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COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE EDMONTON

PLAINTIFF BUSINESS DEVELOPMENT BANK OF CANADA

DEFENDANTS 1119658 ALBERTA LTD. AND 101285461 SASKATCHEWAN LTD.

DOCUMENT **FIRST REPORT OF THE RECEIVER  
HARDIE & KELLY INC.  
JULY 29, 2019**



**RECEIVER**

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## INTRODUCTION

1. On December 5, 2018, the Business Development Bank of Canada (“BDC”) sought and obtained an Order (the “Receivership Order”) of this Honourable Court appointing Hardie & Kelly Inc. (the “Receiver”) as Receiver of the assets, undertakings and properties (collectively, the “Property” or the “Properties”) of 1119658 Alberta Ltd. (“1119 AB”) and 101285461 Saskatchewan Ltd. (“1012 SK”, and together with 1119 AB, collectively the “Companies”).
2. Materials submitted in support of the receivership application include the Affidavit of Hardeep Singh (the “Initial Singh Affidavit”) sworn on November 20, 2018 and filed in these proceedings. Materials submitted in opposition to the receivership application include the Affidavit of Kelly Mann (the “Initial Mann Affidavit”) affirmed on December 4, 2018.
3. Paragraph 3 of the Receivership Order empowers and authorizes the Receiver, *inter alia*, to:
  - (a) 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 manage, operate and carry on the business of the Debtor, 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 Debtor;
  - (c) 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;
  - (d) 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 \$150,000, provided that the aggregate consideration for all such transactions does not exceed \$500,000; 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 amounts set out in the preceding clause.

4. The purpose of this report (the “First Report”) is to provide information to the Court in respect of:
  - (a) Information pertaining to the corporate structure of the Companies;
  - (b) Information on the financial position of the Companies;
  - (c) Information pertaining to the availability of the Books and Records of the Companies;
  - (d) The activities of the Receiver since the granting of the Receivership Order;
  - (e) The receipts and disbursements of the Receiver since the granting of the Receivership Order;
  - (f) Details of the sales process conducted by Colliers International Hotels and CIR Commercial Realty Inc. (collectively, “Colliers”) in respect to the sale of the hotel known as the Westwood Inn (as defined below) owned by 1119 AB culminating in a purchase and sale agreement between the Receiver and Harkiran Ghuman (or its designated corporate nominee) (the “Ghuman PSA”), noting that details that are considered commercially sensitive such that release of such details may affect the Receiver’s efforts to remarket the Westwood Inn if for some reason the Ghuman PSA, does not close are disclosed to the Court through the Receiver’s Confidential Supplement to the First Report as discussed herein;
  - (g) Details pertaining to BDC’s anticipated application to have 1119 AB adjudged bankrupt; and
  - (h) The Receiver’s recommendations thereon.
5. Concurrent with the filing of this First Report, the Receiver will be filing a confidential supplement to the First Report (the “Confidential Supplement to the First Report”) containing additional confidential and commercially sensitive information with respect to the results of the Colliers sales process and the Receiver’s comments with respect to its expectation of value, both of which would have a material effect on any subsequent transaction for the Westwood Inn in the event that the Ghuman PSA does not close. Disclosure of the information contained in the Confidential Supplement to the First Report would cause irreparable prejudice to the creditors and other stakeholders of the Companies.

6. In the event that the transaction contemplated therein does not close, the assets may be subject to further marketing and the Receiver's ability to obtain the highest and best price would be severely compromised due to the purchase information being in the public domain. As a result, the Receiver will be seeking a further order sealing the Confidential Supplement to the First Report for three months following the closing of the Ghuman PSA, if this Court so grants such requested relief.
7. While this First Report is being provided substantially for the purposes of seeking the Court's approval of the Ghuman PSA, the Receiver is providing a somewhat comprehensive update of the Companies and its activities as such details pertain to the Receiver's application for an interim approval of the professional fees of itself and its counsel that have been paid to date.
8. Capitalized terms not defined in this First Report are as defined in the Receivership Order, the Initial Singh Affidavit or the Ghuman PSA.
9. All references to currency are in Canadian dollars unless otherwise noted.
10. This document, together with other information regarding these proceedings, will be posted by the Receiver to its website at <https://relieffromdebt.ca/1119658-alberta-ltd>.

#### **TERMS OF REFERENCE**

11. In preparing this First Report, the Receiver has relied upon unaudited financial information contained in the books and records of the Companies and discussions with employees of 1012 SK and 1119 AB and former management of the Companies ("Management").
12. The Receiver has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information and accordingly, the Receiver expresses no opinion or other form of assurance in respect of such information contained in this First Report.

#### **CORPORATE STRUCTURE**

13. Based on a corporate search dated December 12, 2018, 1119 AB was incorporated as an Alberta corporation on July 26, 2004 and Ms. Kuldeep Mann is listed as the sole director and voting shareholder.
14. Based on a corporate search dated February 13, 2019, 1012 SK was incorporated as a Saskatchewan corporation on July 17, 2016 and Ms. Kuldeep Mann is listed as the sole director and shareholder.

15. The financial statements of 1119 AB as of June 30, 2017 (the “1119 AB June 2017 Financials”) as appended to the Initial Singh Affidavit note that 1058205 Alberta Ltd. (“1058 AB”) is a related party to 1119 AB by virtue of being controlled by a related person.

(a) A corporate search of 1058 AB dated January 7, 2019 which is attached hereto as Appendix "A", indicates that Mr. Kamaljit Maan is the sole director and voting shareholder of 1058 AB. The Receiver understands that Mr. Kamaljit Maan is Ms. Kuldeep Mann’s spouse.

## **FINANCIAL POSITION**

### **1119 AB**

#### *Assets*

16. The substantial asset of 1119 AB is an approximate 53 room, limited service hotel located on +/- 2.0 acres at the civic address of 5002-34 Avenue in Drayton Valley, Alberta, o/a the Westwood Inn (the “Westwood Inn”).

17. The Receiver understands that other salient features pertaining to the Westwood Inn would include, *inter alia*:

- (a) A manager’s suite;
- (b) Guest laundry facilities; and
- (c) Free parking, breakfast and Wi-Fi.

18. In addition to the Westwood Inn and ancillary assets derived therefrom, the 1119 AB June 2017 Financial Statements also indicate, *inter alia*, the following assets (with book value of such assets in parentheses):

- (a) Due from related parties (\$2,935,151), consisting of:
  - i. Due from 1012 SK - \$2,303,492; and
  - ii. Due from 1058 AB - \$631,659;
- (b) Investments (\$796,317); and
- (c) Automotive (\$18,066 undepreciated value).

19. The Initial Mann Affidavit includes June 30, 2018 financial statements of 1119 AB which detail, *inter alia*, the following assets:

- (a) Due from related parties of \$2,929,868; and
- (b) Investments of \$195,418

20. The Receiver is continuing its review of the amounts due from related parties and investments in order to determine whether any further recoveries may be available through such assets and will provide a further update to the Court through a subsequent report.

*Liabilities*

*Creditors claiming a security interest*

21. Based on a personal property registry search dated September 6, 2018, the following creditors have registered security interests against 1119 AB:

- (a) BMW Canada Inc. registered a security agreement on May 9, 2014 claiming a security interest over a 2014 BMW X5 xDrive35i;
- (b) Business Development Bank of Canada registered a security agreement on July 24, 2015 over all present and after-acquired personal property;

- i. The Initial Singh Affidavit outlines that as of August 23, 2018, 1119 AB was indebted to BDC in the amount of approximately \$2,638,265 plus accruing interest and enforcement expenses.

- ii. As of July 25, 2019, BDC advises that it is owed approximately, \$2,823,232, with \$64,079 of this amount consisting of protective disbursements, including the payment of outstanding property taxes.

- 1. The Receiver's independent legal counsel, MLT Aikins LLP, has provided an opinion, subject to the customary qualifications, that the BDC security over the assets of 1119 AB is valid and enforceable, although we note that at this time, the Receiver is not seeking an interim distribution to BDC and that such distribution will remain subject to a further application before the Court.

- (c) In addition, BDC has funded the Receiver \$60,000 through a Receiver's Certificate, with such amounts are secured by the Receiver's Borrowing's Charge as provided for in the Receivership Order.

22. Based on a review of a land title search for the Westwood Inn dated July 29, 2019, the Receiver notes, *inter alia*, the following registered security interests against the Westwood Inn:

(a) Business Development Bank of Canada registered a mortgage on August 21, 2015 with a registered value of \$5,500,000;

(b) 1621804 Alberta Ltd. registered a mortgage on October 28, 2015 with a registered value of \$600,000.

*Employees / WEPP*

23. The Receiver is not aware of any priority amounts outstanding to employees or Service Canada related to the *Wage Earner Protection Program Act* from 1119 AB.

*Canada Revenue Agency – Employer Source Deductions*

24. Based on discussions with the Canada Revenue Agency ("CRA"), the Receiver understands that there are negligible amounts owing by 1119 AB to CRA for unremitted employer source deductions, but as of the date of this First Report, the Receiver is waiting on formal results of CRA's trust audit.

*Canada Revenue Agency – Goods and Services Taxes*

25. Based on a July, 2019 notional assessment, the Receiver understands that there is an amount outstanding of approximately \$1,395 owing by 1119 AB to CRA with respect to unremitted Good and Services Taxes ("GST").

*Property taxes*

26. Based on the Initial Singh Affidavit, the Receiver understands that as of the date of the Receivership Order, 1119 AB had approximately \$37,423 outstanding as it relates to property taxes, noting the payment of certain property taxes by BDC as a protective disbursement as described above.

*Unsecured creditors*

27. As the books and records of 1119 AB were incomplete, the Receiver was unable to obtain a comprehensive listing of its creditors. Therefore, for purposes of notifying creditors of the Receivership, the Receiver listed known and estimated creditors based on information from certain of the incomplete books and records, a review of certain public information and discussions with Management.

1012 SK

*Assets*

28. The substantial asset of 1012 SK is an approximate 97 room, mid-service service hotel located on +/- 1.63 acres at the civic address of 2 Kelsey Bay, Yorkton, Saskatchewan, o/a the Quality Inn & Suites - Yorkton (the "QI Yorkton") under the Choice Hotels Canada ("Choice") brand.
29. The Receiver understands that other salient features pertaining to the QI Yorkton would include, *inter alia*:
  - (a) Indoor swimming pool with water slide;
  - (b) Fitness and business centres;
  - (c) Guest laundry facilities; and
  - (d) Free breakfast and Wi-Fi.
30. The Receiver notes that QI Yorkton is a union-based environment with the employees represented by the Saskatchewan Joint Board, Retail, Wholesale and Department Store Union (the "Union") as discussed more fully below.

*Liabilities*

*Creditors claiming a security interest*

31. Based on a personal property registry search dated September 10, 2018, the following creditors have registered security interests against 1012 SK:
  - (a) Business Development Bank of Canada registered a security agreement on July 23, 2015 over all present and after-acquired personal property;
    - i. The Initial Singh Affidavit outlines that as of August 23, 2018, 1012 SK is indebted to BDC in the approximate amount of \$2,610,487 plus accruing interest and enforcement expenses.
    - ii. As of July 25, 2019, BDC advises that it is owed approximately, \$3,205,206, with \$411,258 of this amount consisting of protective disbursements, including payments of outstanding property taxes.

1. The Receiver's independent legal counsel, MLT Aikins LLP, has not yet provided an opinion as to the validity and enforceability of the BDC security over the assets of 1012 SK, but will do so prior to any distribution to BDC, with such distribution remaining subject to a further application before the Court.

(b) In addition, BDC has funded the Receiver \$200,000 through a Receiver's Certificate, with such amounts secured by the Receiver's Borrowing's Charge as provided for in the Receivership Order.

32. Based on a review of a land title search for the QI Yorkton dated July 26, 2019, the Receiver notes, *inter alia*, the following registered security interests:

(a) Business Development Bank of Canada registered a mortgage on August 24, 2015 with a registered value of \$5,500,000;

(b) 1621804 Alberta Ltd. registered a mortgage on October 20, 2015 with a registered value of \$600,000.

#### *Employees / WEPP*

33. The Receiver is not aware of any priority amounts outstanding to employees or Service Canada related to the *Wage Earner Protection Program Act* from 1012 SK

#### *Canada Revenue Agency – Employer Source Deductions*

34. Based on discussions with CRA, the Receiver understands that there are no amounts outstanding with respect to any unremitted employer source deductions by 1012 SK to CRA, but as of the date of this First Report, the Receiver is waiting on CRA to confirm the results of their trust audit.

#### *Canada Revenue Agency – GST*

35. Based on a June 2019 notional assessment based on a trust audit, the Receiver understands that there may be an amount outstanding of approximately \$9,359 owing by 1012 SK to CRA with respect to unremitted GST.

#### *Provincial Sales Tax*

36. Based on discussions with Saskatchewan Finance, the Receiver understands that there may be an amount owing by 1012 SK with respect to unremitted provincial sales tax as of the date of receivership of approximately \$51,353.

*Property taxes*

37. Based on the Initial Singh Affidavit, the Receiver understands that as of the date of the Receivership Order, 1012 SK had approximately \$406,657 outstanding as it relates to property taxes, noting the payment of certain property taxes by BDC as a protective disbursement as described above.

*Unsecured creditors*

38. As the books and records of 1012 SK were incomplete, the Receiver was unable to obtain a comprehensive listing of its creditors. Therefore, for purposes of notifying creditors of the Receivership, the Receiver listed known and estimated creditors based on information from certain of the incomplete books and records, a review of certain public information and discussions with Management.

**BOOKS AND RECORDS**

39. The Receiver has had numerous discussions and correspondence with Ms. Kuldeep Mann and her previous two external accountants with respect to obtaining the books and records of the Companies, which in the Receiver's view were incomplete as of the date of the Receivership Order.
40. The Receiver has completed its initial review of the available books and records and has discussed the outcome of such review with BDC in its role as first ranking secured creditor and provider of estate funding, noting certain related party transactions which appear to require further investigation and potentially attempting to reverse, both of which would be aided by the powers of a Licensed Insolvency Trustee pursuant to a bankruptcy of 1119 AB.
41. A brief summary of certain of these transactions include the following:
- (a) An apparent transfer of certain lands with the transfer registered on August 30, 2017 by 1119 AB to 1058 AB with a declared value per transfer documents of approximately \$620,000, following which Ms. Kuldeep Mann registered caveats against the such lands in the amount of \$620,000.
  - (b) An apparent transfer of a BMW from 1119 AB to Kamaljit Mann on October 26, 2018 for proceeds of \$25,000 pursuant a purchase and sale agreement which noted that payment of the \$25,000 purchase price was purportedly paid by Kuldeep Mann by way of a shareholder loan.

## ACTIVITIES OF THE RECEIVER

42. Subsequent to the granting of the Receivership Order, the Receiver has, *inter alia*:
- (a) Attended to the QI Yorkton and the Westwood Inn to meet with employees and contractors, tour the properties and to complete other procedures with respect to obtaining custody and control of the properties;
  - (b) Entered into new contractor agreements with individuals providing services to the Westwood Inn;
  - (c) Completed statutory notifications to known and identified potential creditors pursuant to Section 245(1) and 246(1) of the *Bankruptcy and Insolvency Act*;
  - (d) Contacted CRA to set up new GST and payroll accounts and to request and facilitate trust exams as it relates to potential unpaid employer source deductions and GST;
  - (e) Reviewed the adequacy of insurance coverage, advised the insurer of the Receivership and arranged for continued coverage in the Receiver's name, including the involvement of the Receiver's counsel who was required to ensure compliance with the continuity of services provision of the Receivership Order when the insurer purported to attempt to cancel coverage;
  - (f) Corresponded with Choice to advise of its appointment and request reinstated access to required services under the franchise agreement; as well as various discussions to assist current management in addressing potential operational improvements and attempting to maintain Choice standards, within the parameters of the Receivership Order and available finances and as more fully discussed below;
  - (g) Liaised with Point of Sale processing providers to have the ongoing automated receipts deposited directly into the Receiver's bank accounts;
  - (h) Administered the accounts payable, payroll, accounts receivable and banking functions on behalf of the Companies;
  - (i) Liaised with current employees and contractors to respond to maintenance requirements and other operational activities on an as required basis;

- (j) Administered a request for proposal process, seeking listing proposals from four realtors to select a listing agent to market the QI Yorkton and the Westwood Inn, ultimately selecting Colliers;
- (k) Worked with Colliers to facilitate the marketing and sales process for each of the QI Yorkton and Westwood Inn as more fully described in the Confidential Supplement to the First Report;
- (l) Sought and reviewed the books and records as discussed herein for the existence of additional material realizable assets and to assist Colliers in populating a data room in order to facilitate a sales process;
- (m) Continued to work with the Union;
- (n) Provided updates to stakeholders as required; and
- (o) Attended to various other administrative matters as it pertains to the Receivership.

#### **DISCUSSIONS WITH CHOICE**

- 43. Immediately upon its arrival at the QI Yorkton, representatives of the Receiver were advised that given the quantum of arrears with Choice, that Choice had terminated certain, services formerly provided under the terms of the Franchise Agreement, including access to the hotel's online booking system.
- 44. In correspondence with Choice, the Receiver understands that Choice suspended services on November 28, 2019 due to extensive arrears and non-responsiveness from Management. We note that this material impediment to operations was not identified to the Court in the submissions filed with this court in opposition to the receivership application, in particular in the Mann Affidavit.
- 45. Upon discussions with the Receiver upon its appointment and a review of the Receivership Order, Choice reinstated full services to the QI Yorkton and has continued to be co-operative throughout these proceedings.

#### **DISCUSSIONS WITH THE UNION**

- 46. As noted above, the employees of 1012 SK are members of the Saskatchewan Joint Board, Retail, Wholesale and Department Store Union.

47. The Receiver has held numerous discussions with the Union and determined that the collective bargaining agreement (the “CBA”) as between 1012 SK and the Union expired on August 31, 2018.
48. Subsequent to the expiry of the CBA, 1012 SK and the Union entered into a Memorandum of Understanding (the “MOU”) that effectively renewed the CBA subject to certain amendments.
49. The MOU is to be effective from the 1<sup>st</sup> day of September, 2018 and is to remain in force until the 31<sup>st</sup> day of August, 2019 and thereafter from year to year, but subject to either party, giving notice to the other party to terminate the MOU or to negotiate a revision thereof with such notice to be provided not less than sixty (60) days or more than one hundred and twenty (120) days before the expiry.
50. While the MOU is signed by the Union, the Receiver notes that it is not signed by a representative of 1012 SK. In correspondence and discussions with Mr. Harry Mann (the former General Manager of the QI Yorkton, and Ms. Kuldeep Mann’s son), he has acknowledged that he agreed to all the terms of the MOU, but was unavailable to sign a copy.
51. The Receiver further notes that the Union has provided notice to the Receiver of its intentions to amend the MOU and the Receiver has had cursory discussions with respect to the Union with respect to potential changes anticipated to be sought by the Union, together with the impact of such potential changes on the Receiver’s marketing process for a sale of the property.
52. Following consultation with its legal counsel, the Receiver has not sought to amend any of the agreements with the Union and has been continuing to operate under the terms of such agreement, solely in its capacity as Receiver of 1012 SK and not in its personal or corporate capacity.
53. As of the date of this First Report, the Receiver advises that no material issues have arisen with respect to the Union.

#### **PROPERTY TAXES**

54. The Initial Singh Affidavit notes that the QI Yorkton was in arrears with respect to property taxes in the approximate amount of approximately \$406,656.

55. As described in the Initial Mann Affidavit, in 2018, the City of Yorkton had assessed the QI Yorkton at \$7.56 million for property tax purposes, which Ms. Kuldeep Mann notes was a decreased value from an original assessed value of approximately \$8.5 million.
56. As at the date of Receivership, a further property tax appeal was outstanding, for which the Receiver continued to engage the City of Yorkton with respect to updates.
57. On January 10, 2019, the Receiver was notified of the City of Yorkton's Board of Revision's decision which ultimately reduced the outstanding property tax balance as of January 10, 2019 to approximately \$308,000 based on a revised assessed value of approximately \$3,700,200.
58. However, on April 3, 2019, the Receiver received a further notice from the City of Yorkton advising that based on a revised assessment methodology, that the assessed value of the QI Yorkton was increased to approximately \$6,715,900.
59. As a result, the Receiver again appealed the property tax assessment and on approximately June 4, 2019, the Receiver was advised that the City of Yorkton had issued a by-law reducing the 2019 taxes by approximately \$81,846 which effectively produced a 2019 tax value which approximately equates to the 2018 value as revised by the Board of Revision.

#### **REQUEST FOR LISTING PROPOSAL AND LIST PRICE PROCESS**

60. In selecting a realtor to act as listing agent, the Receiver sought proposals from three listing agents for the Westwood Inn, two national firms with hotel brokerage divisions and one local agent for each of the Westwood Inn and QI Yorkton understood to be experienced with respect to such assets. The Receiver ultimately only received proposals from the two national firms, with the comments received from the proposed listing agents with respect to potential value of the Westwood Inn disclosed to the Court through the Receiver's Confidential Supplement to the First Report.
61. Following its discussion with BDC of the results of the request for listing proposal and list price process, the Receiver ultimately entered into a listing agreement with Colliers with pricing guidance for the Westwood Inn of \$1.5 million and \$3.5 million for the QI Yorkton.

## DESCRIPTION OF THE SALES PROCESS

62. Following the Receiver's execution of a listing agreement, Colliers has advised that it took the following steps with respect to marketing the Westwood Inn and the QI Yorkton:
- (a) Prepared and circulated an investment profile to approximately 885 individuals, targeting private Canadian and U.S. Hotel investors, investment companies, high-net-worth families, opportunity funds and Hotel REIT's active in the hospitality market or specifically seeking a position in Canadian assets, re-circulating the investment profile a second time to re-engage the potential market;
  - (b) Uploaded details pertaining to the Westwood Inn to its website at [www.collierscanada.com](http://www.collierscanada.com) which receives about 300,000 page views a month; and
  - (c) Reached out directly with major hotel owners in Western Canada.
63. In addition, the Receiver included the investment opportunity on its "Assets for Sale" website at <https://relieffromdebt.ca/assets-for-sale>.
64. Further details of the results of the sales process for the Westwood Inn are contained in the Receiver's Confidential Supplement to the First Report as they contain confidential and commercially sensitive information which could have a material effect on any subsequent transaction for the Westwood Inn in the event that the Ghuman PSA does not close
65. As the sales process as it pertains to the QI Yorkton is ongoing, the Receiver is not providing an update with such process at this time. The Receiver anticipates providing the Court with a comprehensive update when it is in a position to put forth a recommended purchase and sale agreement for approval for a sale of the QI Yorkton.

## GHUMAN PSA

66. As a result of the sales process implemented by Colliers as outlined above, the Receiver entered into the Ghuman PSA, conditional on the approval of this Honourable Court, with, *inter alia*, the following material terms:
- (a) Purchased Assets include, *inter alia*, the Receiver's right, title and interest in the following:
    - i. Lands legally described as (the "Lands"):  
PLAN 0720020  
BLOCK 151  
LOT 8  
EXCEPTING THEREOUT ALL MINES AND MINERALS

- ii. Buildings, fixtures and improvements, including specifically the hotel located on the Lands (the “Improvements”).

(b) Purchasers conditions:

- i. The Purchaser shall have one (1) day from execution of the Ghuman PSA to satisfy itself with its investigations of the Lands.

The Receiver advises that the Purchaser sought and received from the Receiver an extension of the time period to waive the above condition and that such condition was formally waived on July 19, 2019.

(c) Mutual conditions

- i. The Receiver shall have obtained court approval by way of an Approval and Vesting Order from the Court within 45 days after the Purchaser’s Conditions are waived;

(d) Purchase price – [Redacted but will be provided to the Court through the Confidential Supplement to the First Report].

(e) Representations and warranties

- i. The Vendor makes no representations or warranties with respect to:
  - 1. The environmental fitness of the Lands;
  - 2. The quality, condition or serviceability of the Lands;
  - 3. The suitability of the Land's use for any purposes.

It is expressly acknowledged by the Purchaser that it is purchasing the Lands on an “as is, where is” basis.

(f) Deposits:

- i. \$50,000 concurrent with execution of the Ghuman PSA; and
- ii. A further \$50,000 upon waiver of the purchaser’s conditions as above.

The Receiver advises that it is currently holding the aggregate of \$100,000 in deposits as contemplated above.

(g) Closing Date: Five days after satisfaction or waiver of all conditions, or such other date as is satisfactory to both the Vendor and the Purchaser, as confirmed in writing.

67. The Receiver has been in frequent contact with BDC as the first ranking secured creditor and financier of the Receiver's Borrowings during the course of these proceedings. The Receiver understands that notwithstanding the deficiency BDC is forecast to incur, BDC is supportive of the sale as contemplated in the Ghuman PSA.
68. In consultation with BDC, the Receiver's expectations of value resulting from both discussions with Colliers and for reasons more fully set out in its Confidential Supplement to the First Report, the Receiver is of the opinion that the Ghuman PSA is commercially reasonable and offers the best recoveries to 1119 AB's creditors in the circumstances.

#### **SEALING ORDER APPLICATION**

69. In order to protect the integrity of any reinstated sales process in the event that the transaction contemplated by the Ghuman PSA does not close, the Receiver is requesting that this Honourable Court grant an order sealing the Confidential Supplement to the First Report for a period of three months from the closing of the transaction contemplated by the Ghuman PSA as the Confidential Supplement to the First Report contains sensitive commercial information on the Receiver's ultimate expectation of value which in the Receiver's view may seriously prejudice any subsequently reinstated sales process in the event that such reinstated sales process is necessary.
70. Counsel to the Receiver has completed and submitted a Notice to Media of Application to Restrict Access with respect to the Sealing Order being sought.

#### **STATEMENT OF RECEIPTS AND DISBURSEMENTS**

##### **1119 AB**

71. The Receiver has attached an interim statement of receipts and disbursements for 1119 AB (the "1119 AB Interim SRD") for the period December 5, 2018 to July 25, 2019 as Appendix B to this First Report.
72. The 1119 AB Interim SRD illustrates that the Receiver is holding approximately \$49,089 in net cash on hand as of July 25, 2019 (the "1119 Net Cash Balance"). The Receiver notes that the Net Cash Balance reflects operations on a cash basis, excluding accruals for ongoing receipts and disbursements which have been incurred but not paid.

1012 SK

73. The Receiver has attached an interim statement of receipts and disbursements for 1012 SK (the “1012 SK Interim SRD”) for the period December 5, 2018 to July 25, 2019 as Appendix C to this First Report.
74. The 1012 SK Interim SRD illustrates that the Receiver is holding approximately \$104,070 in net cash on hand as of July 25, 2019 (the “1012 Net Cash Balance”). The Receiver notes that the Net Cash Balance reflects operations on a cash basis, excluding accruals for ongoing receipts and disbursements which have been incurred but not paid.

**PROFESSIONAL FEES**

75. Subsequent to the initial billings of its counsel for December, 2019 which were allocated as between time incurred on 1119 AB versus that incurred on 1012 SK matters, the Receiver and its counsel have been effectively managing the receivership of the Companies as two separate mandates, with separate charge codes created by the Receiver and its counsel for each entity. For the minimal amount of time not distinguishable as unique to one entity, it has been allocated evenly as between 1119 AB and 1012 SK.

1119 AB

76. Details of the Receiver and its counsel’s professional fees and disbursements related to the administration of the estate of 1119 AB which have been paid to the date of this First Report are as follows, noting that the Receiver has been paid for services up to May 31, 2019 whereas its counsel has been paid for services up to June 30, 2019:

***Hardie & Kelly Inc.***

<i>Invoice</i>	<i>Period</i>	<i>Amount</i>	<i>GST</i>	<i>Total</i>
Mar 26/19b	to February 28/19	35,840	1,792	37,632
Jul 3/19b	to May 31/19	21,038	1,052	22,089
	<b>Total</b>	<b>56,878</b>	<b>2,844</b>	<b>59,721</b>

***MLT Aikins LLP***

<i>Invoice</i>	<i>Period</i>	<i>Amount</i>	<i>GST</i>	<i>Total</i>
6003619	to December 18/18	1,977	99	2,076
6008750	to December 31/18			
6020328	to Jan 31/19	976	49	1,024
6026257	to February 28/19	6,903	337	7,239
6034575	to March 31/19	3,105	150	3,255
6038389	to April 30/19	2,145	107	2,252
6053422	to June 30/19	3,961	198	4,159
	<b>Total</b>	<b>19,066</b>	<b>940</b>	<b>20,005</b>

1012 SK

77. Details of the Receiver and its counsel's professional fees and disbursements related to the administration of the estate of 1012 SK which have been paid to the date of this First Report are as follows, noting that the Receiver has been paid for services up to May 31, 2019 whereas its counsel has been paid for services up to June 30, 2019:

***Hardie & Kelly Inc.***

<i>Invoice</i>	<i>Period</i>	<i>Amount</i>	<i>GST</i>	<i>Total</i>
Mar 26/19a	to February 28/19	47,720	2,386	50,106
Jul 3/19a	to May 31/19	41,950	2,098	44,048
	<b>Total</b>	<b>89,670</b>	<b>4,484</b>	<b>94,154</b>

***MLT Aikins LLP***

<i>Invoice</i>	<i>Period</i>	<i>Amount</i>	<i>GST</i>	<i>Total</i>
6003619	to December 18/18	11,460	573	12,033
6008750	to December 31/18			
6027121	to February 28/19	2,367	113	2,481
6053426	to June 30/19	2,491	119	2,610
	<b>Total</b>	<b>16,319</b>	<b>805</b>	<b>17,124</b>

78. The Receiver notes that MLT Aikins LLP Invoices 6003619 and 6008750 have been allocated by the Receiver as between 1119 AB and 1012 SK.
79. It is the Receiver's position that its counsel's services have been duly authorized and rendered and that the charges are in the Receiver's opinion fair and reasonable in the circumstances. Copies of the foregoing described invoices of the Receiver and its legal counsel will be available for viewing by the Court at the hearing scheduled on Thursday, August 8, 2019 should the Court desire to review them.

**BANKRUPTCY APPLICATION**

80. As noted above, based on the Receiver's initial review of the books and records of the Company, certain transactions were identified which may appear to be preferential in nature or potential transactions at under value based on various statutes.

81. As a result, the Receiver understands that BDC intends on making an application before this Court to adjudge 1119 AB bankrupt.
82. Hardie & Kelly Inc. has consented to act as Licensed Trustee in bankruptcy of 1119 AB in the event that BDC makes such an application and the Court grants such relief.
83. As noted above, Hardie & Kelly Inc. has obtained an independent legal opinion as to the validity and enforceability of the BDC security as against any subsequently appointed Licensed Insolvency Trustee and has also entered into a separate fee arrangement with BDC with respect to a guarantee of its fees and disbursements when acting in the bankruptcy in accordance with section 13(4) of the *Bankruptcy and Insolvency Act*.

### **RECOMMENDATIONS**

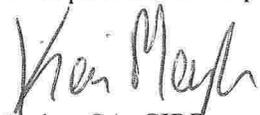
84. The Receiver respectfully recommends that this Honourable Court:
  - (a) Approve the sale of the Westwood Inn substantially in the form of that contemplated by the Ghuman PSA;
  - (b) Approve the activities of the Receiver as described in the Receiver's First Report and the Confidential Supplement to the First Report;
  - (c) Approve the professional fees and disbursements of the Receiver and its counsel paid to date; and
  - (d) Direct that the Confidential Supplement to the First Report be ordered sealed for a period of three months from the date of the closing of the sale contemplated by the Ghuman PSA.

All of which is respectfully submitted this 29 day of July, 2019.

#### **Hardie & Kelly Inc.**

In its capacity as Receiver of 1119658 Alberta Ltd. and 101285461 Saskatchewan Ltd. and not in its personal or corporate capacity.

Per:

  
Kevin Meyler, CA•CIRP  
Senior Vice President

# APPENDIX A

# Government Corporation/Non-Profit Search of Alberta ■ Corporate Registration System

Date of Search: 2019/01/07  
Time of Search: 05:15 PM  
Search provided by: HARDIE & KELLY INC.

Service Request Number: 30253578  
Customer Reference Number: Westwood Inn

**Corporate Access Number:** 2010582050  
**Legal Entity Name:** 1058205 ALBERTA LTD.

**Legal Entity Status:** Active  
**Alberta Corporation Type:** Numbered Alberta Corporation  
**Registration Date:** 2003/07/23 YYYY/MM/DD

## Registered Office:

**Street:** 155-52304 RANGE ROAD 233  
**City:** SHERWOOD PARK  
**Province:** ALBERTA  
**Postal Code:** T8A 3X2

## Records Address:

**Street:** 155-52304 RANGE ROAD 233  
**City:** SHERWOOD PARK  
**Province:** ALBERTA  
**Postal Code:** T8A 3X2

## Mailing Address:

**Post Office Box:** PO BOX 79202  
**City:** SHERWOOD PARK  
**Province:** ALBERTA  
**Postal Code:** T8A 5S3

## Directors:

**Last Name:** MAAN  
**First Name:** KAMALJIT

**Street/Box Number:** PO BOX 79202  
**City:** SHERWOOD PARK  
**Province:** ALBERTA  
**Postal Code:** T8A 5S3

**Voting Shareholders:**

**Last Name:** MAAN  
**First Name:** KAMALJIT  
**Street:** PO BOX 79202  
**City:** SHERWOOD PARK  
**Province:** ALBERTA  
**Postal Code:** T8A 5S3  
**Percent Of Voting Shares:** 100

**Details From Current Articles:**

The information in this legal entity table supersedes equivalent electronic attachments

**Share Structure:** SEE SCHEDULE "A" ATTACHED.

**Share Transfers Restrictions:** NO SHARES OF THE CORPORATION MAY BE TRANSFERRED WITHOUT THE CONSENT OF THE BOARD OF DIRECTORS OF THE CORPORATION AT A DULY AGREED MEETING.

**Min Number Of Directors:** 1

**Max Number Of Directors:** 7

**Business Restricted To:** NONE

**Business Restricted From:** NONE

**Other Provisions:** NONE

**Associated Registrations under the Partnership Act:**

Trade Partner Name	Registration Number
LUCKY HOMES	TN13022819

**Other Information:****Last Annual Return Filed:**

File Year	Date Filed (YYYY/MM/DD)
2018	2018/06/21

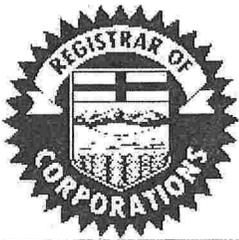
**Filing History:**

List Date (YYYY/MM/DD)	Type of Filing
2003/07/23	Incorporate Alberta Corporation
2004/07/12	Change Director / Shareholder
2018/06/21	Enter Annual Returns for Alberta and Extra-Provincial Corp.

**Attachments:**

Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
Share Structure	ELECTRONIC	2003/07/23

This is to certify that, as of this date, the above information is an accurate reproduction of data contained within the official records of the Corporate Registry.



# APPENDIX B

**1119658 Alberta Ltd. (o/a Westwood Inn)**  
**Interim Statement of Receipts and Disbursements ("ISRDR")**  
**For the period December 5, 2018 to July 25, 2019**

	<u>\$ CAD</u>
<b>Cash Receipts:</b>	
Room revenues	\$ 289,648
Funding from secured creditor	60,000
Other receipts	30
Total receipts	<u>349,678</u>
 <b>Cash Disbursements:</b>	
Repairs and maintenance	\$ 61,527
Receiver's fees and disbursements	56,878
Wages and benefits	43,613
Utilities	40,666
Property taxes	30,545
Legal fees	19,066
GST	13,496
Insurance	11,968
Office expenses	9,045
Hotel tax	7,698
Advertising and promotion	5,197
Bank charges and interest	790
Licences and dues	100
Total disbursements	<u>300,589</u>
<b>Net cash receipts / (disbursements)</b>	<u><u>\$ 49,089</u></u>

Note:

Revenues recorded are inclusive of the collection of hotel taxes.

# APPENDIX C

**101285461 Saskatchewan Ltd. (o/a Quality Inn & Suites - Yorkton)**  
**Interim Statement of Receipts and Disbursements ("ISRD")**  
**For the period December 5, 2018 to July 25, 2019**

	<u>\$ CAD</u>
<b>Cash Receipts:</b>	
Room revenues	\$ 776,881
Receiver Borrowings	200,000
Other receipts	43
Total receipts	<u>976,923</u>
<b>Cash Disbursements:</b>	
Direct wages	\$ 360,731
Receiver's fees and disbursements	89,670
Utilities	77,604
Comp meals	66,843
Royalty fees	61,562
Repairs and maintenance	53,438
Net GST	29,985
PST	27,943
Legal fees	16,319
Commissions	17,863
Supplies	13,649
Telephone and cable	13,187
Insurance	12,653
Contingency	11,156
Employee benefits	10,501
Advertising and promotion	3,303
Outside consulting	2,919
Office expenses	1,290
Rental	1,273
Workers Compensation	468
Business licences, taxes	400
Interest and bank charges	95
Total disbursements	<u>872,854</u>
<b>Net cash receipts / (disbursements)</b>	<u><u>\$ 104,070</u></u>