



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

DATED JANUARY 17, 2020

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

Table of contents

Introduction	1
Purpose	2
Terms of reference	3
Interim Receiver’s Activities since the Second Report	4
Cash flow forecast and liquidity	6
Interim Receiver’s recommendations	7

APPENDICES

Appendix “A” – Continuation Order

Appendix “B” – Forecast to Actual Results for the period October 1, 2019 to December 31, 2019

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.
5. On December 12, 2019, this Honourable Court extended the Interim Receivership Order to and including January 24, 2020, pursuant to the Continuation Order. A copy of the Continuation Order is attached as Appendix "**A**".
6. 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 third report of the Interim Receiver (the "**Third Report**") will also be posted on the Interim Receiver's Website after it has been filed with the Court.

Purpose

7. The purpose of this Third Report is to:
 - a) Provide an update on the administration of the interim receivership since the Second Interim Receiver's Report (the "**Second Report**"); and
 - b) Respectfully recommend that this Honourable Court make orders approving the actions taken by the Interim Receiver as outlined in this Third Report.

Terms of reference

8. In preparing this Third 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.
9. 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 Third 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 Third Report.
10. The financial projections attached to this Third 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.
11. The Interim Receiver has prepared this Third 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 Third Report. Any use which any party makes of this Third Report, or any reliance or decision to be made based on this Third Report, is the sole responsibility of such party.
12. All dollar amounts in this Third Report are in Canadian dollars, unless otherwise indicated.
13. Capitalized terms used in this Third Report but not defined herein are as defined in the Second Report.

Interim Receiver's Activities since the Second Report

14. Since the Second 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 Third Report.

Ongoing operations

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

16. Based on UWAMS' books and records, the Company continues to employ one full-time live-in staff.

17. The Interim Receiver understands that Management was working with Nicholas Thain, Senior Operating Officer, with Alberta Health Services, in the assessment and placement of the residents with respect to the potential relocation at the date of the Second Report. An update with respect to the work that was undertaken and any additional steps taken since the date of the Second Report has not been provided to the Interim Receiver.

18. 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. The independent third party has advised the Interim Receiver that it has capacity to assist with managing the day-to-day operations and facilitate the relocation of residents in the event of a formal insolvency filing. The Interim Receiver obtained and reviewed the resume of the third party, conducted a preliminary interview and a reference check, and is satisfied that the third party is a qualified and reputable healthcare professional.

19. Management advised the Interim Receiver that it continued to work 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 been unable to secure alternative financing as at the date of this Third Report.

20. The Interim Receiver has been advised that on January 13, 2020, Management provided BMO with an offer to purchase the real property to settle the BMO indebtedness. It is the Interim Receiver's understanding that after some negotiation, BMO ultimately rejected the offer and intends to proceed with enforcing its security.

21. In the event of a receivership proceeding, the Interim Receiver would accept an appointment as Receiver, and if appointed, would work with the qualified third party to transition patients to alternative facilities, after which steps would be taken to realize upon the assets of UWAMS for the benefit of the creditors.

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

Cash flow forecast and liquidity

23. The Company's actual cash receipts and disbursements for the period October 1, 2019 to December 31, 2019 are attached hereto as Appendix "B".
24. The Interim Receiver has conducted a review of the Company's actual cash flow for the period December 1, 2019 to December 31, 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); however, the monthly average rent per resident for November and December 2019 is approximately \$1,740. 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 and December, the AHS subsidies for three (3) of the seven (7) residents have not been confirmed. 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 continue to be insufficient 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. It appears that no payments were made to BMO in December. 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.
25. 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 sale for over 120 days. The Initial Cash Flow Forecast assumed that the property would be sold on or before December 31, 2019, however, this has been revised to be sold on or before February 29, 2020. Proceeds from the sale of the house are expected to cover all encumbrances on the property and there will be approximately \$91,950 in equity available to the Uwagas thereafter.
26. As at the date of this Third Report, the property tax arrears remain outstanding.

Interim Receiver's recommendations

27. Based on the above, the Interim Receiver respectfully requests that the Court approve the activities of the Interim Receiver since the Date of Appointment.

* * *

All of which is respectfully submitted at Calgary, Alberta this 17 day of January 2020.

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

APPENDIX A



www.deloitte.ca

About Deloitte

Deloitte provides audit & assurance, consulting, financial advisory, risk advisory, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights and service to address clients' most complex business challenges. To learn more about how Deloitte's approximately 264,000 professionals—9,400 of whom are based in Canada—make an impact that matters, please connect with us on LinkedIn, Twitter or Facebook.

Deloitte LLP, an Ontario limited liability partnership, is the Canadian member firm of Deloitte Touche Tohmatsu Limited. Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

© Deloitte LLP and affiliated entities.

I hereby certify this to be a true copy of
the original order

Dated this 12 day of Dec 19


for Clerk of the Court



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

File No. 33336-389

DATE ON WHICH ORDER WAS PRONOUNCED: Tuesday, December 10, 2019

NAME OF JUDGE WHO MADE THIS ORDER: The Honourable Mr. Justice D.R. Mah

LOCATION OF HEARING: Edmonton 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 Second Report of the Interim Receiver dated December 2, 2019, the Affidavit of Service of Richard Comstock, sworn November 4, 2019, filed, the Affidavit of Service of Richard Comstock sworn December 4, 2019, filed, the Affidavit of Maxwell Uwaga, sworn November 7, 2019, filed, the Interim Receivership Order pronounced by the Honourable Justice R.A. Neufeld on October 11, 2019 (the "**Appointment Order**") and the Continuation Order pronounced by the Honourable Justice C.M. Jones on November 8, 2019 (the "**First Continuation 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 and the First Continuation 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 January 24, 2020; or
 - (d) further Order of the Court of Queen's Bench of Alberta extending such appointment.

4. 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.
5. 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.
6. 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 proceedingsand service on any other person is hereby dispensed with.
7. 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.


Justice of the Court of Queen's Bench of Alberta

APPENDIX B

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

Notes	October			November			December			2020			
	Actual		Forecast	Actual		Forecast	Actual		Forecast	January Forecast		February Forecast	March Forecast
	4	5	5	7	5	7	7	10	10	10	10	10	
1													
2	12,176	15,376	(3,200)	12,179	17,206	(5,027)	12,183	17,206	(5,023)	24,580	30,580	30,580	30,580
	-	-	-	-	-	-	-	120,000	(120,000)	-	100,000	-	-
Total Receipts	12,176	15,376	(3,200)	12,179	17,206	(5,027)	12,183	137,206	(125,023)	24,580	130,580	30,580	30,580
DISBURSEMENTS													
3	2,238	4,420	(2,182)	2,238	2,238	-	2,238	2,238	-	2,238	2,238	2,238	2,238
4	7,259	3,259	4,000	7,259	7,259	-	4,509	7,259	(2,750)	7,259	7,259	7,259	7,259
5	595	557	38	620	557	63	620	557	63	557	557	557	557
6	293	542	(249)	293	542	(249)	178	542	(364)	542	542	542	542
7	263	263	-	263	263	-	318	263	55	263	263	263	263
8	796	796	-	796	796	-	796	796	-	796	796	796	796
9	387	200	187	387	200	187	387	200	187	200	200	200	200
10	-	-	-	-	-	-	-	8,047	(8,047)	-	8,047	-	-
11	860	860	-	825	860	(35)	825	860	(35)	860	860	860	860
12	100	200	(100)	100	100	-	30	100	(70)	65	65	65	65
13	52	52	-	52	52	-	52	52	-	52	52	52	52
14	600	800	(200)	1,000	800	200	1,000	800	200	1,500	1,500	1,500	1,500
15	-	-	-	-	-	-	-	100,000	(100,000)	-	91,953	-	-
16	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements	13,443	11,949	1,494	13,833	13,667	166	10,953	121,714	(110,761)	14,332	114,332	14,332	14,332
NET CASH FLOW (DEFICIT)	(1,267)	3,427	(4,694)	(1,654)	3,539	(5,193)	1,230	15,492	(14,262)	10,248	16,248	16,248	16,248
OPENING CASH	10,799	3,709		9,532	7,136		7,878	7,136		9,108	19,356	35,604	35,604
CLOSING CASH	9,532	7,136		7,878	7,136		9,108	22,628		19,356	35,604	51,852	51,852

Cash Flow Forecast Notes & Assumptions

1. Three Residents currently are on AHS Self-Managed Care (SMC) funding. All residents are known by Homecare and are awaiting possible subsidies based on their assessed unmet needs.
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. Average rent will increase once all subsidies have been approved.
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 on 9504 2nd St S.E. Interest payments will be determined with new lender.
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