Order to and including December 10, 2019, pursuant to the Continuation Order. A copy of the Continuation Order is attached as Appendix "A"
5. The Interim Receivership Order, together with related Court documents have been posted on the Interim Receiver's website (the "**Interim Receiver's Website**") at www.insolvencies.deloitte.ca/en-ca/Uwams. This second report of the Interim Receiver (the "**Second Report**") will also be posted on the Interim Receiver's Website after it has been filed with the Court.

Purpose

6. The purpose of this Second Report is to:
 - a) Provide an update on the administration of the interim receivership since the Date of Appointment; and
 - b) Respectfully recommend that this Honourable Court make orders:
 - i. Approving the actions taken by the Interim Receiver as outlined in this Second Report;
 - ii. Approving an extension of the Interim Receivership Order to January 24, 2020.

Terms of reference

7. In preparing this Second Report, the Interim Receiver has relied upon unaudited financial information, other information available to the Interim Receiver and, where available and appropriate, UWAMS' books and records and discussions with various parties.
8. The financial information of the Company has not been audited, reviewed or otherwise verified by the Interim 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 Second Report may not disclose all significant matters about the Company or its financial position. Additionally, none of the Interim Receiver's procedures were intended to disclose defalcations or other irregularities. If the Interim 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 Interim Receiver's attention. Accordingly, the Interim Receiver does not express an opinion nor does it provide any other form of assurance on the financial or other information presented herein. The Interim Receiver may refine or alter its observations as further information is obtained or brought to its attention after the date of this Second Report.
9. The financial projections attached to this Second Report were prepared by UWAMS. Although the Interim Receiver has reviewed the assumptions underlying the projections for reasonableness, financial projections, by their nature, are dependent upon future events, which are not susceptible to verification. Actual results will vary from the information presented and the variations may be material. The Interim Receiver has not prepared a compilation as contemplated by Section 4250 of the Chartered Professional Accountants of Canada Handbook.
10. The Interim Receiver has prepared this Second Report in connection with the Interim Receivership Order. The Interim Receiver assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction or use of this Second Report. Any use which any party makes of this Second Report, or any reliance or decision to be made based on this Second Report, is the sole responsibility of such party.
11. All dollar amounts in this Second Report are in Canadian dollars, unless otherwise indicated.
12. Capitalized terms used in this Second Report but not defined herein are as defined in the First Report.

Interim Receiver's Activities since the First Report

13. Since the First Report, the Interim Receiver has undertaken the following activities:

- a) Monitored the cash flows of UWAMS and compared forecast to actuals;
- b) Corresponded with Management with respect to day-to-day operations and a relocation plan for residents in the event of a formal insolvency filing;
- c) Corresponded with Alberta Health Services and an independent third party with respect to the regulations, policies, and procedures regarding relocating UWAMS residents in the event such steps are required;
- d) Corresponded with BMO and its legal counsel, Cassels Brock and Blackwell LLP, with respect to the status of the interim receivership proceedings; and
- e) Prepared, reviewed, and finalized this Second Report.

Ongoing operations

14. Since the date of the First Report, the Company has continued to operate UWAMS in the ordinary course and the full-time live-in staff remain employed by the Company.

15. Based on UWAMS' payroll ledger for the period ended October 25, 2019, the Company continues to employ one full-time live-in staff.

16. On November 28, 2019, UWAMS provided the Interim Receiver with a draft plan to relocate residents (the "**Plan**") pursuant to the Continuation Order. The Plan, attached as Appendix "**B**", is summarized below:

- a) A notice of relocation will be provided to each resident outlining the reason for termination of the resident's contract;
- b) 90 days will be provided to the residents to find alternative living arrangements;
- c) UWAMS, or its representative, will assist the residents, their case workers, and AHS during the 90 day period to find suitable living accommodations for the residents.

17. The Interim Receiver understands that Management has reached out to Nicholas Thain, Senior Operating Officer, with Alberta Health Services, to assist in the assessment and placement of the residents with respect to the potential relocation.

18. As discussed earlier in this Second Report, the Interim Receiver has also reached out to AHS and an independent third party within the home care services industry to verify the steps required to relocate residents and confirm that the Plan addresses such requirements.

19. Management has advised the Interim Receiver that it is working with West Grove Capital to obtain alternative financing to pay out and replace BMO as UWAMS primary lender. The Interim Receiver understands that Management has provided West Grove Capital with general company information and amounts owing to BMO to begin the refinancing process.

20. Since the filing of the First Report, the Company has generally cooperated with the Interim Receiver and has provided most information being requested as it relates to UWAMS.

Cash flow forecast and liquidity

21. The Company's actual cash receipts and disbursements for the period October 1, 2019 to November 25, 2019 are attached hereto as Appendix "C".
22. The Interim Receiver has conducted a review of the Company's actual cash flow for the period October 1, 2019 to November 25, 2019 and the Initial Cash Flow Forecast. The Interim Receiver's comments are as follows:
 - a) UWAMS has advised that the monthly average rent per resident is \$2,458 (base rent of approximately \$1,200 and an AHS subsidy of approximately \$1,258). Revenues have been lower than forecast for the course of the interim receivership as a result of a lower number of residents in October and, in November, the new residents have not been assessed to set the AHS subsidies. The Interim Receiver has concerns there is no certainty of the subsidy portion of rents as it is based on an assessment of each resident and the current rental rates are not sufficient to pay down the UWAMS' creditors in a timely manner.
 - b) Funds being generated by UWAMS are being used to continue to pay down the Calvert Mortgages. Management has reported that partial payments of approximately \$4,000 have been advanced to BMO in October and November; however, the payments do not cover the principal portion of BMO's indebtedness. Based on the Cash Flow Forecast, UWAMS does not have sufficient cash flow to meet its obligations to BMO. The Calvert Mortgage is not registered as security on the Premises. The Interim Receiver remains of the view that any revenues generated from operations on the Premises are potentially being misapplied, on the assumption they should be applied to the BMO indebtedness. This appears to be diminishing BMO's security position as the Company's senior secured creditor. This remains subject to the Interim Receiver's review and confirmation of the various stakeholders' security and priority.
 - c) The Interim Receiver's view remains that the revenues generated, even if UWAMS is able to retain 10 residents, would not be sufficient for UWAMS to service all of its debts in a timely manner.
23. The Interim Receiver understands that 48 Millside Road SE remains listed for sale and the Uwagas have not received any reasonable offers to date. The property has been listed for over 90 days. The Initial Cash Flow Forecast assumes that the property will be sold on or before December 31, 2019. Proceeds from the sale of the house are expected to cover all encumbrances on the property and there will be approximately \$100,000 in equity available to the Uwagas thereafter.
24. As at the date of this Second Report, the property tax arrears remain outstanding and UWAMS anticipates paying the property tax arrears on or before December 31, 2019.

Interim Receiver's recommendations

25. Based on the above, the Interim Receiver respectfully requests that the Court approve the activities of the Interim Receiver since the Date of Appointment.
26. As UWAMS has cooperated with the Interim Receiver since the Date of Appointment and, as the Interim Receiver continues to analyze and review information provided (and yet to be provided) by the Company, the Interim Receiver respectfully requests that the Court approve the extension of the Interim Receivership Order to January 24, 2020.

* * *

All of which is respectfully submitted at Calgary, Alberta this 2nd day of December 2019.

DELOITTE RESTRUCTURING INC.,
solely in its capacity as Interim Receiver
of UWAMS Supportive Living Ltd.,
and not in its personal or corporate capacity

Per:



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

Deloitte.

www.deloitte.ca

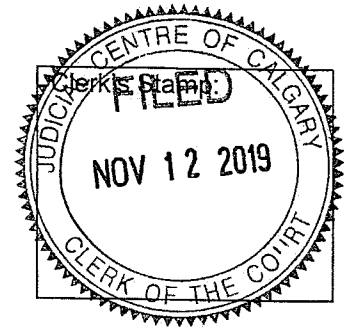
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APPENDIX A



COURT FILE NUMBER 1901-10871
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE OF CALGARY
APPLICANT: THE BANK OF MONTREAL
RESPONDENTS: UWAMS SUPPORTIVE LIVING LTD., MAXWELL
UWAGA and CAROL UWAGA

DOCUMENT CONTINUATION ORDER

CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT: Cassels Brock & Blackwell LLP
Suite 3810, Bankers Hall West
888 3rd Street SW
Calgary, Alberta, T2P 5C5

Attention: Jeffrey Oliver

Telephone 403-351-2921
Facsimile 403-648-1151
Email: JOliver@cassels.com

I hereby certify this to be a true copy of
the original Order
dated this 12 day of Nov 20 19
J. Green
for Clerk of the Court.

File No. 33336-389

DATE ON WHICH ORDER WAS PRONOUNCED: Friday, November 8, 2019
NAME OF JUDGE WHO MADE THIS ORDER: The Honourable Mr. Justice C.M. Jones
LOCATION OF HEARING: Calgary Law Courts

UPON the application of The Bank of Montreal ("**BMO**") in respect of UWAMS Supportive Living Ltd. (the "**Debtor**"); **AND UPON** having read the Application, the Affidavit of Trevor Bauer, sworn August 12, 2019, filed, the Affidavit of Trevor Bauer, sworn August 14, 2019, filed, the Affidavit of Trevor Bauer, sworn October 3, 2019, filed, the First Report of the Interim Receiver dated October 30, 2019, the Affidavit of Service of Richard Comstock, sworn November 4, 2019, filed, the Affidavit of Maxwell Uwaga, sworn November 7, 2019, filed, and the Interim Receivership Order pronounced by the Honourable Justice R.A. Neufeld on October 11, 2019 (the "**Appointment Order**"); **AND UPON** hearing counsel for BMO, counsel for Deloitte Restructuring Inc., counsel for the Debtor, and any other counsel or other interested parties present; **IT IS HEREBY ORDERED AND DECLARED THAT:**

DEFINED TERMS

1. Terms not otherwise defined herein shall have the meaning ascribed to them in the Appointment Order.

SERVICE

2. The time for service of the notice of application for this order (the "**Order**") is hereby abridged and deemed good and sufficient and this application is properly returnable today.

CONTINUATION OF INTERIM RECEIVERSHIP

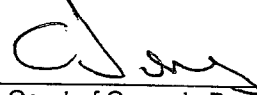
3. The appointment of Deloitte Restructuring Inc. as interim receiver (the "**Interim Receiver**"), without security, of all of the assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "**Property**") of UWAMS Supportive Living Ltd. (the "**Debtor**") pursuant to the Appointment Order shall continue in full force and effect until the earliest of:
 - (a) the taking of possession of the Property by a receiver, within the meaning of subsection 243(2) of the *Bankruptcy and Insolvency Act*, RSC 1985 c B-3;
 - (b) the taking of possession of the Property by a trustee in bankruptcy;
 - (c) 11:59 p.m. on December 10, 2019; or
 - (d) further Order of the Court of Queen's Bench of Alberta extending such appointment.
4. On or before November 29, 2019, Maxwell Uwaga shall provide the Interim Receiver with a detailed plan, prepared in consultation with the Interim Receiver and/or Alberta Health Services, where appropriate, for the transfer of all of the residents, patients, or other persons (collectively,

the "Residents") now, or at any time during the period ending December 10, 2019, under the care of the Debtor to appropriate alternate care facilities (collectively, the "Plan"). The Plan shall be compliant with any and all relevant statutory, governmental, regulatory or other requirements for the transfer of Residents into alternate care facilities. An interim or draft version of the Plan shall be provided to the Interim Receiver on or before November 22, 2019.

5. In addition to the powers of the Interim Receiver granted under the Appointment Order, the Interim Receiver is hereby empowered and authorized, but not obligated, to engage in discussions with, and obtain information from, Alberta Health Services (or such other governing or regulatory body involved in the regulation and administration of the business operated by the Debtor) with respect to the process for having Residents transferred from the care of the Debtor to alternate care facilities, provided that the Debtor shall have the option to participate in any and all such oral communications, and shall be copied on all written correspondence.
6. Any interested party may apply to this Court for advice and direction in relation to this Order on not less than seven (7) days' notice to any other party likely to be affected by the application or upon such other notice, if any, as this Court may order.
7. BMO shall have its costs of this application, up to and including entry and service of this Order, provided for by the terms of BMO's security or, if not so provided by BMO's security, then on a substantial indemnity basis, including legal costs on a solicitor-client full indemnity basis, to be paid by the Interim Receiver from the Debtor's estate with such priority and at such time as this Court may determine.
8. Service of this Order shall be deemed good and sufficient by:
 - (a) serving the same on:
 - (i) the persons listed on the service list created in these proceedings or otherwise served with notice of these proceedings;
 - (ii) any other person served with notice of the application for this Order;
 - (iii) any other parties attending or represented at the application for this Order; and
 - (b) posting a copy of this Order on the Interim Receiver's website in respect of these proceedings

and service on any other person is hereby dispensed with.

9. Service of this Order may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following transmission or delivery of this Order.

A handwritten signature in black ink, appearing to be 'C. Long', written above a horizontal line.

Justice of the Court of Queen's Bench of Alberta

APPENDIX B



UWAMS SUPPORTIVE LIVING LTD.

MAX UWAGA, Director

403-818-0211

NDU UWAGA, Asst. Director

403-616-6054

RE: UWAMS Supportive Living Resident Transfer Plan at 9504 2nd St. S.E.

In the event that UWAMS Supportive Living (USL) will have to cease operating the facility, within the UWAMS Supportive Living Policy and Procedure manual under the 24/7 Room & Board Admission Agreement on page 11, it states that: "The operator will provide ninety (90) days notice of termination in writing to the resident or the resident's advocate." UWAMS' Policies are reviewed annually with an Alberta Health Licensing Inspector. The Licensing Officer that reviewed the Policies is: Rajwinder Sidhu – Licensing Inspector – Alberta Health – Compliance and Monitoring Branch (403) 592-3091.

Once all residents have received a Termination of Residency notice giving 90 days from the date on the letter, UWAMS can contact Home Care to arrange for the Self Managed Care Case Worker for the residents to start the process for looking for new accommodations for the residents. Alberta Health Services has Designated Supportive Living Accommodations that provide a DSL3 standard of care which USL residents fall under. Since DSL3 Accommodations are directly contracted with AHS and UWAMS is not privy to which facilities have available beds in the system since USL is a private operator. Home Care has access to the Supportive Living and Long Term Care Accommodations that can house the residents from USL. The Integrated Home Care Adults & Self Managed Care Team can be reached at: 403-955-1399. As of November 21st, 2019 Nicholas Thain – Senior Operating Officer – Community, Rural, and Continuing Care is overseeing the possible transfer of residents from the home and his team will be doing an assessment of the residents should they be required to support these residents in finding new accommodations.

SAMPLE TERMINATION OF RESIDENCY NOTICE:

Dear Resident,

Due to unforeseen circumstances our operating of this facility will be ceased, you will be required to vacate the premises within ninety (90) days from the date on this letter. UWAMS will assist you toward finding new accommodations and will notify your family, next of kin, and/or representative immediately. Your care in this facility will continue uninterrupted during this 90 day period until new accommodation is found.

Sincerely,

Uwams Supportive Living

9504-2nd Street SE, Calgary, Alberta T2J 0V9, Email : usl@shaw.ca, Website: Uwams.ca
403-252-0092

Fax:

APPENDIX C

Uwams Supportive Living Ltd.
 Projected Cash Flow 9504 2 St. S.E.
 (unaudited)

Notes	2019				2020			
	October		November		December	January	February	
	Actual	Forecast	Variance	Actual	Forecast	Variance	Forecast	Forecast
1	4	5		7	5		7	10
2	12,176	15,376	(3,200)	12,179	17,206	(5,027)	17,206	24,580
	-	-	-	-	-	-	120,000	-
	12,176	15,376	(3,200)	12,179	17,206	(5,027)	137,206	24,580
DISBURSEMENTS								
3	2,238	4,420	(2,182)	2,238	2,238	-	2,238	2,238
4	7,259	3,259	4,000	7,259	7,259	-	7,259	7,259
5	595	557	38	620	557	63	557	557
6	293	542	(249)	293	542	(249)	542	542
7	263	263	-	263	263	-	263	263
8	796	796	-	796	796	-	796	796
9	387	200	187	387	200	187	200	200
10	-	-	-	-	-	-	8,047	-
11	860	860	-	825	860	(35)	860	860
12	100	200	(100)	100	100	-	100	100
13	52	52	-	52	52	-	52	52
14	600	800	(200)	1,000	800	200	800	1,500
15	-	-	-	-	-	-	100,000	-
16	-	-	-	-	-	-	-	-
	13,443	11,949	1,494	13,833	13,667	166	121,714	14,367
NET CASH FLOW (DEFICIT)								
	(1,267)	3,427	(4,694)	(1,654)	3,539	(5,193)	15,492	10,213
	10,799	3,709		9,532	7,136		7,136	32,841
17	9,532	7,136		7,878	7,136		22,628	43,054

Cash Flow Forecast Notes & Assumptions

1. Three Residents currently are on AHS Self-Managed Care (SMC) funding, two residents have been assessed by Homecare and the newest two are currently awaiting assessments by Homecare to be placed on SMC.
2. The total of SMC income and room & board payments. The amount will increase with the additional clients. The average current assessed amount per resident for SMC and Room & Board is: \$2,458.00 per month.
3. Salary is based on one live-in staff; USL will hire one additional live-in staff and split the hours equally maintaining current payroll. Uwams management will fill any voids and carry on day to day tasks.
4. Interest charges are current monthly payments to Calvert Home Mortgage for previous loan, will increase with payments to BMO in November.
5. Utilities are an average per month and remain relatively fixed, only what is paid out for 9504 2nd St. is shown.
6. Office supplies are average and remains fixed, new office furniture and technology will increase this monthly amount.
7. Telephone cable and internet has remained fixed still using the same providers and plans as previous H&K forecast.
8. Insurance is a fixed amount per month and has increased over previous forecast, See insurance statement.
9. Maintenance is average of plumber and Mechanical Company's maintenance costs.
10. Uwams will make full payment to City of Calgary for previous and current year property taxes with proceeds from sale of Millrise property.
11. Average monthly amount for gasoline, maintenance and payments for vehicles
12. Advertising amount includes website fees and printing fees for brochure
13. Average amount per month paid to WCB, account has credit and future amount will be based on number of employees per annual return.
14. Is fixed based on roughly \$150.00 per client each month, costs will increase as new clients move in.
15. The difference left to pay towards BMO arrears from the sale of the Millrise property and after real estate fees and caveat is paid out.
16. Kahane Law has caveat on Millrise property for legal fees owing, will be paid out from proceeds from the sale of Millrise property.
17. An Estimate of cash remaining after all expenses paid