

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

ROYAL BANK OF CANADA

Applicant

- and -

MARA TECH AVIATION FUELS LTD.,
MARA TECH AVIATION SERVICES LTD.,
MARA TECH AVIATION FUELS (THOMPSON) LTD., and
MARA TECH AVIATION FUELS (SUDBURY) LTD.

Respondents

**SECOND REPORT TO THE COURT
SUBMITTED BY BDO CANADA LIMITED
AS RECEIVER**

December 5, 2016

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1.0 Introduction and Purpose of Report

1.1 Introduction

1.1.1 On August 4, 2016, by way of the Order of the Honourable Mr. Justice Lococo, BDO Canada Limited was appointed as Receiver (in such capacities, the “**Receiver**”) without security, of all of the assets, undertakings and properties of Mara Tech Aviation Fuels Ltd., Mara Tech Aviation Services Ltd., Mara Tech Aviation Fuels (Thompson) Ltd., and Mara Tech Aviation Fuels (Sudbury) Ltd. (collectively “**Mara Tech**” or the “**Debtors**”) acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (the “**Property**”). A copy of the August 4, 2016 Order (the “**Initial Order**”) is attached as **Appendix A**.

1.2 Purpose of this Report

1.2.1 This constitutes the Receiver’s **Second Report** to the Court in this matter and it is filed to:

- supplement the Receiver’s First Report dated November 14, 2016, attached as **Appendix B** without Exhibits;
- report on the Receiver’s activities since its’ First Report and seek this Honourable Court’s approval of the conduct of the Receiver and its agents as outlined in this Second Report; and
- provide background in support of the Receiver’s recommendation that the Agreement of Purchase and Sale entered into between the Receiver and Executive Aviation Fuels Ltd. (“**Executive Aviation**”) be approved as further detailed in the Receiver’s Confidential Supplement to this Second Report.

2.0 Marketing and Sale of the Property

2.1 Agreement of Purchase and Sale

2.1.1 Pursuant to the Initial Order, the Receiver is authorized, among other things, to do the following:

- 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;
- sell, convey, transfer, lease or assign the Property or any part or parts thereof with the approval of the Court; and
- 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.

2.1.2 The Receiver's focused marketing program (detailed in the Receiver's First Report) concluded on November 4, 2016 resulting in a single offer with deposit utilizing the Receiver's form of Agreement of Purchase and Sale ("APS"), subject to certain conditions requested by the offeror, namely Executive Aviation.

2.1.3 Executive Aviation presently carries on a business from the London airport that is similar to that of Mara Tech. The APS envisions that Executive Aviation will acquire the Property of Mara Tech that is located at the Windsor, North Bay, Sudbury, and Sault Ste. Marie airports on a going concern basis and for it to continue to carry on the business of Mara Tech from each of the respective airports. The APS further envisions the re-hiring of most if not all of Mara Tech's employees.

2.1.4 Through subsequent negotiation, the APS was finalized on November 18, 2016 on terms and conditions agreeable to the Receiver and Executive Aviation. The APS is conditional upon, among other things, Court approval. At present, the principals of Mara Tech, John and Sheila Marandola (the "**Principals**"), continue to operate the business of Mara Tech and do not support a going concern sale of the business. Details of the APS are included in the Receiver's Confidential Supplement to this Second Report.

2.1.5 The Receiver is of the opinion that it is in the best interest of the stakeholders of Mara Tech that the APS with Executive Aviation be approved and completed and will be strongly recommending the same to the presiding judge.

3.0 Existing Refinancing Efforts

3.1 Baron Finance

- 3.1.1 Details of Mara Tech’s efforts to refinance post receivership are set out in the Receiver’s First Report.
- 3.1.2 Mara Tech continues its efforts to refinance as evidenced by an updated Commitment Letter advanced by Baron Finance (“**Baron**”) dated November 7, 2016 (supplied to the Receiver by John Marandola on November 17, 2016).
- 3.1.3 The updated Commitment Letter is on the same terms as the August 30, 2016 Commitment Letter envisioning financing of up to \$812,000 (secured by an accounts receivable factoring facility of up to \$500,000 and a real estate facility of up to \$312,000). The primary form of security required by Baron with respect to the real estate facility is again in the form of mortgages over real estate owned by the Principals’ personally. A copy of the Commitment Letter dated November 7, 2016 is attached as **Appendix C**.
- 3.1.4 At present, to the Receiver’s knowledge, the quantum of available financing envisioned by the updated Commitment Letter is unknown (initial advance presumably contingent on the level of eligible accounts receivable in support of the factoring facility). Further, as noted above and in the Receiver’s First Report, the primary form of security required by Baron is in the form of mortgages over real estate owned by the Principals’ personally. The Receiver understands the subject real estate is encumbered by way of existing mortgages and subsequent Writs registered on title in favour of the Royal Bank of Canada (“**RBC**”).
- 3.1.5 Given the existing real estate encumbrances, the quantum of available financing envisioned by the updated Commitment Letter may be limited to an accounts receivable factoring facility of up to \$500,000 (presumably requiring the consent of RBC given its’ existing security over Mara Tech’s accounts receivable by way of General Security Agreement). At present, the Receiver has no information pertaining to the level of accounts receivable which may be available to support the envisioned factoring facility.
- 3.1.6 The Receiver is aware that John Marandola, through legal counsel, is in direct contact with RBC regarding a possible assignment of security in connection with the updated Commitment Letter. At present, the Receiver is not aware of the status of these negotiations or Mara Tech’s intentions regarding Mara Tech’s additional creditors.

4.0 Creditor Obligations

4.1 Indebtedness

4.1.1 The following table sets out the approximate amounts owing to Mara Tech's secured creditors, by respective entity:

	Operating Location	Royal Bank (December 1, 2016)	LAKES Leasing (December 5, 2016)	Kubota Canada (December 5, 2016)
Mara Tech Aviation Fuels Ltd.	Sault Ste. Marie, ON	\$85,102.63	\$78,081.15	N/A
Mara Tech Aviation Services Ltd.	Sault Ste. Marie, Sudbury, North Bay, & Windsor, ON	\$259,889.75	As above	\$62,677.54
Mara Tech Aviation Fuels (Thompson) Ltd.	Operations Ceased September 2015	\$82,936.98	N/A	N/A
Mara Tech Aviation Fuels (Sudbury) Ltd.	Sudbury, ON	\$189,391.12	As above	N/A
Totals		\$617,320.48	\$78,081.15	\$62,677.54

4.1.2 The following table sets out the approximate amounts owing to Canada Revenue Agency ("CRA"), by respective entity (based on verbal communication with CRA held on December 5, 2016):

Company:	Source Deductions:	GST/HST:
MARA TECH AVIATION FUELS LTD.	NIL	NIL
MARA-TECH AVIATION SERVICES LTD.	\$147,414.07	\$28,707.43
MARA TECH AVIATION FUELS (THOMPSON) LTD.	\$6,537.42	NIL
MARA TECH AVIATION FUELS (SUDBURY) LTD.	\$119.57	\$12,204.91
Totals	\$154,071.06	\$40,912.34

- 4.1.3 Current amounts owing to CRA, as presented in the above table, have increased by approximately \$87,379 when compared to amounts owing as of August 9, 2016 as detailed in the Receiver's First Report (\$194,983 vs. \$107,604).
- 4.1.4 The Receiver has been in direct contact with the airports from which Mara Tech operates and understands there are rent arrears in Sudbury totaling \$14,406.39 (as of November 1, 2016) and in Windsor totaling \$13,503.64 (as of October 31, 2016). Through discussion with the Windsor airport, the Receiver understands that Mara Tech has not paid any rent since prior to the receivership and as a result the Windsor airport is considering bringing a Motion to have the receivership Stay of Proceedings lifted so it may terminate Mara Tech's existing month to month occupancy leases.
- 4.1.5 As noted in the Receiver's First Report, the Receiver has not been provided with any updated financial information or bank account activity since October 12, 2016. On October 18, 2016, the Receiver was advised by Mara Tech's bookkeeper that there had been no bookkeeping completed since July 31, 2016 and that the May 31, 2016 bank reconciliation was still in process. Accordingly, the Receiver is unable to quantify amounts which may be outstanding to unsecured creditors.
- 4.1.6 Based on the foregoing, Mara Tech's known creditor exposure exceeds \$980,000 before costs of the receivership. The maximum borrowing availability envisioned by Baron's updated Commitment Letter, in the event such financing is available, will be insufficient to satisfy Mara Tech's outstanding creditor obligations.
- 4.1.7 As detailed in the Receiver's First Report, the Receiver remains concerned regarding Mara Tech's ability to fund its' current obligations or otherwise continue operating given cash flow constraints (with creditor exposure increasing in the interim).
- 4.1.8 The APS entered into between the Receiver and Executive Aviation provides a purchase price which greatly exceeds liquidation value, exceeds the maximum borrowing availability envisioned by Baron's updated Commitment Letter, envisions the re-hiring of most if not all of Mara Tech's current employees, and is the best prospect of realization for the stakeholders.

5.0 Professional Fees

5.1 Fees of the Receiver and the Receiver's Independent Legal Counsel

- 5.1.1 Pursuant to Paragraph 18 of the Initial Order, any expenditure or liability which shall properly be made or incurred by the Receiver, including the fees and disbursements of the Receiver and those of its legal counsel, shall be allowed on a passing of accounts and constitute the Receiver's Charge.
- 5.1.2 For the period ended November 30, 2016, the Receiver has incurred fees and disbursements of \$124,351.19, inclusive of disbursements and HST.

- 5.1.3 For the period ended November 30, 2016, the Receiver's counsel, SimpsonWigle LAW LLP, has incurred fees and disbursements of \$37,717.30, inclusive of disbursements and HST.

6.0 Sault Ste. Marie Leased Property

- 6.1 The Debtors, Mara-Tech Aviation Services Ltd. ("**Aviation Services**") and Mara Tech Aviation Fuels Ltd. ("**Aviation Fuels**") are, on behalf of Mara Tech, the sole provider of the Services to the Sault Ste. Marie Airport.
- 6.2 Aviation Services and Aviation Fuels operate from premises at the Sault Ste. Marie Airport that is described in four leases between Sault Ste. Marie Airport Development Corporation ("**Sault Ste. Marie Airport**"), as landlord and Marandola Holdings Ltd., the named tenant in the four leases.
- 6.3 Marandola Holdings Ltd. is related to all of the Debtors and carries on no business.
- 6.4 Marandola Holdings Ltd. is a dissolved corporation and in fact, it was dissolved on December 22, 2008 by order of the Director under the provisions of the *Ontario Business Corporations Act* by reason of default under the *Corporation Tax Act* and Marandola Holdings Ltd.'s Articles of Incorporation have not been revived. A copy of a Corporation Search Report as at October 18, 2016 respecting Marandola Holdings Ltd. is attached as **Appendix D**.
- 6.5 The four leases predate the dissolution of Marandola Holdings Ltd. and all renewals thereof were made subsequent to the dissolution of Marandola Holdings Ltd.
- 6.6 The Receiver has been in communication with the Sault Ste. Marie Airport and is advised that Sault Ste. Marie Airport would not have entered into leases with a dissolved corporation.
- 6.7 By reason of its dissolution, any right or entitlement that Marandola Holdings Ltd. may have had in the four leases, if any, has escheated to the Crown.
- 6.8 Marandola Holdings Ltd. is not in possession of any of the lands, buildings or premises that are described in the four leases.
- 6.9 Sault Ste. Marie Airport has advised the Receiver that its rent for the premises occupied by Aviation Fuels and Aviation Services is in good standing and has historically been paid by Aviation Services and is currently being paid by Aviation Services.
- 6.10 The Receiver has been advised by Sault Ste. Marie Airport that Marandola Holdings Ltd. is not in occupation of Sault Ste. Marie Airport and Sault Ste. Marie Airport at no time

consented to Sault Ste. Marie Airport assigning or subletting the four leases to Aviation Services or Aviation Fuels or either of them.

- 6.11 Aviation Services and Aviation Fuels are in fact the de facto tenants with respect to the premises that are the subject of the four leases.
- 6.12 Sault Ste. Marie Airport agrees to the Court terminating or providing the Receiver with the right to terminate any lease rights that Marandola Holdings Ltd. might have with respect to the four leases at the Sault Ste. Marie Airport, if any, in the context of and conditional upon the completion of the APS between the Receiver and Executive Aviation and Sault Ste. Marie Airport entering into a new lease with Executive Aviation on terms and conditions satisfactory to Sault Ste. Marie Airport.

7.0 Order Sought

- 7.1 The Receiver submits this Second Report to this Honourable Court in support of its motion requesting, *inter alia*, this Honourable Court to grant:
- a) an Order approving the Second Report of the Receiver and the conduct of the Receiver and its agents as outlined in this Second Report; and
 - b) an Order approving the APS as further detailed in the Receiver's Confidential Supplement to this Second Report.

All of which is respectfully submitted this 5th day of December, 2016.

**BDO CANADA LIMITED
COURT APPOINTED RECEIVER OF THE PROPERTY OF
MARA TECH AVIATION FUELS LTD.,
MARA TECH AVIATION SERVICES LTD.,
MARA TECH AVIATION FUELS (THOMPSON) LTD., and
MARA TECH AVIATION FUELS (SUDBURY) LTD.**



Per: Christopher Mazur, CIRP, LIT
Partner/Senior Vice President

TAB A

**APPENDIX "A" TO
THE RECEIVER'S SECOND REPORT**

Court File No. 56184/15

ONTARIO
SUPERIOR COURT OF JUSTICE

THE HONOURABLE)
JUSTICE *Lococo*)

THURSDAY, THE 4TH
DAY OF AUGUST, 2016

ROYAL BANK OF CANADA

Applicant

- and -

MARA TECH AVIATION FUELS LTD.,
MARA-TECH AVIATION SERVICES LTD.,
MARA TECH AVIATION FUELS (THOMPSON) LTD., and
MARA TECH AVIATION FUELS (SUDBURY) LTD.

Respondents

ORDER
(appointing Receiver)

THIS APPLICATION made by the Applicant 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 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") appointing BDO CANADA LIMITED as receiver [and manager] (in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of MARA TECH AVIATION FUELS LTD., MARA-TECH AVIATION SERVICES LTD., MARA TECH AVIATION FUELS (THOMPSON) LTD., and MARA TECH AVIATION FUELS (SUDBURY) LTD. (the "Debtors") acquired for, or used in relation to a business carried on by the Debtors, was heard this day at 59 Church Street, St. Catharines, Ontario.

ON READING the affidavit of JASON ZOMOK sworn October 22, 2015 and the Exhibits thereto and on hearing the submissions of counsel for ROYAL BANK OF CANADA, no one

appearing for the debtors although duly served as appears from the affidavits of service of CASSANDRA OSBORNE sworn October 28, 2015 and July 19, 2016 and on reading the consent of BDO CANADA LIMITED to act as the Receiver,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, BDO CANADA LIMITED is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtors acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (the "Property").

RECEIVER'S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act 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 monitor the Property and business of the Debtor;

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- (d) 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 business, or cease to perform any contracts of the Debtors;
- (e) 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;
- (f) 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;
- (g) 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;
- (h) to settle, extend or compromise any indebtedness owing to the Debtors;
- (i) 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;
- (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;

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- (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 \$50,000.00, provided that the aggregate consideration for all such transactions does not exceed \$100,000.00; 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 subsection 63(4) of the Ontario *Personal Property Security Act*. [or section 31 of the Ontario *Mortgages Act*, as the case may be,] shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.
- (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 thought desirable 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 limiting the generality of the foregoing, 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

4. THIS COURT ORDERS that (i) the Debtors, (ii) all of its 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 to the Receiver upon the Receiver's request.

5. THIS COURT ORDERS that 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 5 or in paragraph 6 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.

6. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by 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 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.

7. THIS COURT ORDERS that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days notice to such landlord and any such secured creditors.

NO PROCEEDINGS AGAINST THE RECEIVER

8. THIS COURT ORDERS that 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

9. THIS COURT ORDERS that 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.

NO EXERCISE OF RIGHTS OR REMEDIES

10. THIS COURT ORDERS that all rights and remedies 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 this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtors to carry on any business which the Debtors is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtors from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

11. THIS COURT ORDERS that 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

12. THIS COURT ORDERS that 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 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

13. THIS COURT ORDERS that 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

14. THIS COURT ORDERS that 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, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

15. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall 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

16. THIS COURT ORDERS that nothing herein contained 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 respecting 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*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "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 it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

17. THIS COURT ORDERS that 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 for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. 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

18. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver 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.

19. THIS COURT ORDERS that the Receiver and its legal counsel shall pass its 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 Commercial List of the Ontario Superior Court of Justice.

20. THIS COURT ORDERS that 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 standard 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

21. THIS COURT ORDERS that 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 \$100,000.00 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it 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.

22. THIS COURT ORDERS that 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.

23. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.

24. THIS COURT ORDERS that 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.

SERVICE AND NOTICE

25. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "Protocol") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further

orders that a Case Website shall be established in accordance with the Protocol with the following URL '<http://www.extranets.bdo.ca/MaraTechAviation/index.cfm>'.

26. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtors' creditors or other interested parties at their respective addresses as last shown on the records of the Debtors and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

27. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

28. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtors.

29. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, 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.

30. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that 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.

31. THIS COURT ORDERS that the Plaintiff shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Plaintiff's security or, if not so provided by the Plaintiff'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.

32. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) 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.



Entered at ST. CATHARINES
Inscrit à ST. CATHARINES
In BOOK No.
au REGISTRE N° 16
as Document No. 452
comme Document N°
on / le AUG 04 2016
By / Par BF

SCHEDULE "A"
RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that BDO CANADA LIMITED, the receiver (the "Receiver") of the assets, undertakings and properties MARA TECH AVIATION FUELS LTD., MARA-TECH AVIATION SERVICES LTD., MARA TECH AVIATION FUELS (THOMPSON) LTD., and MARA TECH AVIATION FUELS (SUDBURY) LTD. acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the ___ day of _____, 20__ (the "Order") made in an action having Court file number -CL- _____, 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 [daily][monthly not in advance on the _____ 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 _____ 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 such 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 Toronto, Ontario.

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 so as 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 in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of _____, 20__.

**BDO CANADA LIMITED, solely in its capacity
as Receiver of the Property, and not in its
personal capacity**

Per: _____

Name:

Title:

ROYAL BANK OF CANADA
Applicant

-and-

MARA TECH AVIATION FUELS LTD., ET AL.
Respondents

Court File No. 56184/15

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at
ST. CATHARINES

ORDER

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Lawyers for the Applicant

LSUC #32002M
CP*co

TAB B

**APPENDIX "B" TO
THE RECEIVER'S SECOND REPORT**

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

ROYAL BANK OF CANADA

Applicant

- and -

**MARA TECH AVIATION FUELS LTD.,
MARA TECH AVIATION SERVICES LTD.,
MARA TECH AVIATION FUELS (THOMPSON) LTD., and
MARA TECH AVIATION FUELS (SUDBURY) LTD.**

Respondents

**FIRST REPORT TO THE COURT
SUBMITTED BY BDO CANADA LIMITED
AS RECEIVER**

November 14, 2016

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- Appendix H - Letter to Mara Tech and Mara Tech's Counsel, September 27, 2016
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- Appendix J - Receiver's Information Requirements, October 31, 2016
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1.0 Introduction and Purpose of Report

1.1 Introduction

1.1.1 On August 4, 2016, and pursuant to section 243(1) of the Bankruptcy and Insolvency Act and section 101 of the Courts of Justice Act, by way of the Order of the Honourable Mr. Justice Lococo, BDO Canada Limited (“**BDO**”) was appointed as Receiver (in such capacities, the “**Receiver**”) without security, of all of the assets, undertakings and properties of Mara Tech Aviation Fuels Ltd., Mara Tech Aviation Services Ltd., Mara Tech Aviation Fuels (Thompson) Ltd., and Mara Tech Aviation Fuels (Sudbury) Ltd. (collectively “**Mara Tech**” or the “**Debtors**”) acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (the “**Property**”). A copy of the August 4, 2016 Order (the “**Initial Order**”) is attached as **Appendix A**.

1.1.2 Without obligating the Receiver, the Initial Order authorized the Receiver to, among other things, do the following:

- take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- monitor the Property and business of the Debtors;
- 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;
- sell, convey, transfer, lease or assign the Property or any part or parts thereof with the approval of the Court; and
- 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.

1.2 Purpose of Receiver’s First Report

1.2.1 This constitutes the Receiver’s **First Report** to the Court in this matter and it is filed to:

- report on the Receiver’s activities since its appointment and seek this Honourable Court’s approval of the conduct of the Receiver and its agents as outlined in this First Report; and
- to provide information to the Court relevant to the Debtor’s motion to, among other things, seek an Order rescinding and/or discharging the appointment of the Receiver.

2.0 Initial Receiver Activities

2.1 Background

- 2.1.1 Mara Tech provides fueling and ground support services to various airlines. Airlines serviced include Air Canada/Jazz, Porter Airlines, SunWing Airlines, and Bearskin Airlines. Other customers are private aircrafts and charters, including: Canada Post, Ministry of Natural Resources, and the Canadian Department of National Defense. At present, Mara Tech maintains fixed base operations at public airports located in Sault Ste. Marie, Sudbury, North Bay, and Windsor.
- 2.1.2 Services provided include baggage handling, de-icing of aircraft with glycol, heating and cooling of airplane cabins when parked, supply of electricity to aircraft while parked, and local deliveries of air freight. Mara Tech is also a World Fuel Services Canada, ULC (formerly Imperial Oil) aviation fuel dealer servicing airlines in Sault Ste. Marie and Sudbury.
- 2.1.3 Following its' appointment, the Receiver was advised that the operations of Mara Tech Aviation Fuels (Thompson) Ltd. had ceased during September 2015 (with no remaining assets).
- 2.1.4 The Receiver has obtained an independent legal opinion regarding the Royal Bank of Canada ("RBC"), L.A.K.E.S. Leasing Corporation ("LAKES"), and Kubota Canada Ltd. ("Kubota") security registered in Ontario. It confirms that corresponding Loan Agreements, Security Agreements, Postponement and Assignment of Claim Agreements, and Guarantee and Postponement of Claims are properly executed and good and enforceable in accordance with their terms and that the security interests provided therein were perfected by registration pursuant to the provisions of the PPSA. Attached as **Appendix B** is a true copy of the independent legal opinion dated September 16, 2016.
- 2.1.5 In reference to the RBC security, there are cross guarantees amongst certain of the Mara Tech entities in favour of Mara Tech Aviation Fuels (Sudbury) Ltd. and Mara Tech Aviation Fuels Ltd. (as further detailed in Appendix B).
- 2.1.6 The following table sets out the approximate amounts owing to RBC (inclusive of professional costs incurred by RBC to November 3, 2016), LAKES, and Kubota, by respective entity:

	Operating Location	RBC	LAKES	Kubota
Mara Tech Aviation Fuels Ltd.	Sault Ste. Marie, ON	\$84,168.63	\$78,081.15	N/A
Mara Tech Aviation	Sault Ste. Marie, Sudbury, North	\$258,199.09	As above	\$66,136.80

Services Ltd.	Bay, & Windsor, ON			
Mara Tech Aviation Fuels (Thompson) Ltd.	Operations Ceased September 2015	\$82,048.30	N/A	N/A
Mara Tech Aviation Fuels (Sudbury) Ltd.	Sudbury, ON	\$188,074.77	As above	N/A
Totals		\$612,490.79	\$78,081.15	\$66,136.80

2.2 Initial Activities

- 2.2.1 Immediately following its' appointment, the Receiver attended the personal residence of John and Sheila Marandola, Principals of Mara Tech (the "**Principals**"), and served them with a copy of the Initial Order (the "**Initial Meeting**"). Given the nature of Mara Tech's operations (fueling and servicing of commercial airlines), and its' inherent risks, the Receiver had predetermined that it would not operate the business.
- 2.2.2 During the Initial Meeting, the Receiver was presented with a Commitment Letter dated June 24, 2016 (the "**Commitment Letter**") from a private lender Baron Finance ("**Baron**") indicating that Mara Tech was on the cusp of completing a refinancing (envisioned in the amount of up to \$850,000) with such financing reportedly sufficient to satisfy all creditors, as advised by John Marandola. A copy of the Commitment Letter dated June 24, 2016 is attached as **Appendix C**.
- 2.2.3 Based on the content of the Commitment Letter, and representations made by John Marandola in terms of the quantum of envisioned financing vs. creditor obligations, and by reason of the inherent operating risks noted above, the Receiver elected to not take possession or exercise control over the Property, thereby permitting the Debtors to remain in possession and control of their respective businesses and day to day operations.
- 2.2.4 Given its' mandate pursuant to the Initial Order, to evaluate both liquidation value and the refinancing as envisioned by the Commitment Letter (in particular the quantum of envisioned financing vs. creditor obligations), the Receiver supplied Mara Tech with a list of Information Requirements on August 5, 2016. A copy of the Receiver's list of Information Requirements is attached as **Appendix D**.
- 2.2.5 On August 15, 2016, the Receiver issued its' Notice and Statement of Receiver (each respective entity) as required under the Bankruptcy and Insolvency Act. Consolidated trade creditor exposure (as advised by the Debtors) totaled \$8,267.94. Copies of the respective Notices are attached as **Appendix E**.

2.3 Refinancing Initiative

- 2.3.1 Following its' appointment, with the consent of Mara Tech, the Receiver initiated contact with Baron to discuss the terms and quantum of available financing (originally envisioned in the amount of up to \$850,000 supported by a combination of an accounts receivable factoring facility, an inventory facility, and an equipment facility). Baron advised the Receiver that it was in the process of completing associated due diligence and that a further Commitment Letter would follow.
- 2.3.2 On August 9, 2016, a revised proposal was received from Baron envisioning financing of up to \$1,150,000 (combination of an accounts receivable factoring facility, an equipment facility, and a real estate facility). A copy of the Commitment Letter dated August 9, 2016 is attached as **Appendix F**.
- 2.3.3 On August 30, 2016, a further revised proposal was received from Baron envisioning financing of up to \$812,000 (limited to an accounts receivable factoring facility and a real estate facility). The primary form of security required by Baron was in the form of mortgages over real estate owned by the Principals' personally. A copy of the Commitment Letter dated August 30, 2016 is attached as **Appendix G**.
- 2.3.4 In connection with the Commitment Letter dated August 30, 2016, and through subsequent discussion with Baron and Mara Tech, the Receiver was advised that Baron were prepared to provide an initial advance of \$512,000 given collateral limitations (in particular accounts receivable in support of the factoring facility). Based on the foregoing, the quantum of available financing was insufficient to satisfy Mara Tech's creditors.
- 2.3.5 As noted above, the primary form of security required by Baron was in the form of mortgages over real estate owned by the Principals' personally. On September 14, 2016, RBC obtained Summary Judgment against Mara Tech and the Principals' personally (with Writs subsequently filed) effectively encumbering the properties over which Baron intended to take as security. The quantum of the Judgment's (on a consolidated basis) approximated \$494,000 plus interest. As a result, the Baron financing proposal did not move forward on the terms envisioned.

2.4 Monitoring of Operations

- 2.4.1 Paragraph 3 (c) of the Initial Order empowers and authorizes the Receiver to monitor the Property and business of Debtors. The Receiver, to a large extent, has been unable to effectively monitor the business and in particular cash flow from operations.
- 2.4.2 As noted above, the Receiver supplied Mara Tech with a list of Information Requirements on August 5, 2016. Despite repeated follow up, much of this information remains outstanding. In particular, the Debtors have not provided forecasted cash flows or otherwise produced current financial reporting following the Receiver's appointment.
- 2.4.3 Given the lack of cooperation, or otherwise the inability to produce the requested financial information, the Receiver attended Mara Tech's accounting office in St. Catharines on August 31, 2016 and provided the Debtor's bookkeeper with a cash flow

template for monitoring purposes (to be populated by Mara Tech). To date, the Receiver has not been provided with a populated cash flow template.

- 2.4.4 By letter dated September 27, 2016, the Receiver's counsel wrote to Mara Tech's counsel regarding the outstanding Information Requirements. A copy of this letter, along with the response of Mara Tech's counsel, are attached as **Appendices H** and **I** respectively.
- 2.4.5 At present, Mara Tech remain in possession and control of their respective businesses and day to day operations (including the accounting function). On October 18, 2016, the Receiver was advised by Mara Tech's bookkeeper that there had been no bookkeeping completed since July 31, 2016 and that the May 31, 2016 bank reconciliation was still in process.
- 2.4.6 Following the appointment of the Receiver, on or about August 30, 2016, Imperial Oil switched to a prepayment system whereby Mara Tech was required to prepay for fuel deliveries. Based on the Receiver's communications with John Marandola and Mara Tech's bookkeeper, this has severely constricted cash flow to the point where Mara Tech are struggling to fund current obligations including payroll.
- 2.4.7 The Receiver understands that Mara Tech maintains a single operating bank account with TD Bank resulting in comingling of receipts and disbursements for each respective entity (making a determination of respective cash flow and profitability difficult). The Receiver is aware that on at least one occasion the Principals' injected (and subsequently withdrew) personal funds to cover payroll. Further, the Receiver has received several notifications from Canada Revenue Agency ("CRA") of returned (NSF) cheques intended as payment towards GST/HST and employee source deduction obligations.
- 2.4.8 The Receiver understands that the Debtors have not made any principal or interest payments to RBC (the primary secured creditor) for a period of 12 months or more.
- 2.4.9 The Receiver has not been provided with any updated financial information or bank account activity since October 12, 2016. A copy of the Receiver's most recent information request, dated October 31, 2016, is attached as **Appendix J** (which remains outstanding).
- 2.4.10 Based on the foregoing, the Receiver has been unable to determine with certainty the current financial position, cash flow from operations, or financial viability of Mara Tech. Based on known information, the Receiver is concerned regarding Mara Tech's ability to fund its' current obligations or otherwise continue operating given cash flow constraints (with creditor exposure increasing in the interim).

2.5 Appraisals

- 2.5.1 To evaluate prospects of realization in a liquidation scenario, with the consent of Mara Tech, the Receiver commissioned an appraisal of equipment and operating assets located at each of the four airport facilities. The appraised value of equipment and operating assets is not sufficient to satisfy Mara Tech's outstanding creditor obligations and liabilities.

2.6 Independent Counsel

2.6.1 The Receiver has retained SimpsonWigle LAW LLP as independent counsel to provide advice and assistance with respect to receivership matters.

2.7 Potential Priority Claims

2.7.1 The following table summarizes reported priority payable exposure as at August 9, 2016 (based upon online CRA statements supplied by Mara Tech's bookkeeper):

Company:	Source Deductions:	GST/HST:
MARA TECH AVIATION FUELS LTD.	\$25.59	NIL
MARA-TECH AVIATION SERVICES LTD.	\$100,760.11	\$235.45
MARA TECH AVIATION FUELS (THOMPSON) LTD.	\$6,340.41 (cheque previously issued to CRA which remains outstanding)	NIL
MARA TECH AVIATION FUELS (SUDBURY) LTD.	\$117.74	\$124.76
Totals	\$107,243.85	\$360.21

2.7.2 On or about September 7, 2016, the Receiver was provided with CRA Notices of Assessment with respect to GST/HST totaling \$79,656.78 indicating a significant deterioration to amounts outstanding as of August 9, 2016.

2.7.3 Further, on October 24, 2016, the Receiver received notification from CRA of returned payments from Mara Tech totaling \$32,448.95 (GST/HST) and \$15,045.00 (employee source deductions) indicating a further deterioration.

2.7.4 Following its appointment, the Receiver coordinated scheduling of trust examinations with CRA and Mara Tech with such examinations being conducted on or about September 27, 2016. At present, the Receiver awaits results of the aforementioned trust examinations to confirm priority payable obligations.

2.7.5 Any possible claim by CRA for unpaid GST/HST or unpaid employee source deductions would be deemed to be held in trust for the Crown separate and apart from the property of the Debtors and from property held by any secured creditor of the Debtors that, but for a security interest, would be property of the Debtors, pursuant to section 227(4) of the Income Tax Act (Canada) and section 221(1) of the Excise Tax Act (Canada).

2.7.6 Mara Tech employs approximately 95 employees. Certain of these employees are party to a collective bargaining agreement. In the event operations cease, Mara Tech's employees may be entitled to make claims under the Wage Earner Protection Program for

wages, salaries, commissions or compensation for services rendered during the six month period prior to the date of receivership. Such claims are secured to the extent of \$2,000 per employee over Mara Tech's current assets. Service Canada, as the administrator of the Wage Earner Protection Program, are included on the service list for this motion.

3.0 Marketing and Sale of the Property

3.1 Unsolicited Expression of Interest

- 3.1.1** Following its' appointment, the Receiver was contacted by a competitor in the industry who expressed an interest in acquiring Mara Tech as a going concern (the "**Prospective Purchaser**") including the re-hiring of most if not all of the Debtors' current employees. On September 2, 2016, the Prospective Purchaser entered into a "Confidentiality and Non-Disclosure Agreement" with the Receiver and was provided with certain historical financial information obtained from Mara Tech in order to complete due diligence.
- 3.1.2** On September 12, 2016, by way of e-mail, the Prospective Purchaser submitted a written "Expression of Interest" in an amount greatly exceeding liquidation value. The "Expression of Interest" was communicated to Mara Tech and their counsel (in general terms) who were not receptive to a going concern sale of the business.
- 3.1.3** Given the status of the Baron financing proposal (effectively no longer an option), in the interest of maximizing realization for the stakeholders (the alternative being liquidation), the Receiver was of the view that a going concern sale of the business would generate the best possible recovery. In order to further canvass the market, the Receiver implemented the following marketing strategy.

3.2 The Receiver's Marketing Strategy

- 3.2.1** Pursuant to the Initial Order, the Receiver is authorized to market for sale any or all of the Property and negotiate such terms and conditions of sale as the Receiver in its discretion may deem appropriate.
- 3.2.2** In recognition that the Property is a unique asset, with a specific and limited pool of potential purchasers, the Receiver concluded that it would undertake a focused marketing program targeting the existing Imperial Oil dealer network (consisting of 15 targets).
- 3.2.3** In connection with its marketing strategy, to assist potential purchasers in their evaluation of the purchase opportunity, the Receiver implemented an online data room providing particulars of the Property, operations, and historical financial information.
- 3.2.4** Commencement of the Receiver's marketing program (and further negotiation with the Prospective Purchaser) was delayed due to the timing of receipt of certain contracts from Mara Tech (originally requested on August 5, 2016). Specifically, fuel contracts, airline contracts, and the union contract were not received until September 28, 2016. The

Receiver was ultimately required to contact the various airport facilities directly to obtain occupancy lease agreements (received throughout the month of October 2016).

- 3.2.5 On October 13, 2016, the Receiver wrote to Mara Tech and Mara Tech's counsel providing notification of its' intention to market the Property of Mara Tech for sale effective immediately. Mara Tech was invited to participate in the sales process and was also asked to provide the names and contact information for anyone who may have an interest in the property of Mara Tech. Mara Tech elected not to participate in the sales process or otherwise identify any potential purchasers. A copy of the Receiver's letter is attached as **Appendix K**.
- 3.2.6 The Receiver's focused marketing program commenced October 13, 2016 and concluded on November 4, 2016. Potential purchasers were contacted by way of an e-mail teaser and were invited to contact the Receiver in order to be provided with access to the online data room to evaluate the opportunity. A copy of the Receiver's e-mail teaser is attached as **Appendix L**.

4.0 Offer Received

4.1 Marketing Results

- 4.1.1 As a result of its marketing efforts, the Receiver was contacted by a total of 4 potential purchasers. Signed confidentiality agreements were received from each of these potential purchasers who were then provided with access to the Receiver's online data room.
- 4.1.2 A single offer with deposit was received on November 4, 2016 utilizing the Receiver's form of Agreement of Purchase and Sale ("APS"). The offer contains certain terms and conditions and the Receiver is presently in negotiation with the potential purchaser in order to establish terms and conditions agreeable to both parties. Based on negotiations to date, the Receiver contemplates that the Receiver and potential purchaser will reach agreement with respect to an APS. The APS will be conditional on court approval. Once the terms and conditions of the APS are finalized, and prior to court approval, the Receiver independently, or in conjunction with the potential purchaser, will communicate with Mara Tech's customers, suppliers, landlords, and employees with a view to furthering the transaction which is the subject of the APS.
- 4.1.3 The offer provides a purchase price which greatly exceeds liquidation value, envisions the re-hiring of most if not all of the Debtor's current employees, and is the best prospect of realization for the stakeholders.

5.0 Professional Fees

5.1 Fees of the Receiver and the Receiver's Independent Legal Counsel

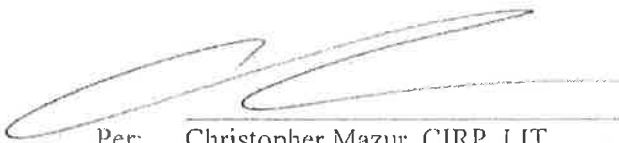
- 5.1.1** Pursuant to Paragraph 18 of the Initial Order, any expenditure or liability which shall properly be made or incurred by the Receiver, including the fees and disbursements of the Receiver and those of its legal counsel, shall be allowed on a passing of accounts and constitute the Receiver's Charge.
- 5.1.2** For the period ended November 4, 2016, the Receiver has incurred fees and disbursements of \$93,698.21, inclusive of disbursements and HST.
- 5.1.3** For the period ended November 4, 2016, the Receiver's counsel, SimpsonWigle LAW LLP, has incurred fees and disbursements of \$29,780.00, inclusive of disbursements and HST.

6.0 Order Sought

- 6.1** The Receiver submits this First Report to this Honourable Court in support of its motion requesting this Honourable Court to grant:
- a) an Order approving the First Report of the Receiver and the conduct of the Receiver and its agents as outlined in this First Report.

All of which is respectfully submitted this 14th day of November, 2016.

**BDO CANADA LIMITED
COURT APPOINTED RECEIVER OF THE PROPERTY OF
MARA TECH AVIATION FUELS LTD.,
MARA TECH AVIATION SERVICES LTD.,
MARA TECH AVIATION FUELS (THOMPSON) LTD., and
MARA TECH AVIATION FUELS (SUDBURY) LTD.**



Per: Christopher Mazur, CIRP, LIT
Partner/Senior Vice President

TAB C

**APPENDIX "C" TO
THE RECEIVER'S SECOND REPORT**



**BARON FINANCE
FINANCEMENT BARON**

T: 1-855-879-1511
F: 1-855-879-1512

info@baronfinance.com
www.baronfinance.com

COMMITMENT LETTER

November 7, 2016

PRIVATE AND CONFIDENTIAL

Mara Tech Aviation Services Ltd
412 Wright Crescent
Niagara-on-the-Lake, ON
L0S 1J0

Attention: Mr. John Marandola and Mrs. Sheila Marandola

Dear Mr. and Mrs. Marandola,

Baron Finance Incorporated ("**Baron**") is pleased to offer credit facilities described in this Commitment Letter (the "**Credit Facilities**") subject to the terms and conditions set forth below and in the schedules attached hereto (collectively, the "**Commitment Letter**"). Unless otherwise indicated, all amounts are expressed in Canadian currency.

PARTIES AND USE OF FUNDS

Client: Mara Tech Aviation Services Ltd. ("**Client**").

Factor: Baron Finance Incorporated ("**Baron**").

Corporate Guarantors: Corporate Guarantees from:
Mara Tech Aviation Fuels Ltd.
Mara Tech Aviation Fuels (Sudbury) Ltd.
Mara Tech Aviation Fuels (Thompson) Ltd.
Marandola Holding Ltd.

Personal Guarantors: Unlimited Personal Guarantees from:
John Marandola, Sheila Marandola, as well as all registered directors.

Programme: Factoring Facility of up to \$500,000.00;
Real Estate Facility of up to \$312,000.00;

No change in the use of funds may be made without Baron's express prior written consent.

FACTORING FACILITY

27 Roytec Rd, Unit 11
Woodbridge, ON L4L 8E3

801 Columbia Street, Suite 400
New Westminster, BC V3M 1A5

85 Boulevard de Gaulle, Suite 204
Lorraine, QC J6Z 3R8

Factoring Facility:	The following terms are applicable to the Factoring Facility and are subject to the terms of the Baron's standard form Full Factoring Agreement.
Advance Rate:	Up to 80% of the face value of the approved receivable.
Recourse:	Full recourse to the Client shall occur at 90 days and shall be subject to an additional fee.
Factoring Fees:	A Flat Rate of 1.5% shall be due on all purchased receivables for the first 30 days, followed by an additional 1.0% for every 15 days or less.
Further Fee:	A further daily rate of 0.1% shall be due on all purchased receivables, from day 91 until day 999.
No Obligations:	Baron shall only Factor the receivables which are acceptable to Baron in its sole discretion. Baron reserves the right to contact and obtain documentation from the Client's customers.
Direction of Payments:	Client shall direct its debtors to make payments directly to a secured lockbox with TD Bank. The collections of the Client's account receivable shall be directed into such lockbox. The Client shall only have access to monitor such deposits. Notwithstanding the foregoing, the Client, the Corporate Guarantors, and the Personal Guarantors agree and acknowledge that in the event they receive any funds relating to invoices or accounts receivable purchased by Baron, the funds shall be held in trust for and shall be forthwith remitted to Baron without deduction.

REAL ESTATE FACILITY

Real Estate Facility:	The following terms are applicable to the Real Estate Facility and are subject to the terms of the Baron's standard form Loan Agreement.
Advance:	Up to 75% of Market Value of approved real estate.
Interest:	Prime + 13% (minimum of 16%).
Amortization:	4 years.
Payments:	Equal monthly instalments of principle and interest sufficient to repay the loan in 4 years.

-Applicable to all above referenced Facilities-

Term:	2 years.
Due Diligence Fee:	\$2,500 upon the signing of Commitment Letter.

Facility Fee: 1.25% of total facility, and Letter of Direction to be signed by Client to pay Peel Financial Inc.

Early Termination Penalty: If any of the facilities are terminated by the Client prior to the expiration of the Term for any reason whatsoever, or if Baron terminates the agreement for cause due to the occurrence of an event of default, the Client would be obligated to pay an early termination fee equal to two percent (2%) of the Sum of Facilities Limits if the Facilities are terminated during the first year of the Term, an early termination fee equal to one percent (1%) of the Sum of the Facilities Limits if the Facilities are terminated during the second year of the Term.

Fees: In addition to the fees set forth in Baron's standard Full Factoring Agreement and Loan Agreement, the Client shall pay the following fees to Baron (1) all evaluation fees including, but not limited to appraisal, field audits, HST and disbursements; and (2) all legal fees, HST and disbursements.

SECURITY AND CONDITIONS PRECEDENT TO ADVANCE

Security: The Client, the Personal Guarantors and the Corporate Guarantors shall provide to Baron (or cause to be provided to Baron) the following guarantees, security, charges and assignments (collectively, the "**Security**") each in form and substance satisfactory and registered with such priority as deemed appropriate by Baron and its legal counsel:

1. joint and several personal guarantee from the Personal Guarantors;
2. joint and several guarantee from the Corporate Guarantors for 100% of the outstanding loan amount in respect of all liabilities, obligations, and indebtedness of the Client to Baron;
3. the first mortgage/charge of building municipally known as **475 Airport Road, Sault Ste. Marie, ON**; and, the second mortgage/charge of land and buildings municipally known as: **412 Wright Cres., Niagara-On-the-Lake, ON L0S 1J0;** **4 Trinity Circle, St. Catharines, ON L2N 2K8;** (Collectively, the "**Property**")
4. an assignment of rents and leases by the Client in respect of the Property, if applicable;

5. General Security Agreement from Client and all Corporate Guarantors in favour of Baron with a first security interest in all present and after-acquired personal property of the client;
6. a subordination and postponement of claim by all Persons or companies related to the Client who have advanced monies by way of loan/advance to the Client shall be postponed and subordinated in favour of repayment in full of the Factoring Facilities;
7. assignment of all insurance policies with respect to the Client's operations, liability and all proceeds and benefits therefrom in favour of Baron. The Client shall provide to Baron such evidence as Baron may request that all of the above required insurance is in place prior to any advance of funds being made;
8. receipt by the Baron of proof of payment of property/municipal taxes etc. within 30 days from each annual date at which the Borrowers provide this payment confirmation. In the case of any occurrence of non-payment of property taxes, Baron reserves the right to collect from the Borrower, pro-rata property taxes on a monthly basis and maintain a tax reserve account for the taxes payable in respect of the Property;
9. such other security instruments, certificates, assurances and documentation required in the reasonable opinion of the solicitors for Baron.

Conditions Precedent:

The following conditions precedent shall be completed and/or fulfilled to the satisfaction of Baron in its sole discretion prior to the advance of funds:

1. Satisfactory completion by Baron of all due diligence required by Baron:
 - a) execution, delivery and (where applicable) registration of all necessary legal documentation including, without limitation, the Security and delivery of such legal opinions as may be required by Baron and its legal counsel and as are customary in connection with the Factoring Facilities including with respect to such matters as the enforceability of this Commitment Letter and the Security as well as title to the Property and off-title clearance letters for the Property (it being understood that title insurance, in form and substance satisfactory to Baron and issued by an insurer acceptable to Baron, acting reasonably, may be provided in lieu of a title opinion);

- b) confirmation by the Client that all consents and approvals have been obtained, including, without limitation, regulatory, shareholder and board approvals and approval of other creditors, if applicable;

For greater certainty, in the event that one or more of the above conditions are not satisfied prior to **November 30, 2016**, then Baron may in its sole and absolute discretion terminate its commitment to advance the Credit Facilities as set forth in this Commitment Letter.

Reporting Covenants:

- a) Client to provide Baron with audited financial statements within 120 days of year-end;
- b) Client to provide Baron with internal financial statements no later than 45 days after end of fiscal quarter;
- c) Any other reports that Baron may request from time-to-time.

GENERAL CONDITIONS

Acceptance:

If the terms and conditions of the Commitment Letter are acceptable, please return an executed copy to Baron's office prior to **November 11, 2016 at 5:00 p.m.**, failing which this Commitment Letter will expire.

Entire Agreement / Paramountcy:

This Commitment Letter and the Security constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior negotiations, undertakings, representations and understandings, written or oral, between Baron and the Client. To the extent that any provision of the Security is inconsistent with or in conflict with the provisions of this Commitment Letter, the provisions of this Commitment Letter shall govern and the inclusion of any term in any of the Security that is not set out in this Commitment Letter shall not be an inconsistency.

Successors and Assigns:

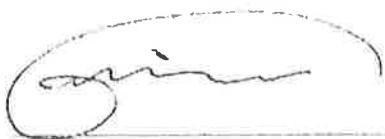
This Commitment Letter shall ensure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, legal personal representatives, successors and permitted assigns.

Governing Law:

This Commitment Letter shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

Yours truly,

Baron Finance Incorporated

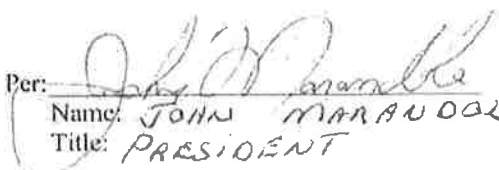
Per: 
Altan Gao, Credit Risk Analyst

ACCEPTANCE AND AGREEMENT

The undersigned hereby confirms agreement to and acceptance of the terms and conditions outlined in the Commitment Letter as of this 11th day of November 2016.

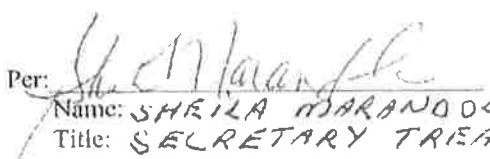
Mara Tech Aviation Services Ltd.


Witness

Per: 
Name: JOHN MARANDOLA
Title: PRESIDENT

I have authority to bind the corporation


Witness

Per: 
Name: SHEILA MARANDOLA
Title: SECRETARY TREASURER

I have authority to bind the corporation

TAB D

**APPENDIX "D" TO
THE RECEIVER'S SECOND REPORT**

Request ID: 019492565
Transaction ID: 62488506
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2016/10/18
Time Report Produced: 16:36:50
Page: 1

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CORPORATION DOCUMENT LIST

Ontario Corporation Number

786259

Corporation Name

MARANDOLA HOLDINGS LTD.

ACT/CODE	DESCRIPTION	FORM	DATE (YY/MM/DD)
BCAC	CANCELLED REQUEST CT	241-4	2009/01/03
CTA	DEFAULT CORP TAX ACT	CT	2008/08/31
CIA	ANNUAL RETURN PAF: MARANDOLA, JOHN	1C	2004/05/29
CIA	ANNUAL RETURN PAF: MARANDOLA, JOHN	1C	2003/04/08
CIA	ANNUAL RETURN PAF: MARANDOLA, JOHN	1C	2001/09/30
CIA	ANNUAL RETURN PAF: MARANDOLA, JOHN	1C	2001/04/15
BCA	ARTICLES OF AMENDMENT	3	1999/01/26
CTA	COMPLIED CT	C.T.	1997/11/24
CTA	DEFAULT CORP TAX ACT	CT	1997/11/17
CIA	SPECIAL NOTICE 3 PAF: MARANDOLA, JOHN	1	1995/04/11
BCA	SN2 DEFAULT (ORIG NOTICE)	241-3	1995/04/08
CIA	SPECIAL NOTICE PAF: JOHN MARANDOLA,	1	1993/03/09
PCPV	CORPORATE CONVERSION-ADD	ADD	1992/06/27

Corporation Details

Corporation Name:	MARANDOLA HOLDINGS LTD.
Former Corporation Name:	MARA-TECH AVIATION SERVICES (SOO) LTD.
Corporate Number:	786259
Date of Incorporation/Amalgamation:	02/13/1989
Status:	CANC. BY C.T.
Establishment Type:	ONTARIO BUSINESS CORP.
Share:	SHARE
Jurisdiction:	ONTARIO
Can./Amalgamated/Inact. Date:	12/22/2008
Amalgamated Corporation Number:	

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