



No. S-144832  
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

BANK OF MONTREAL

Petitioner

AND:

KATZIE COAST MARINE SERVICES INC.  
KATZIE COAST MARINE OPERATIONS (2009) INC.  
COAST MARINE SERVICES 2004 LTD.  
0818987 B.C. LTD.  
COAST MARINE SERVICES INC.  
KATZIE FIRST NATION BAND

Respondents

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**THIRD REPORT OF DELOITTE RESTRUCTURING INC.  
IN ITS CAPACITY AS COURT APPOINTED RECEIVER AND MANAGER OF  
KATZIE COAST MARINE SERVICES INC.,  
KATZIE COAST MARINE OPERATIONS (2009) INC.,  
COAST MARINE SERVICES 2004 LTD., 0818987 B.C. LTD.,  
AND COAST MARINE SERVICES INC.**

**OCTOBER 21, 2015**

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## I. INTRODUCTION

1. On June 20, 2014, Bank of Montreal (“**BMO**”) filed a petition in the Supreme Court of British Columbia (the “**Court**”) seeking an Order pursuant to Section 243(1) of the *Bankruptcy and Insolvency Act* (the “**BIA**”) and Section 39 of the *Law and Equity Act* appointing a receiver and manager of all the assets, undertakings and properties of Katzie Coast Marine Services Inc. (“**Katzie Services**”), Katzie Coast Marine Operations (2009) Inc. (“**Katzie Operations**”), Coast Marine Services 2004 Ltd. (“**Coast 2004**”), 0818987 B.C. Ltd. (“**081**”) and Coast Marine Services Inc. (“**Coast Marine**”) (collectively, the “**Group**”).
2. Pursuant to an Order made June 26, 2014 (the “**Receivership Order**”), Deloitte Restructuring Inc. (“**Deloitte**”) was appointed receiver and manager (the “**Receiver**”), without security, of all the assets, undertakings and properties (collectively, the “**Property**”) of the Group. The Court proceedings in which the Receiver was appointed are referred to herein as the “**Receivership Proceedings**”.
3. Attached hereto as **Appendix A** is a copy of the Receivership Order.

## II. PURPOSE OF REPORT

4. To date, the Receiver has filed two prior reports with the Court. The Receiver’s first report to Court dated September 19, 2014 (the “**First Report**”) summarized the Receiver’s activities from June 26, 2014 (the “**Date of Appointment**”) to September 16, 2014. The Receiver’s second report to Court dated January 14, 2015 (the “**Second Report**”) summarized the Receiver’s activities from the date of the First Report to January 14, 2015.
5. This is the Receiver’s third report (the “**Third Report**”), and has been filed in support of the Receiver’s application for Orders:
  - (i) approving the Receiver’s activities as set out herein;
  - (ii) approving the Receiver’s consolidated statement of receipts and disbursements (the “**R&D**”) from the Date of Appointment to October 20, 2015, a copy of which is attached hereto as **Appendix B**;
  - (iii) approving and authorizing payment of the Receiver’s fees;

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- (iv) approving and authorizing payment of the fees and disbursements of the Receiver's legal counsel Fasken Martineau DuMoulin LLP ("**FMD**");
  - (v) discharging the mortgage of Allied Shipbuilders Ltd. ("**Allied**") registered against the vessel named "Transporter No. 2" and having an official number of 323228 (the "**Transporter No. 2**");
  - (vi) authorizing the Receiver to make the Deemed Trust Claim Payment (as that term is hereinafter defined);
  - (vii) subject to the Receiver maintaining sufficient reserves to pay the Completion Costs (as that term is hereinafter defined), authorizing the Receiver to pay the BMO Distribution (as that term is hereinafter defined);
  - (viii) subject to the Receiver filing a certificate with the Court confirming that it has discharged its obligations pursuant to the Receivership Order (the "**Discharge Certificate**"), discharging the Receiver from its obligations under the Receivership Order; and
  - (ix) releasing Deloitte from any and all liability that Deloitte may have by reason of the acts or omissions of Deloitte while acting in its capacity as Receiver, save and except any claim or liability arising out of fraud, willful misconduct or gross negligence on the part of the Deloitte.
6. Unless otherwise stated, all monetary amounts contained in this Third Report are expressed in Canadian dollars.

### III. BACKGROUND

7. The Group previously operated in the Lower Mainland of British Columbia, providing water taxi and barge services. The Group's head office and main location of operations was situated at 89 Rogers Street, Vancouver, British Columbia (the "**Leased Premises**").
8. As detailed in the First Report, the Group's ongoing financial difficulties caused it to cease operations approximately two years prior to the Date of the Appointment. The Receiver did not resume the operations of the Group, but instead, immediately following its appointment, commenced a process to realize on the Group's assets.

9. At the Date of Appointment, BMO was owed approximately \$2,491,671 by Katzie Services and approximately \$1,369,571 by Katzie Operations, for a total of \$3,861,242. The other members of the Group had guaranteed repayment of these amounts to BMO. These amounts were also guaranteed by the Respondent Katzie First Nation Band (“**Katzie First Nation**”), which is related to the Group and a party to the Receivership Proceeding, but is not subject to the Receivership Order. BMO’s claims are also secured by general security agreements and mortgages charging several of the Group’s vessels granted by various members of the Group (collectively, the “**BMO Security**”).
10. Affidavit #1 of Lawrence Chipman, sworn June 17, 2014, sets out the details of the BMO Security and attaches all agreements evidencing the BMO Security.
11. BMO is expected to suffer a material shortfall on the amounts owing to it by the Group.

#### **IV. RECEIVER’S ACTIVITIES SINCE THE SECOND REPORT**

12. Since the Second Report, the Receiver has, among other things:
  - a) completed the sale of the vessel the “**Malaspina Straits**” formerly owned by Coast 2004;
  - b) completed the sale of the Group’s remaining assets (as discussed in Section VI of this Third Report);
  - c) liaised with Vancouver Sand and Gravel Inc. (“**VSG**”) in relation to the sale of a barge ramp (the “**Rogers Barge Ramp**”) located at Rogers Street, Vancouver (as discussed in Section VII of this Third Report);
  - d) carried out extensive discussions and negotiations with Bryan Hall (“**Mr. Hall**”) and Gordon Kleaman (“**Mr. Kleaman**”) and entered into a settlement agreement with Mr. Hall, Mr. Kleaman and certain companies controlled by each (as discussed in Section VIII of this Third Report);
  - e) investigated an insurance claim relating to a barge owned by 081 named the “**Miller 309**” and liaised with the claims adjustor during the claim investigation process (as discussed in Section IX of this Third Report);

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- f) liaised with various marinas to ensure the ongoing security and moorage of the Group's vessels;
  - g) arranged for the extension of insurance coverage for the Group's assets;
  - h) carried out its statutory duties and obligations under the BIA; and
  - i) communicated with creditors and other stakeholders on various matters.
13. Prior to filing a Discharge Certificate, the Receiver will complete its statutory duties, including preparing and filing its final report pursuant to s. 246(3) of the BIA.
14. The Receiver has posted the Receivership Order, the First Report, the Second Report, and other general information relating to the Receivership Proceedings on its website at [www.insolvencies.deloitte.ca](http://www.insolvencies.deloitte.ca).

## V. COMPLETION OF THE SALE OF THE MALASPINA STRAITS

15. By Order made January 28, 2015, the Court approved the sale of the Malaspina Straits to General Towing Ltd. The sale transaction was completed on February 10, 2015 with the Receiver receiving total net proceeds of \$259,000 after broker commission fees.

## VI. MARKETING AND SALE PROCESS

16. At the Date of Appointment, the Group owned ten commercial barge and tug vessels and two barge ramps (excluding the Miller 309). A listing of the vessels is attached hereto as **Appendix C**. Several of the vessels were found to be in a poor state of repair and in need of significant maintenance. On July 3, 2014, the Receiver engaged Harlow Marine International Inc. ("**Harlow**") to conduct an independent appraisal of the vessels. Excluding the Miller 309 and the Rogers Barge Ramp, Harlow estimated the aggregate value of the vessels was between \$1,171,000 and \$1,447,000.
17. Prior to the Receiver's appointment, the Group engaged Pacific Boat Brokers Inc. ("**Pacific**") to market a number of the more valuable vessels for sale. The vessels were first marketed for sale from August 2013 through January 2014 (depending on the vessel) and remained listed on Pacific's website as at the Date of Appointment.

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18. In order to market and sell the Group's assets, on July 29, 2014, the Receiver invited several brokers to submit proposals. After reviewing the proposals submitted, the Receiver jointly engaged Harlow and Accurate Effective Bailiffs Ltd. (together, the "Broker") to market all of the Group's vessels for sale.
19. The Broker placed an advertisement in the Western Mariner Magazine and listed the vessels on its website. The Broker also sent an email to all known potentially interested parties on August 15, 2014 advertising the vessels for sale.
20. The details of previous vessel sales by the Receiver are outlined in the First Report and the Second Report. Since the Second Report, in addition to the sale of the Malaspina Straits, the Receiver has completed the sale of the remaining two vessels:
- a) The "Coast VII" vessel (official number 817594), was sold for \$72,500 plus applicable taxes (originally appraised at approximately \$95,000 to \$105,000); and
  - b) The "Coast 12" vessel (official number C04736BC), was sold for \$67,500 plus applicable taxes (originally appraised at approximately \$70,000 to \$90,000).
21. Notwithstanding that each of the foregoing vessels sold for less than its originally appraised value, the Receiver is of the opinion that the purchase price of each of the vessels was sufficient and that the vessels were sold for fair market value as, among other things: (i) the vessels had been listed for sale and actively marketed since October 2013 with Pacific and since August 2014 with the Broker and no better offer had been received by either Pacific or the Broker; (ii) the vessels were both in a state of poor repair and needed extensive work/repairs to bring them up to a reasonable seaworthy standard; (iii) it is well known within the local marine community that the Group failed to properly maintain and service its vessels prior to the Receiver being appointed which had a direct and negative impact on the Broker's ability to sell the vessels; and (iv) each of the sales was recommended by Harlow as no other superior offers had been made or were expected to be received.
22. The Receiver has now completed the sale of all of the Group's assets.

Discharge of mortgage registered in favour of Allied

23. As referenced in the Second Report, the Receiver sold Transporter No. 2 for \$81,000 plus applicable taxes. This transaction completed on November 28, 2014.

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24. The Transport Canada, Transcript of Registry for Transporter No. 2 indicates that Allied has a mortgage dated March 14, 2012 in the principal amount of \$100,000 registered against title to Transporter No. 2 (the “**Allied Mortgage**”). Allied has confirmed to the Receiver’s legal counsel that no funds are owing to it by the Group and Allied does not object to the Allied Mortgage being discharged. Allied, however, has been unable to locate the original Allied Mortgage deed and accordingly the Vessel Registry (Transport Canada) rejected the executed discharge of the Allied Mortgage, which was provided to the Receiver by Allied.
25. Accordingly, the Receiver seeks an order from the Court discharging the Allied Mortgage from title to Transporter No. 2.

## **VII. SALE OF THE ROGERS BARGE RAMP**

26. Prior to the Receiver’s appointment, in November 2013, Coast 2004, Coast Marine and Mr. Kleaman entered into a purchase agreement (the “**Barge Ramp Agreement**”) with VSG regarding the sale of the Rogers Barge Ramp. Pursuant to the Barge Ramp Agreement, Coast 2004 agreed to sell its interest in the Rogers Barge Ramp and related equipment to VSG for \$225,000 plus applicable taxes (the “**Barge Ramp Purchase Price**”). Pursuant to the Barge Ramp Agreement, the Barge Ramp Purchase Price was payable by VSG to Coast 2004’s solicitors McLean and Armstrong LLP, in trust for BMO, in monthly installments of \$15,000, with the final payment, including accrued interest, to be made on January 22, 2015.
27. As at the Date of Appointment, McLean and Armstrong LLP was holding \$105,192.83 in trust, representing seven installment payments of \$15,000, plus accrued interest. Following the Receiver’s appointment, these funds were transferred to the Receiver’s account and are shown in the R&D as “Cash on hand / transfer”.
28. The final installment of the Barge Ramp Purchase Price was received from VSG on February 3, 2015 in the amount of \$43,762, following which title to the Rogers Barge Ramp was transferred to VSG.
29. The net proceeds from the sale of the Rogers Barge Ramp total \$238,954.83 (including accrued interest paid in accordance with the Barge Ramp Agreement).



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## VIII. LEASE OF 89 ROGERS STREET

30. By lease dated August 2005 (the "**Lease**"), Coast Marine leased the Leased Premises from Rogers Sugar Ltd. ("**Rogers**"). The original term of the Lease was five years, but this was subsequently extended to July 31, 2015.
31. By tolling agreement dated May 29, 2014 (the "**Tolling Agreement**") between Coast Marine and VSG, Coast Marine granted VSG access to the Leased Premises so that VSG could carry out its operations there. Pursuant to the Tolling Agreement, VSG is to pay \$4,696 per month (the "**Toll**") to Coast Marine. This is approximately equivalent to the monthly payments due to Rogers under the Lease. Prior to the appointment of the Receiver, VSG was paying the Toll directly to Rogers in lieu of the payments owing by Coast Marine under the Lease. This arrangement has continued since the Receiver's appointment.
32. By settlement agreement dated May 29, 2014 (the "**Settlement Agreement**"), Mr. Hall, VSG, other various companies controlled by Mr. Hall, Mr. Kleaman, Coast Marine and Coast 2004 agreed to settle a number of outstanding disputes among the parties, including with respect to the Leased Premises. Pursuant to the terms of the Settlement Agreement, if the Lease was renewed for a minimum three year term with VSG (or an affiliate) as tenant, or if Rogers and VSG (or an affiliate) entered into a new lease for a minimum three year term, Mr. Hall was obligated to pay Coast Marine \$300,000 plus goods and services sales tax ("**GST**") (the "**Lease Fee**") upon the execution of the renewal agreement or new lease agreement. In the event the Lease was not renewed and no new lease was entered into, the Lease Fee was still payable to Coast Marine if VSG (or an affiliate) occupied the Leased Premises for a period of three years. In this latter case, the payment would be due at the end of the three year period.
33. In June 2015, VSG entered into a three-year lease agreement for the Leased Premises. However, the lease can be terminated unilaterally by the landlord on six months' notice and a dispute subsequently arose among the Receiver, Mr. Hall and Mr. Kleaman regarding Mr. Hall's obligation to pay the Lease Fee and to whom the Lease Fee ought to be paid.
34. Following extensive discussions and negotiations, by agreement dated October 15, 2015 (the "**Revised Settlement Agreement**"), the Receiver and the parties to the Settlement Agreement agreed to revised terms of settlement with respect to payment of the Lease Fee.

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Pursuant to the Revised Settlement Agreement, on October 16, 2015, VSG paid to the Receiver the sum of \$180,000, plus GST, in full and final settlement of the Lease Fee. As consideration for Mr. Kleaman agreeing to the Revised Settlement Agreement, the Receiver subsequently paid Mr. Kleaman \$90,000 from the settlement amount.

## **IX. INSURANCE CLAIM RELATING TO THE MILLER 309**

35. Prior to the Receiver's appointment, the Group had an outstanding insurance claim under a hull and machinery policy held by 081 and underwritten by certain Lloyd's underwriters (collectively, the "**Underwriters**") under policy number ESR2012001 dated June 5, 2012 (the "**Policy**"). The Policy has an insured limit of \$1 million with BMO as sole loss payee.
36. The insurance claim relates to two incidents, a grounding of the Miller 309 in December 2012 and a subsequent capsizing of the vessel which occurred on January 25, 2013 at Point Atkinson in British Columbia. At the Date of Appointment the Miller 309 was resting in an inverted state in the water near Mosquito Creek Marina, North Vancouver.
37. The Receiver made enquiries into the status of the insurance claim and was advised by the claims adjustor, Granite Claims Solutions ("**Granite**"), that the claim was under review under a reservation of rights by the Underwriters. Since its appointment, the Receiver has regularly corresponded with Granite to ensure the claim was being assessed expediently.
38. On September 11, 2014, the Receiver received a letter from Granite (the "**Denial Letter**") denying coverage for the claim. The Denial Letter stated that the Underwriters were denying the claim on two main grounds: (1) the Underwriters did not accept that certain claimed damage to the Miller 309 was caused by the December 2012 grounding incident; and (2) the Underwriters did not accept that the January 2013 rollover incident was caused by an insured peril under the policy.
39. The Receiver's legal counsel, FMD, reviewed the Denial Letter and related claim documentation and made further enquiries into the circumstances surrounding the grounding and capsizing of the vessel through discussions and correspondence with Granite, Mr. Kleaman, Coast Marine's surveyor, other third parties and counsel for BMO.
40. Upon assessing the Denial Letter and the available information, it was the Receiver's position that the grounding and capsizing were related events fortuitously and proximately

caused by a peril of the sea and that no exclusions under the Policy applied. Accordingly, the Receiver's counsel issued a letter to Granite dated January 8, 2015 disputing the Underwriters' denial of coverage ("**Denial Rebuttal Letter**") and demanding the Underwriters confirm coverage for the damage to the Miller 309 arising from the grounding and capsizing by February 1, 2015.

41. As outlined in the Second Report, the Receiver disclaimed its interest in the Miller 309 on November 20, 2014. Notwithstanding this, the Receiver understands that BMO retains its insurable interest in the Miller 309 by way of its security interest in the vessel and its status as sole loss payee under the Policy.
42. On February 19, 2015, FMD received a letter from counsel for the Underwriters acknowledging receipt of the Denial Rebuttal Letter and requesting various additional information (the "**Information Demand Letter**"). While numerous communications have been made between FMD and counsel for the Underwriters respecting the Miller 309 and the Information Demand Letter (including the question of the Underwriters' rights under the Policy to demand additional information), no formal response to the Information Demand Letter has been provided to the Underwriters on behalf of the Receiver.
43. FMD held discussions with Katzie First Nation's legal counsel, Miller Thompson LLP, to inform them of the status of the insurance claim, and enquire as to whether Katzie First Nation had any interest in funding the costs of the Receiver to further pursue the insurance claim. Katzie First Nation subsequently advised the Receiver that it did not wish to fund the Receiver's costs of pursuing the insurance claim (which, if successful, would reduce the amount owing by Katzie First Nation to BMO on its guarantee). Accordingly, and after considering the merits of the claim, the likelihood of a successful outcome for the estate, and the potentially significant cost and risk involved in litigating the claim, the Receiver determined that it was not in the best interests of the estate for the Receiver to continue to pursue the insurance claim.
44. The Receiver understands that Katzie First Nation may wish to directly pursue the insurance claim with the approval of BMO as sole loss payee under the Policy and that such efforts may include responding to the Information Demand Letter.

## X. RECEIVER'S STATEMENT OF RECEIPTS AND DISBURSEMENTS

45. The R&D from the Date of Appointment to October 20, 2015 is set out below. A more detailed R&D for the Group, broken down by company, is also attached hereto as Appendix B.

<b>Receiver's Statement of Receipts and Disbursements For the Period of June 26, 2014 to October 20, 2015</b>	
	\$
<b>Receipts</b>	
Cash on-hand / transfer	105,192.83
Proceeds from sale of assets	158,762.00
Proceeds from sale of vessels	981,500.00
Refund on utilities account	1,242.59
Recovery of settlement	180,000.00
GST / PST collected	136,305.00
<b>Total Receipts</b>	<b>1,563,002.42</b>
<b>Disbursements</b>	
Appraisal fees	3,500.00
Newspaper ad	552.16
Insurance premiums	17,343.00
Bailiffs	3,355.00
Repairs and maintenance	2,062.95
Moorage	19,167.64
Sales commission	84,650.00
GST/PST paid/remitted	129,732.74
OSB filing fees	350.00
Legal fees	97,251.91
Outside consulting	1,200.00
Receiver's fees	80,759.00
Settlement payment	90,000.00
<b>Total Disbursements</b>	<b>529,924.40</b>
<b>Net Funds Held by Receiver</b>	<b>1,033,078.02</b>

46. As at October 20, 2015, the Receiver's gross receipts totaled \$1,563,002, and the Receiver had made disbursements totaling \$529,924. This includes, among other things, the Receiver's fees in the amount of \$84,796.95 (inclusive of GST), legal costs in the amount of \$101,782.34 (inclusive of GST and applicable provincial sales tax), moorage fees in the amount of \$19,167 and Broker sales commissions of \$84,650. Additional fees and disbursements have been incurred by both the Receiver and FMD, and further fees and

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disbursements will be incurred to complete the receivership. These costs are further discussed in Section XV of this Third Report.

47. As at October 20, 2015, the net cash balance held by the Receiver was \$1,033,078.

## XI. BMO SECURITY

48. The Receiver has undertaken a limited review of the BMO Security and has undertaken searches of the Transport Canada Vessel Registry in relation to the Group's vessels. The Receiver is not aware of any issues that would impact the validity and enforceability of the BMO Security as against the Property.

## XII. PRIORITY PAYABLES

49. The BMO Security is subject to certain prior ranking Court-ordered charges and statutory security interests, which include:

- a) the Receiver's Charge (as that term is defined in the Receivership Order);
- b) the Receiver's Borrowing Charge (as that term is defined in the Receivership Order);  
and
- c) various deemed trust claims as described in paragraph 52 below.

50. Pursuant to paragraph 16 of the Receivership Order, the Receiver and FMD as its legal counsel are the beneficiaries of the Receiver's Charge, which is a first-ranking charge over the Property to secure payment of their fees and disbursements incurred in the Receivership Proceedings.

51. Pursuant to paragraph 19 of the Receivership Order, the Receiver has the ability to borrow up to \$200,000 for the purpose of funding the Receivership Proceedings. As at the date of this Third Report, the Receiver has not borrowed any funds under the Receiver's Borrowing Charge and no amounts are owing thereunder.

52. Canada Revenue Agency ("CRA") has a deemed trust claim against Katzie Services in the amount of \$22,768.11 for unremitted GST. The Receiver is proposing to pay this claim in its entirety from the proceeds generated by the sale of the Coast VII (the "**Deemed Trust Claim Payment**"). CRA also has a claim for unremitted GST against Katzie Operations in

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the amount of \$352,984.43. The Receiver has not identified any assets owned by Katzie Operations, and accordingly no funds have been generated to repay the amount owing by Katzie Operations to CRA.

53. The Receiver was advised by Mr. Kleaman that, as at the Date of Appointment, the Group had no employees and no liabilities in respect of unpaid wages or source deductions and the Receiver is not aware of any other priority payables, prior charges, security interests or claims that would have priority over the BMO Security.

### **XIII. PROPOSED DISTRIBUTIONS**

54. Subject to Court approval, the Receiver proposes to pay out the funds it currently holds in its account as follows:

- a) payment of the Deemed Trust Claim Payment to CRA;
- b) payment of the Receiver's Costs (as that term is hereinafter defined);
- c) payment of the FMD Fees and Disbursements (as that term is hereinafter defined); and
- d) payment to BMO of the balance of funds currently held by the Receiver, which amount is estimated to be \$990,000 (the "**BMO Distribution**").

55. Payment of the BMO Distribution will be subject to the Receiver maintaining sufficient funds to complete the administration of the receivership, including payment of the Completion Costs and the final GST remittance resulting from the Revised Settlement Agreement.

56. Following payment of the BMO Distribution to BMO, the shortfall on the amount owing to BMO and secured by the BMO Security will be approximately \$871,385 as shown in the table below.

<b>Estimated Closing Distribution Summary As at October 20, 2015</b>	
	<u>\$</u>
Gross realizations	1,563,002
Priority Payables : GST Deemed Trust	(22,768)
Receivership costs incurred to date	(529,924)
<b>Estimated closing disbursements and Completion Costs</b>	
Estimated Receiver's Fees	(6,500)
Estimated Legal Fees	(4,500)
Estimated GST remittance / unrecoverable GST	(9,453)
<b>Total estimated closing disbursements and Completion Costs</b>	<b>(20,453)</b>
<b>Total estimated disbursements</b>	<b>(573,145)</b>
<b>Estimated net proceeds available for distribution to BMO</b>	<b>989,857</b>
BMO debt at May 27, 2014	(3,861,242)
Cash collateral applied by BMO from guarantor (Katzie First Nation)	2,000,000
<b>Estimated shortfall to BMO</b>	<b>(871,385)</b>

## XV. PROFESSIONAL FEES

57. The Receiver and its counsel, FMD, have maintained detailed records of their professional time and costs throughout the Receivership Proceedings.
58. The Receiver's invoiced costs for the period of June 23, 2014 to July 17, 2015, includes fees in the amount of \$80,759, plus GST in the amount of \$4,037.95, for a total of \$84,796.95. No disbursements have been invoiced by the Receiver in these proceedings. Additionally, as at the date of this Third Report, the Receiver has incurred, but not billed, fees of approximately \$4,000 (exclusive of GST) for a total of \$88,796.95 (the "Receiver's Costs"). These costs are more fully described in Affidavit #1 of Huey Lee, to be sworn and filed in the Receivership Proceedings.
59. FMD's invoiced costs for the period of June 3, 2014 to September 30, 2015, includes fees in the amount of \$88,791.50, plus disbursements in the amount of \$2,244.96 and GST in the amount of \$10,745.88, for a total of \$101,782.34. Additionally, as at the date of this Third Report, FMD has incurred, but not billed, fees and disbursements of approximately \$2,000,

for a total of \$103,782.34 (collectively, the “**FMD Fees and Disbursements**”). These costs are more fully described in Affidavit #1 of Kibben Jackson, to be affirmed and filed in the Receivership Proceedings.

60. Each of the Receiver and FMD estimate it will incur further fees and disbursements of approximately \$2,500 (exclusive of applicable taxes) (the “**Completion Costs**”) to the completion of this matter, assuming the Receiver's application for discharge is not opposed and each of the parties performs its obligations under the Revised Settlement Agreement.
61. The Receiver is of the view that the work performed by the Receiver and its legal counsel was necessary and appropriate in the circumstances of the receivership, and that the rates charged are reasonable and in keeping with the rates charged by other trustees and lawyers in the market performing similar work.

#### **XIV. REMAINING MATTERS TO BE COMPLETED IN THE RECEIVERSHIP PROCEEDINGS**

62. Subject to the Court granting the relief sought by the Receiver and the Receiver paying (i) the Deemed Trust Claim; (ii) Receiver's Costs, (iii) the FMD Fees and Disbursements, and (iv) the BMO Distribution, the Receiver will have completed its duties and obligations under the Receivership Order, save and except for the following remaining matters:
- a) payment of the Completion Costs, to the extent such costs are properly incurred;
  - b) payment of the final GST remittance; and
  - c) other administrative matters incidental to the Receivership Proceedings, including the filing of the Receiver's report pursuant to section 246(3) of the BIA.
63. The remaining matters are administrative in nature and the Receiver is of the view that it is appropriate to seek an order of the Court discharging the Receiver with the discharge to be effective upon the filing of the Discharge Certificate.
64. The Receiver also seeks an order releasing Deloitte from any liability that might arise in relation to its role as Receiver. In the Receiver's view, this relief is appropriate in the circumstances, particularly given the poor state of the Group's vessels at the Date of Appointment, and given that the Miller 309 remains submerged near Mosquito Creek Marina in North Vancouver which, notwithstanding the Receiver's disclaimer of any



interest in the Miller 309, could result in one or more parties, including the Port of Metro Vancouver, taking action against Deloitte.

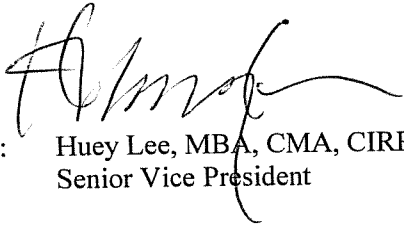
## **XVI. RECOMMENDATION AND CONCLUSION**

65. The Receiver respectfully requests that the Court grant an order discharging the Receiver on the terms sought.

Dated at Vancouver, British Columbia this 21<sup>st</sup> day of October, 2015.

### **DELOITTE RESTRUCTURING INC.**

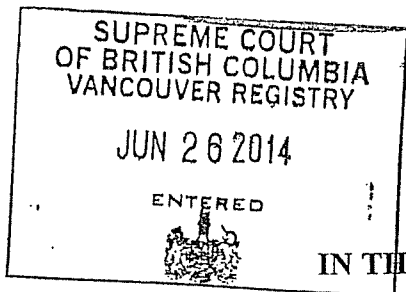
In its capacity as Court-appointed Receiver and Manager of Katzie Coast Marine Services Inc., Katzie Coast Marine Operations (2009) Inc., Coast Marine Services 2004 Ltd., 0818987 B.C. Ltd., and Coast Marine Services Inc. and not in its personal capacity.



Per: Huey Lee, MBA, CMA, CIRP  
Senior Vice President

**APPENDIX A**  
**RECEIVERSHIP ORDER DATED JUNE 26, 2014**





No. S-144832  
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

Between:

Bank of Montreal

Petitioner

And:

Katzie Coast Marine Services Inc.  
Katzie Coast Marine Operations (2009) Inc.  
Coast Marine Services 2004 Ltd.  
0818987 B.C. Ltd.  
Coast Marine Services Inc.  
Katzie First Nation Band

Respondents

ORDER MADE AFTER APPLICATION

BEFORE THE HONOURABLE )

) 26/JUN/2014

SAVAGE )

The Application of the Petitioner for an Order pursuant to Section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and Section 39 of the *Law and Equity Act*, R.S.B.C. 1996 c. 253, as amended (the "LEA") appointing **DELOITTE RESTRUCTURING INC.** as Receiver-Manager (in such capacity, the "Receiver"), without security, of all of the assets, undertakings and properties of **KATZIE COAST MARINE SERVICES INC.**, **KATZIE COAST MARINE OPERATIONS (2009) INC.**, **COAST MARINE SERVICES 2004 LTD.**, **0818987 B.C. LTD.**, and **COAST MARINE SERVICES INC.** (collectively, the **Debtors**"), coming on for hearing at Vancouver, British Columbia, on Thursday, the 26<sup>th</sup> day of June, 2014;

AND ON HEARING Magnus Verbrugge and S. Luke Dineley, counsel for the Petitioner and those other counsel listed on Schedule "A" hereto; AND UPON READING the material filed,

including the First Affidavit of Larry Chipman sworn June 17, 2014 and the consent of **DELOITTE RESTRUCTURING INC.** to act as the Receiver:

THIS COURT ORDERS AND DECLARES that:

#### **APPOINTMENT**

1. Pursuant to Section 243(1) of the BIA and Section 39 of the LEA **DELOITTE RESTRUCTURING INC.** is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of **KATZIE COAST MARINE SERVICES INC., KATZIE COAST MARINE OPERATIONS (2009) INC., COAST MARINE SERVICES 2004 LTD., 0818987 B.C. LTD.,** and **COAST MARINE SERVICES INC.** (collectively, the **Debtors**) including all proceeds thereof (the **"Property"**) and including, without limitation, the property described in Schedule "B" hereto.

#### **RECEIVER'S POWERS**

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

- (g) to settle, extend or compromise any indebtedness owing to the Debtors;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtors, for any purpose pursuant to this Order;
- (i) to undertake environmental or workers' health and safety assessments of the Property and operations of the Debtors;
- (j) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtors, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (k) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (l) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business:
  - (i) without the approval of this Court in respect of any transaction not exceeding \$250,000, provided that the aggregate consideration for all such transactions does not exceed \$2,000,000; and
  - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause,and in each such case notice under Section 59(10) of the *Personal Property Security Act*, R.S.B.C. 1996, c. 359 shall not be required;
- (m) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (n) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (o) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;

- (p) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if considered necessary or appropriate by the Receiver, in the name of the Debtors;
- (q) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtors, including, without limitation, the ability to enter into occupation agreements for any property owned or leased by the Debtors;
- (r) to exercise any shareholder, partnership, joint venture or other rights which the Debtors may have; and
- (s) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations,

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

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

3. (i) the Debtors, (ii) all of the Debtors' current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property (excluding Property subject to liens the validity of which is dependant on maintaining possession) to the Receiver upon the Receiver's request.
4. All Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtors, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 4 or in paragraph 5 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.
5. If any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by an independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or

making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including, without limitation, providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

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

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

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

7. No Proceeding against or in respect of the Debtors or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtors or the Property are hereby stayed and suspended pending further Order of this Court; provided, however, that nothing in this Order shall prevent any Person from commencing a Proceeding regarding a claim that might otherwise become barred by statute or an existing agreement if such Proceeding is not commenced before the expiration of the stay provided by this paragraph and provided that no further step shall be taken in respect of Proceeding except for service of the initiating documentation on the Debtors and the Receiver.

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

8. All rights and remedies (including, without limitation, set-off rights) against the Debtors, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that nothing in this Order shall (i) empower the Receiver or the Debtors to carry on any business which the Debtors is not lawfully entitled to carry on, (ii) affect the rights of any regulatory body as set forth in section 69.6(2) of the BIA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien. The stay and suspension shall not apply in respect of any "eligible financial contract" as defined in the BIA.

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

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

## CONTINUATION OF SERVICES

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

## RECEIVER TO HOLD FUNDS

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

## EMPLOYEES

12. Subject to the right of employees to terminate their employment notwithstanding paragraph 10, all employees of the Debtors shall remain the employees of the Debtors until such time as the Receiver, on the Debtors' behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities of the Debtors, including any successor employer liabilities as provided for in Section 14.06(1.2) of the BIA, other than amounts the Receiver may specifically agree in writing to pay and amounts in respect of obligations imposed specifically on receivers by applicable legislation. The Receiver shall be liable for any employee-related liabilities, including wages, severance pay, termination pay, vacation pay, and pension or benefit amounts relating to any employees that the Receiver may hire in accordance with the terms and conditions of such employment by the Receiver.
13. Pursuant to Section 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c. 5 or Section 18(1)(o) of the *Personal Information Protection Act*, S.B.C. 2003, c. 63, the Receiver may disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete



one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtors, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

#### LIMITATION ON ENVIRONMENTAL LIABILITIES

14. Nothing in this Order shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release, or deposit of a substance contrary to any federal, provincial or other law relating to the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, 1999, S.C. 1999, c. 33, the *Fisheries Act*, R.S.C. 1985, c. F-14, the *Environmental Management Act*, R.S.B.C. 1996, c. 118 and the *Fish Protection Act*, S.B.C. 1997, c. 21 and regulations thereunder (collectively "**Environmental Legislation**"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless the Receiver is actually in possession.

#### LIMITATION ON THE RECEIVER'S LIABILITY

15. The Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except:
- (a) any gross negligence or wilful misconduct on its part; or
  - (b) amounts in respect of obligations imposed specifically on receivers by applicable legislation.

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

#### RECEIVER'S ACCOUNTS

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

the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to Sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

17. The Receiver and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Supreme Court of British Columbia and may be heard on a summary basis.
18. Prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

### FUNDING OF THE RECEIVERSHIP

19. The Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$200,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as the Receiver deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in Sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.
20. Neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.
21. The Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "C" hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.
22. The monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

### ALLOCATION

23. That any interested party may apply to this Court on notice to any other party likely to be affected, for an order allocating the Receiver's Charge and Receiver's Borrowings Charge amongst the various assets comprising the Property.

## GENERAL

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

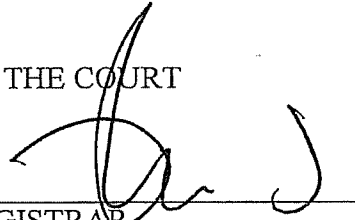
30. Endorsement of this Order by counsel appearing on this application other than the Petitioner is hereby dispensed.

THE FOLLOWING PARTIES APPROVE OF THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:



Signature of Magnús Verbrugge  
 Party  Lawyer for the Petitioners

BY THE COURT



REGISTRAR



**SCHEDULE "A"**  
**LIST OF COUNSEL**


## SCHEDULE "B"

### PROPERTY

All present and after-acquired personal property of the Debtors including, without limitation, the following property:

#### **Katzie Coast Marine Services Inc. Property**

1. the Marine Vessel known as "Katzie Pride", Official Number 188220
2. the Marine Vessel known as "Coast VII", Official Number 817594
3. the Marine Vessel known as "C.M. Scout", Official Number 313915

#### **Coast Marine Services 2004 Ltd. Property**

4. the Marine Vessel known as "Transporter No. 2", Official Number 323228
5. the Marine Vessel known as "Delta Fox", Official Number 197844
6. the Marine Vessel known as "Malaspina Straits", Official Number 322437
7. unnamed vessel, Serial Number ZVG000229C191
8. barge loading ramp, Serial Number 00001-100
9. floating barge ramp, Serial Number 0001-70

#### **0818987 B.C. Ltd. Property**

10. the Marine Vessel known as "Miller 309", Official Number 348863

**SCHEDULE "C"**

**RECEIVER CERTIFICATE**

CERTIFICATE NO. \_\_\_\_\_

AMOUNT

\$ \_\_\_\_\_

1. THIS IS TO CERTIFY that **DELOITTE RESTRUCTURING INC.**, the Receiver (the "**Receiver**") of all of the assets, undertakings and properties of **KATZIE COAST MARINE SERVICES INC.**, **KATZIE COAST MARINE OPERATIONS (2009) INC.**, **COAST MARINE SERVICES 2004 LTD.**, **0818987 B.C. LTD.**, and **COAST MARINE SERVICES INC.** (collectively, the **Debtors**") including all proceeds thereof (the "**Property**") appointed by Order of the Supreme Court of British Columbia and/or the Supreme Court of British Columbia (In Bankruptcy and Insolvency) (the "**Court**") dated the \_\_\_ day of \_\_\_\_\_, 2014 (the "**Order**") made in SCBC Action No. \_\_\_\_\_ has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$ \_\_\_\_\_, being part of the total principal sum of \$ \_\_\_\_\_ which the Receiver is authorized to borrow under and pursuant to the Order.
2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded \_\_\_\_\_ not in advance on the \_\_\_ day day of each month after the date hereof at a notional rate per annum equal to the rate of \_\_\_\_\_ per cent above the prime commercial lending rate of Bank of Montreal from time to time.
3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of the Property in respect of its remuneration and expenses.
4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Vancouver, British Columbia.
5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.
6. The charge securing this certificate shall operate to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

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

DATED the \_\_\_\_ day of \_\_\_\_\_, 201\_\_.

**DELOITTE RESTRUCTURING INC.,**  
solely in its capacity as Receiver of the  
Property, and not in its personal capacity

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



Vancouver Registry  
No. S-144832

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IN THE SUPREME COURT OF BRITISH  
COLUMBIA

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BETWEEN:

Bank of Montreal

Petitioner

- and -

Katzie Coast Marine Services Inc.  
Katzie Coast Marine Operations (2009) Inc.  
Coast Marine Services 2004 Ltd.  
0818987 B.C. Ltd.  
Coast Marine Services Inc.  
Katzie First Nations Band

Respondents

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**ORDER MADE AFTER APPLICATION  
(RECEIVERSHIP ORDER)**

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BORDEN LADNER GERVAIS LLP  
1200 Waterfront Centre  
200 Burrard Street  
P.O. Box 48600  
Vancouver, BC V7X 1T2  
Telephone: (604) 687-5744  
Attn: Magnus Verbrugge

Attn: D & D.

**APPENDIX B**  
**RECEIVER'S STATEMENT OF RECEIPTS AND DISBURSEMENTS**  
**FOR THE PERIOD JUNE 26, 2014 TO OCTOBER 20, 2015, BY COMPANY**

IN THE MATTER OF THE RECEIVERSHIP OF  
KATZIE COAST MARINE SERVICES INC.,  
KATZIE COAST MARINE OPERATIONS (2009) INC.,  
COAST MARINE SERVICES 2004 LTD., 0818987 B.C. LTD.,  
AND COAST MARINE SERVICES INC.

Receiver's Statement of Receipts and Disbursements  
For the Period of June 26, 2014 to October 20, 2015

	Katzie Services	Coast 2004	Coast Marine	081	Katzie Operations	TOTAL \$
<b>Receipts</b>						
Cash on-hand / transfer	70.00	104,912.83	70.00	70.00	70.00	105,192.83
Proceeds from sale of assets						
<u>Subject to BMO GSA</u>						
Barge Ramp (89 Rogers Street)	-	133,762.00	-	-	-	133,762.00
Floating Barge Ramp (SN0001-70)	-	25,000.00	-	-	-	25,000.00
Proceeds from sale of vessels						
<u>Subject to BMO mortgage</u>						
Katzie Pride	320,000.00	-	-	-	-	320,000.00
Coast VII	72,500.00	-	-	-	-	72,500.00
C.M. Scout	105,000.00	-	-	-	-	105,000.00
Transporter No. 2	-	81,000.00	-	-	-	81,000.00
Delta Fox	-	42,000.00	-	-	-	42,000.00
Malaspina Straits	-	250,000.00	-	-	-	250,000.00
<u>Subject to BMO GSA</u>						
Coast 12	67,500.00	-	-	-	-	67,500.00
C.F.W. Vagg	-	24,500.00	-	-	-	24,500.00
Coast 9	-	15,000.00	-	-	-	15,000.00
California Pilot	-	4,000.00	-	-	-	4,000.00
Refund on utilities account	-	-	1,242.59	-	-	1,242.59
Recovery of settlement	-	-	180,000.00	-	-	180,000.00
PST collected	34,825.00	30,905.00	-	-	-	65,730.00
GST collected	28,250.00	33,325.00	9,000.00	-	-	70,575.00
<b>Total Receipts</b>	<b>628,145.00</b>	<b>744,404.83</b>	<b>190,312.59</b>	<b>70.00</b>	<b>70.00</b>	<b>1,563,002.42</b>
<b>Disbursements</b>						
Appraisal fees	-	3,500.00	-	-	-	3,500.00
Newspaper ad	-	552.16	-	-	-	552.16
Insurance premiums	-	17,343.00	-	-	-	17,343.00
Bailiffs	3,355.00	-	-	-	-	3,355.00
Repairs and maintenance	2,062.95	-	-	-	-	2,062.95
Moorage	3,403.00	15,764.64	-	-	-	19,167.64
Sales commission	48,000.00	36,650.00	-	-	-	84,650.00
GST/PST paid/remitted						
GST paid	6,506.61	7,618.51	166.06	-	-	14,291.18
GST/HST remittance	20,332.04	29,775.29	-	-	-	50,107.33
PST remittance	34,825.23	30,509.00	-	-	-	65,334.23
OSB filing fees	70.00	70.00	70.00	70.00	70.00	350.00
Legal fees	34,488.27	59,210.16	3,553.48	-	-	97,251.91
Outside consulting	750.00	450.00	-	-	-	1,200.00
Receiver's fees	40,379.50	40,379.50	-	-	-	80,759.00
Settlement payment	-	-	90,000.00	-	-	90,000.00
<b>Total Disbursements</b>	<b>194,172.60</b>	<b>241,822.26</b>	<b>93,789.54</b>	<b>70.00</b>	<b>70.00</b>	<b>529,924.40</b>
<b>Net Funds Held by Receiver</b>	<b>433,972.40</b>	<b>502,582.57</b>	<b>96,523.05</b>	<b>-</b>	<b>-</b>	<b>1,033,078.02</b>

**APPENDIX C  
VESSEL LISTING**

Vessel Name	Serial Number	Ownership	Sale Price (excl. taxes)	Mortgaged by BMO
Katzie Pride	ON188220	Katzie Services	\$320,000	Yes
Coast VII	ON817594	Katzie Services	\$72,500	Yes
C.M. Scout	ON313915	Katzie Services	\$105,000	Yes
No registered name (known as Coast 12)	C04736BC	Katzie Services	\$67,500	No
Transporter No. 2	ON323228	CMS 2004	\$81,000	Yes
Delta Fox	ON197844	CMS 2004	\$42,000	Yes
Malaspina Straits	ON322437	CMS 2004	\$250,000	Yes
C.F.W. Vagg	ON326511	CMS 2004	\$24,500	No
Coast 9 (IX)	ON816141	CMS 2004	\$15,000	No
California Pilot	ON812701	CMS 2004	\$4,000	No