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JUDICIAL CENTRE
OF CALGARY

COURT FILE NUMBER	1801-17912
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANT	**ATB FINANCIAL (FORMERLY ALBERTA TREASURY BRANCHES)**
RESPONDENTS	HUGHSON TRUCKING INC., LEROY CHRISTIAN HUGHSON, DARREN JAMES HUGHSON, AND JUSTIN LEE HUGHSON
DOCUMENT	**FIRST REPORT OF THE RECEIVER** **February 28, 2019**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**<u>RECEIVER</u>** ERNST & YOUNG INC. Calgary City Centre 2200, 215 - 2nd Street SW Calgary, Alberta T2P 1M4 Attention: Peter Chisholm Telephone: (403) 206-5061 Fax: (403) 206-5075 Email: peter.chisholm@ca.ey.com **<u>COUNSEL</u>** McCarthy Tétrault LLP Suite 4000, 421 7th Avenue SW Calgary, Alberta T2P 4K9 Attn: Walker MacLeod Pantelis Kyriakakis Telephone: (403) 260-3710 (403) 260-3536 Email: wmacleod@mccarthy.ca pkyriakakis@mccarthy.ca

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INTRODUCTION

1. Ernst & Young Inc. ("**EYI**") was appointed Receiver (the "**Receiver**") of the property, assets and undertakings (the "**Property**") of Hughson Trucking Inc. ("**HTI**" or the "**Corporation**") pursuant to an Order of this Honorable Court (the "**Receivership Order**") dated December 19, 2018 (the "**Receivership Date**").

2. The Receivership Order authorized the Receiver, among other things, to carry on the business of HTI, to sell, convey, transfer, lease, or assign the Property out of the normal course of business, subject to approval by this Honorable Court for any transactions exceeding $200,000, or the aggregate of multiple transactions exceeding $1,000,000, and to make such arrangements or agreements as deemed necessary by the Receiver.

3. The purpose of this first report of the Receiver (the "**First Report**") is to provide this Honorable Court with the Receiver's comments with respect to:

   a) Activities of the Receiver since the Receivership Date including a statement of receipts and disbursements of the Receiver from the Receivership Date to February 25, 2019;

   b) The Receiver's efforts to realize on the machinery and equipment of HTI, including the approval of an agreement to retain Century Services Corp. ("**Century Services**") to auction the equipment and machinery of HTI;

   c) The request of the Receiver to issue an interim distribution to ATB Financial ("**ATB**"); and

   d) The recommendations of the Receiver.

BACKGROUND

4. HTI is a corporation incorporated pursuant to the laws of the Province of Alberta which operated out of Milk River, Alberta and Sexsmith, Alberta in the business of grain hauling services, and oilfield service and frac sand transportation services.

5. Due to a decline in its business, HTI undertook a sales process during 2018 to identify a transaction to sell its business. As a result of the sales process, on December 4, 2018, HTI and Tri-Line Carriers LP ("**Tri-Line**") executed an asset purchase agreement ("**APA**") pursuant to which Tri-Line acquired a substantial portion of the property owned or leased

by HTI (the "**TCL Transaction**"). Amounts payable to the lessors in connection with the leased property acquired in the TCL Transaction have been paid and settled by Tri-Line pursuant to the APA.

6. The TCL Transaction did not provide HTI with sufficient sale proceeds to settle its debts as they became due or continue to operate its business. HTI dismissed the majority of its employees and effectively ceased its ongoing operations on December 7, 2018.

7. As at the Receivership Date, the aggregate of all indebtedness owed by HTI to ATB, the primary secured creditor of HTI, totaled approximately $5.53 million.

8. ATB applied to this Honourable Court for an order appointing EYI as receiver and manager, to exercise the powers and duties pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 and section 13(2) of the *Judicature Act*, R.S.A. 2000 c. J-2, of all the current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "**Property**") of HTI.

9. EYI was appointed as Receiver of the Property of HTI pursuant to the Receivership Order.

10. On January 29, 2019, (the "**Bankruptcy Date**"), HTI was adjudged bankrupt pursuant to an Order of this Honorable Court (the "**Bankruptcy Order**") and EYI was appointed as the trustee (the "**Trustee**") in the bankruptcy of HTI. At the meeting of creditors held on February 19, 2019, the appointment of EYI as Trustee of Hughson was affirmed.

11. Additional background on HTI is available on the Receiver's website www.ey.com/ca/hughson.

TERMS OF REFERENCE AND DISCLAIMER

12. In preparing this First Report, the Receiver has relied upon unaudited financial information, HTI records and discussions with management of HTI. The Receiver has not performed an audit, review or other verification of such information.

13. Capitated terms not defined in this First Report are as defined in the Receivership Order and Bankruptcy Order.

14. All reference to dollars are in Canadian currency unless otherwise noted.

ACTIVITIES OF THE RECEIVER

15. The various steps the Receiver has taken to-date to affect custody and control of HTI are set out as follows:

    a) Attendance at HTI's facilities in Milk River, Alberta and Sexsmith, Alberta (collectively, the "**Hughson Facilities**") for the purposes of taking possession, including taking inventory of equipment and confirming that equipment is secure;

    b) Confirming existence of insurance and coordinating the named payee under HTI's insurance policy being changed to the Receiver;

    c) The Receiver has negotiated a month-to-month lease at the Sexsmith facility;

    d) The Receiver has contacted all leasing companies and obtained their lease agreements and buy-out values. The Receiver's legal counsel has reviewed the validity and priority of the underlying leases;

    e) Ernst & Young LLP's internal capital equipment valuation department ("**EY VBM**") has completed a desktop analysis of HTI's equipment to support the Receiver evaluating whether the leases contain equity;

    f) The Receiver is assisting the approximately 120 employees terminated prior to the Receivership Date with completion of claims under the *Wage Earner Protection Program Act* ("**WEPPA**");

    g) The Receiver retained HTI's Bookkeeper for the purposes of completing records of employment, T4s and compiling documentation to support accounts receivable collections;

    h) The Receiver, with the assistance of HTI's former CFO, has updated HTI's books and records in order to support the collection of accounts receivables, determine HTI's GST position as at the Receivership Date and compiling information required for employees to complete WEPPA claims;

i) The Receiver has retained certain employees to provide site security, refurbishing transportation equipment for auction and assisting with auctioneers' tours of the equipment and inventory for the purpose of submitting auction proposals;

j) The Receiver issued notice of the receivership to the known creditors of HTI in accordance with subsections 245(1) and 246(1) of the *Bankruptcy and Insolvency Act*;

k) The Receiver sent requests for proposal to fourteen auction firms and other interested parties requesting proposals to auction equipment, inventory and rolling stock goods that are owned, leased or financed by HTI; and

l) The Receiver solicited proposals to sell HTI's properties in Milk River, Alberta from eight reputable real estate agents and set March 1, 2019 as the deadline to submit a proposal;

Statement of Receipts and Disbursements

16. The following is a summary of the receipts and disbursements that have occurred since the Receivership Date up to February 25, 2019 (the "**Reporting Period**").

HTI				Table 1.0
Statement of Receipts and Disbursements				
December 19, 2018 to February 25, 2019				
CAD $, unaudited				
	Notes			
Opening cash balance			-	A
Receipts				
Net TCL sales proceeds	a		2,839	
Accounts receivable	b		74	
Other receipts	c		48	
Total receipts			**2,962**	B
Disbursements				
Source deductions	d		(1,391)	
Rent and insurance	e		(121)	
Salaries and wages	f		(78)	
Other disbursements	g		(29)	
Professional fees	h		(8)	
Total disbursements			**(1,626)**	C
Cash on hand (A + B + C)			**1,335**	

17. Notes to the Receiver's Statement of Receipts and Disbursements are as follows:

a) Residual sale proceeds from the TCL Transaction transferred from ATB's counsel to the Receiver since the Receivership Date;

b) Subsequent to issuing the accounts receivable collections notices in early February, the Receiver has collected approximately $74,182 of approximately $820,000 of accounts receivable (book value) per HTI's financial records.

c) Other receipts are comprised, among other things, of insurance proceeds and miscellaneous refunds;

d) Source deductions of approximately $1.39 million were paid to the Receiver General over the Reporting Period;

e) Rent and insurance costs of approximately $121,000 were paid over the Reporting Period;

f) Salaries and wages paid to employees of HTI to inventory the equipment of Hughson and assist with the proposed auction and provide accounting-related services;

g) Other disbursements are comprised of utilities, insurance reimbursements, bank charges, computer services, and repairs and maintenance costs; and

h) Approximately $7,834 in professional fees were paid over the Reporting Period.

Tri-Line Carriers LP Transaction

18. The Receiver has received $2.8 million of proceeds from the TCL Transaction which were held in trust with ATB's counsel as at the Receivership Date.

19. On December 19, 2018, the Canada Revenue Agency ("**CRA**") issued enhanced requirements to pay (the "**ERTPs**") to HTI's legal counsel and ATB's legal counsel claiming unremitted GST owed by HTI as at the Receivership Date in the aggregate amount of $271,179 (collectively, the "**Tri-Line Proceeds**"). HTI's legal counsel settled the ERTPs with proceeds it was holding from the TCL Transaction.

20. Post-settlement of the ERTPs, HTI's counsel is continuing to hold approximately $420,000 of proceeds from the TCL Transaction representing a holdback pursuant to the APA and GST arising from the TCL Transaction.

The Receiver is coordinating with Tri-Line and HTI's counsel to have the holdback and residual funds from the TCL Transaction released to the Receiver, subject to agreed upon adjustments per the APA.

21. The Receiver believes the consideration in the TCL Transaction was commercially fair and reasonable, and in the best interest of HTI's creditors and other stakeholders.

SOURCE DEDUCTION CLAIM

22. The CRA completed a trust examination of Hughson's books and records prior to the Receivership Date and issued a letter to the Receiver dated January 2, 2019 asserting a deemed trust claim for unremitted source deductions of $1.39 million.

23. The Receiver performed a review of Hughson's books and records and determined that the deemed trust claim asserted by the CRA was valid. On February 25, 2019, the Receiver settled the deemed trust claim of $1.39 million.

INTERIM DISTRIBUTION

24. The Receiver has obtained an independent review from its legal counsel indicating that, subject to the customary assumptions and qualifications, the security granted by HTI to ATB constitutes a valid and enforceable first charge security over all present and after acquired assets and undertakings of HTI. As of the Receivership Date, HTI owed ATB approximately $5.53 million (the "**ATB Indebtedness**") excluding interest and professional fees accruing during the Receivership Period.

25. The Receiver is proposing to make an interim distribution (the "**Interim Distribution**") to ATB of $1.0 million from the Tri-Line Proceeds. The Interim Distribution will provide a sufficient reserve to fund the remaining administration of the Receivership.

26. The Receiver is further seeking the authority of this Honourable Court to make such future distributions to satisfy the ATB Indebtedness, subject to holding necessary reserves to complete the administration of the receivership.

AUCTION AGREEMENT

Auction Assets

27. The Receiver completed an inventory of the vehicles, trailers and ancillary assets on site at the HTI Facilities. With the assistance of former employees of HTI, who have significant knowledge of and experience with the assets, the Receiver prepared a listing of the assets owned by HTI.

28. The Receiver identified that the Property of HTI as at the Receivership Date included approximately 147 vehicles, trailers and other pieces of equipment leased from financing companies.

29. The Receiver, with the assistance of EY VBM, undertook an analysis of each individual leased piece of equipment to determine whether or not the piece of equipment has equity value to the receivership estate. A desktop analysis was performed by EY VBM to assist with this analysis (the "**Desktop Analysis**").

30. Concurrently, EYI's counsel, McCarthy Tétrault LLP ("**McCarthy Tétrault**"), conducted a legal analysis on each individual leased piece of equipment to assess:

a) The nature of the lease agreement (true lease vs security lease); and

b) The priority of lessors, lenders and lien holders, based on PPR registrations.

31. Any leases the Receiver determined to have no equity to the receivership estate, which were not to form part of the auction, were to be returned to the applicable lessor. Any leases the Receiver determined to have equity to the receivership estate, were to be included in the auction process so that the Receiver could realize on the equity value of the equipment, for the benefit of HTI's creditors.

32. The Receiver's estimate of equity values in the various pieces of leased equipment that the Receiver determined to have equity to the receivership estate based upon the Desktop Analysis are summarized in Confidential Appendix "A" to this First Report.

33. The Receiver's goal in the above-described process was to maximize value for the creditors of HTI by:

a) Returning leased equipment with no equity where there was no realizable value for the receivership estate; and

b) Realizing upon all pieces of equipment where there is equity value to be recovered by the Receiver for creditors.

34. For leases that were determined to have equity based upon the Desktop Analysis, the Receiver or McCarthy Tétrault has advised the lessor of the Receiver's intention to include the equipment in the auction and the application being brought to approve the Auction Agreement.

AUTHORITY TO SELL

35. The Receiver is seeking a declaration that the Receiver is authorized to sell, convey, or transfer all of the goods proposed to be sold in the Auction Agreement (the "**Auction Assets**"), which goods are comprised of equipment, inventory and rolling stock goods that are owned, leased or financed by HTI (the "**Authority to Sell**").

36. The Receiver does intend to allocate direct costs such as insurance, transportation and/or repairs and maintenance (the "**Direct Costs**") to the Auction Assets. Based upon the Desktop Analysis, sufficient value is forecast to be realized from auctioning the Auction Assets to satisfy both the Direct Costs and buy-out value owed to lessors. The Receiver will not be allocating indirect costs such as professional fees to the lessors.

37. While the Receiver believes that there may be equity in the Auction Assets, the Receiver specifically notes that the Auction Assets values, per the Desktop Analysis, only represent an estimate and, as such, actual realization and recoveries realized through any auction or sale will likely vary from those contained in the Desktop Analysis and that such variations may be material.

38. Leased goods that the Receiver does not intend to sell will be returned to the lessors, without any charge.

Auction Proposals

39. The Receiver sent requests for proposal to fourteen auction firms and other interested parties requesting proposals to auction the Auction Assets based upon a net minimum guarantee (the "**NMG**") being paid to the Receiver.

40. Seven auction companies attended the HTI Facilities during the week of February 13, 2019 and performed physical inspections of the Auction Assets. Photographs of the Auction Assets were also made available at request.

41. The Receiver received seven auction proposals for the Auction Assets. The details of the auction proposals have been summarized in Confidential Appendix "B" to this First Report.

42. The Receiver has selected the auction proposal of Century Services (the "**Century Proposal**") on the basis that Century Services offered the highest NMG.

43. Based upon the terms of the Century Proposal, the Receiver and Century entered into an auction agreement dated February 28, 2019 (the "**Auction Agreement**"). Key terms of the Auction Agreement include:

   a) Century Services shall pay the Receiver a deposit of 10% of the NMG upon execution of the Auction Agreement;

b) Century Services shall retain a sum above the NMG for its sole and exclusive benefit in consideration for its services (the "**Admin Fee**");

c) Auction proceeds in excess of the NMG and Admin Fee shall be paid 85% to the Receiver and 15% to Century Services;

d) Century Services shall have the right to charge the purchasers of Property a buyer's premium of 10%; and

e) Century Services shall have full access to the sites for a period of 90 days subsequent to the execution of the Auction Agreement to permit the Auctioneer to perform on-site auctions and subsequently arrange pick-ups for sold items.

44. The executed Auction Agreement, which is subject to approval of this Honorable Court, substantially in the same form with commercial terms redacted is attached as Appendix "A" to this First Report. An unredacted version of the Auction Agreement is attached as Confidential Appendix "C" to this First Report.

45. The Receiver is recommending this Honourable Court approve the Auction Agreement on the basis that the Receiver solicited auction proposals from fourteen reputable auctioneers and interested parties, and seven proposals were obtained. The Receiver reviewed the proposals and is of the opinion that the auction terms per the Auction Agreement will result in the highest realization on the assets of HTI.

46. Accordingly, the Receiver is seeking the authority of this Honourable Court to take possession of any of the Auction Assets not currently in HTI's possession so that the Receiver may realize upon such Auction Assets as part of the Auction Agreement.

47. The Receiver has consulted with ATB respecting the Auction Agreement and ATB supports the Receiver's application to have the Auction Agreement approved and implemented.

SEALING ORDER

48. It is the view of the Receiver that the details of the Desktop Analysis, the auction proposals received and the commercial terms in the Auction Agreement constitute

commercially sensitive information which could negatively impact the monetization of the Auction Assets if made public prior to the auction or in the event the Receiver is forced to re-market any of the property subject thereto.

49. The Receiver is of the view that this information should remain confidential until completion of the auction to preserve the integrity of the auction process in the event that the proposed auction does not proceed. Therefore, the Receiver is seeking an Order of this Honourable Court (the "**Sealing Order**") sealing the values of the leased equipment per the Desktop Analysis, the terms of the auction proposals solicited by the Receiver and the Auction Agreement.

RECEIVER'S RECOMMENDATIONS

50. The Receiver respectfully recommends that this Honorable Court approve:

a) The Authority to Sell;

b) The Auction Agreement;

c) The Sealing Order; and

d) The Interim Distribution and authorize the Receiver to make future distributions to satisfy the ATB Indebtedness.

Dated at Calgary, this 28th day of February, 2019.

ERNST & YOUNG INC.
in its capacity as the Receiver of Hughson

Peter Chisholm CA, CPA, CIRP, LIT
Vice President

APPENDIX A

REDACTED AUCTION AGREEMENT

ASSET DISPOSITION PROPOSAL

February 22, 2019

Sent via Email: peter.chisholm@ca.ey.ca
Jose.aldana.herbas@ca.ey.ca

ERNST & YOUNG INC.
Suite 2200, 215-2 Street SW
Calgary, Alberta T2P 1M4

Attention: Peter Chisholm, Vice President
Jose Aldana, Senior, Transaction Advisory Services

RE: HUGHSON TRUCKING INC. — ASSET DISPOSITION PROPOSAL

Dear Sir:

Century Services Corp. ("**Century**") has reviewed certain fixed assets as attached as Schedule "A" hereto (collectively, "**Assets**") of HUGHSON TRUCKING INC. as provided by ERNST & YOUNG INC., in its capacity as the receiver and manager of HUGHSON TRUCKING INC. (the "**Receiver**"). The assets were viewed in Sexsmith, Lethbridge, Milk River in January and February 2019, and Century offers the following disposal proposal summarized here:

PROPOSAL NET MINIMUM GUARANTEE ("NMG") $[redacted]

Any Proceeds realized from the sale of the Assets between:

a) $[redacted] and $[redacted] shall be to the credit of Century; and,

b) in excess of $[redacted] (the "**Sharing Threshold**"), shall be split 85% to the Receiver and 15% to Century.

The Proposal is subject to the following General Limiting Conditions and Critical Assumptions:

1. The Receiver is responsible for the return of the units from Lethbridge and Grande Prairie Davis Mechanics shops to HUGHSON TRUCKING INC.s yards in Milk River and Sexsmith, Alberta.

2. Century is prepared to pay a deposit of 10% of the NMG, to the Receiver prior to auction, if such deposit is requested by the Receiver on the understanding that such deposit will be returnable unless the sales or auctions contemplated herein are not completed, as contemplated herein, as a result of Century committing any default or breach of the terms and conditions set out herein.

3. The nature of the Assets in some cases the combination of Assets to be included in a disposal can have a significant bearing on the overall appeal of a sale to the marketplace. As such, any changes to the Assets to be included in the disposal process could change the marketability of the overall disposal. Therefore, any changes to the asset listing may result in Century requiring adjustments to the Proposal, any such further adjustments or amendments must be subsequently agreed to by both the Century and the Receiver, acting reasonably. If the parties can't agree on any such corresponding adjustments to the NMG, as a result of any subsequent additions or

exclusions to the Assets, the parties hereby covenant and agree that such dispute shall be resolved pursuant to an independent third party appraisal.

4. The Assets are free and clear of all liens and encumbrances, which vesting shall be contemplated as part of the Court Approval (as discussed below).

5. Century will be permitted the use of "HUGHSON TRUCKING INC." and "ERNST & YOUNG INC." in advertising an auction sale related to the Assets. Century will be allowed to advertise the auction sale as a “Receivership Sale”.

6. The Proposal is subject, as a condition precedent, to the approval of the Alberta Court of Queen’s Bench (the “**Court Approval**”) which Court Approval shall also contemplate an Order sealing any court documents containing the financial terms of the Proposal until Century has completed the disposition of all of the Assets, as may be amended.

7. Subject to the Receiver’s ability to disclose this Proposal and all information related hereto to the Court and to all key stakeholders, on a confidential basis, in the event the Proposal is accepted and Court Approval is obtained, the financial terms of the Proposal will be kept confidential by all parties until Century has completed disposition of all of the Assets, as may be amended.

8. Century will have unrestricted, free use of the premises throughout the period to prepare for the auction, the auction itself, and sufficient time following the auction to support load-out. The Receiver will be responsible for all costs associated with this occupancy. Century anticipates its use of the premises shall end on or before April 30, 2019; however, the Receiver will work with Century if adjustments to this deadline are required due to events outside Century's control.

9. Century will be responsible for all rent and related costs and expenses beyond April 30, 2019.

10. Century will have an inspection period prior to the Auction.

11. Century will set-up, detail and catalogue the Assets to be sold by Auction.

12. Century will advertise where applicable an Auction through relevant daily, weekly and trade papers; through exposure on the World Wide Web (including social media); trade related companies; to Century contacts from previous like sales; and through direct telephone solicitation to relevant potential purchasers.

13. **Gross Auction Revenue** is the total of all proceeds of sale of all assets made available to Century for sale associated with this file regardless of whether assets were known to Century at the time of the proposal. Century reserves the right to sell any Assets prior to the auction sale. All such sales shall be included in calculating **Gross Auction Revenue.**

14. Century will operate **Two Timed Online Auction Sales one each for the Milk River location and the Sexsmith location** in April 2019 or other mutually agreed upon date. Century will be responsible for charging, collecting and remitting the GST which it shall do in all cases except where it has been confirmed that an asset or group of assets is GST exempt. In all cases in this proposal, on all amounts, GST where it is applicable, is extra.

15. Century shall continue to carry a $5 million Comprehensive General Liability insurance policy covering personal injury and property damage that may occur during the Auction as described above. The Receiver shall satisfactorily insure the Assets Century is liquidating.

16. Century will be responsible for collection of monies for all sales and will guarantee payment once collected. All sale proceeds shall be deposited and held in a trust account.

The Receiver will not hold Century responsible for funds associated with any auction buyers who fail to complete payment of auction/disposal invoices; which, for clarity, shall not affect the NMG. Century will assist on a best-efforts basis to conclude alternative sales of assets under such circumstances.

17. The Receiver shall be responsible for merchant charges related to funds received from bank card or any other payments where extra charges are applied to the payee's account.

18. Century reserves the right to charge a Buyer's Premium which for this disposal auction shall be up to 10%. Any Buyer's Premium collected will be to the sole account of Century and will not be included in the **Gross Auction Revenue**.

19. Century shall have the right to add any other additional assets, which are not subject to the receivership proceedings of HUGHSON TRUCKING INC., to the sale at their sole discretion. All monetary proceeds associated with the sale of such additions shall be to Century's account alone and shall not be included in any way in **Gross Auction Revenue** for the purposes of this Agreement.

20. Century does not assume responsibility for disposal or proper treatment of any hazardous materials as defined by municipal, provincial or federal legislation.

21. Clean up and garbage disposal costs incurred solely with respect to the Assets of HUGHSON TRUCKING INC. shall be deducted from the Auction proceeds payable to the Receiver.

22. Any costs to detail and repair equipment for Auction shall be agreed upon between Century and the Receiver before work is completed and deducted from Auction proceeds payable to the Receiver.

23. Century reserves the right to abandon any unsold Assets, which abandonment shall in no way affect NMG.

24. Within 21 days of the Auction sale, Century shall provide a full report of all sales of the Assets and corresponding adjustments, together with sale proceeds (which shall, among other proceeds and at a minimum, include the NMG) in the form of a cheque.

25. Century reserves the right to amend the Proposal in the event that between the date of this letter and the date or proposed date of the auction or sale there occurs an event of ***force majeure*** which shall include, but not be limited to, acts of God, riots, civil disturbances, strikes, lock-outs, acts of war, terrorism, insurrection and the like.

Proposal and the specific Limiting Conditions and Critical Assumptions are outlined below:

<u>Proposal (Net Minimum Guarantee) Details</u>

Century offers its services to operate two Timed Online Auctions in April 2019, or other mutually agreed upon date with the **NMG** payable to the Receiver with the following specific conditions (including the General Limiting Conditions and Critical Assumptions outlined above):

1. Century will require an inspection of the assets that were unavailable at time of site visit. In this proposal, these assets are assumed to be in good repair, operating, and in "Average" condition. If this is not the case, Century reserves the right to adjust this Proposal if any deficiencies cannot be corrected prior to the auction.

2. For **Gross Auction Revenue** below the **Sharing Threshold, the Receiver** is guaranteed a payment of the **NMG. Gross Auction Revenue** above the **Sharing Threshold** is shared 85% **to the Receiver** and 15% to Century. Century is entitled to the full difference between the **NMG** and the **Sharing Threshold** to cover selling commissions and all auction expenses. None of this difference is shared with the Receiver

In order to comply with the timetable as outlined, the above offers are open until, Wednesday, February 27, 2019 unless extended by mutual agreement.

We trust the above is to your satisfaction. We are ready to proceed immediately.

Respectfully yours,

CENTURY SERVICES CORP.

Per: ______________________________
James Carlson

ERNST & YOUNG INC.,
in its capacity as Receiver
and not in its personal capacity

Per: ______________________________
Peter Chisholm, Vice President

SALES STRATEGY

Century will setup and operate a two component Asset Disposition Strategy consisting of a Pre-Sales opportunity concurrently with an Online Public Auction Sale. Potential Buyers will have the opportunity to view the Assets either onsite or online, and will be able to submit competing Bids before or during the Auction.

The Pre-Sales opportunity has been shown to attract serious potential Buyers willing to pay top dollars for an Asset, and meanwhile creating an increasingly competitive environment that will benefit the Liquidation and Auction Sale in maximizing overall returns.

SALES MARKETING & ADVERTISING

Century may incorporate any of the following combination of techniques to facilitate an effective and efficient marketing campaign, to maximize exposure, market penetration and reach potential buyers, and to meet budgetary requirements.

- Trade & Industry Related Publications
- Newspapers — Local, Regional, National, and North American wide
- Social Media & Other Online Marketing Techniques & Paid Promotions
- Pay Per Click Keyword Searches on Internet Search Engines
- Email Marketing Campaigns
- Internet Marketing, Web Banners, E-Newsletters
- Website Marketing
- Upcoming Auction Postings & Teasers
- Buy & Sell Listings
- Brokers & Dealers
- Marketing Brochures, Flyers, Post Cards, Handouts, and other printed matter
- Trade Shows & Events
- Targeted Mail, Email, Fax, and Telemarketing
- Addressed and Unaddressed Admail Campaigns
- Press Release, Television and Radio Campaigns
- Past and Present Clients
- Other

SALES PROCESS

The Sales Process will be comprised of the following order:

1) Proposal acceptance
2) Court Approval
3) Planning Stage:
    - Project Management & Budgeting
    - Inspect Premises & Secure Assets
    - Deploy Staff & Resources
    - Preliminary Checks — Inspect Equipment, Equipment Listing, Photos, Documents
    - Clean, Prep, and Service Assets for maximum return
    - Organize The Premises and Organize the Assets
    - Create Marketing Plan & Design Ad Materials

3) Marketing Stage & Pre-Sales:
    - Identify Target Market
    - Implement Marketing and Advertising Campaign
    - Post Asset Descriptions For Online Viewing
    - Respond To Inquiries, and Schedule Viewing Appointments
    - Negotiate Pre-Sales
    - Register Bidders

4) Liquidation & Auction Setup
    - Continue to Prepare Venue for Liquidation & Auction
    - Obtain Cleaner Photos and Descriptions of Assets
    - Prelotting & Cataloging

5) Auction Previewing & Bidder Registrations
6) Auction Day
7) Auction Loadout
8) Final Accounting & Reporting
9) Distribution of Proceeds

SCHEDULE "A" TO THE AUCTION PROPOSAL

Unit	Year	Make	Model	Serial Number
392	2015	International	9900iSFA	3HSDMAPR3FN658418
393	2015	International	9900iSFA	3HSDMAPR5FN658419
394	2015	International	9900iSFA	3HSDMAPR1FN658420
395	2015	International	9900iSFA	3HSDMAPR3FN658421
397	2015	International	9900iSFA	3HSDMAPR3FN658423
398	2015	International	9900iSFA	3HSDMAPR3FN658424
399	2015	International	9900iSFA	3HSDMAPR3FN658425
400	2015	International	9900iSFA	3HSDMAPR3FN658426
401	2015	International	9900iSFA	3HSDMAPR3FN658427
424	2016	Western Star	4900FA	5KJJAED17GPGW3252
426	2016	Western Star	4900FA	5KJJAED15GPGS2036
427	2016	Western Star	4900FA	5KJJAED18GPGW3289
428	2016	Western Star	4900FA	5KJJAED14GPGS2514
429	2016	Western Star	4900FA	5KJJAED16GPGS2515
430	2016	Western Star	4900FA	5KJJAED18GPGS2516
431	2016	Western Star	4900FA	5KJJAED17GPGS2037
432	2016	Western Star	4900FA	5KJJAED14GPGW3290
5000	2016	GMC	Sierra SLE 1500	3GTU2UEC4FG279771
5001	2016	GMC	Sierra SLE2500	1GT12YE84FF589202
5002	2016	GMC	Sierra SLE2500	1GT12YE89FF588336
9365	2016	HYUNDAI	SANTA FE	5XYZUDLA5GG310365
411	2012	Kenworth	T800	1XKDD40X8CJ951267
412	2012	Kenworth	T800	1XKDD40XXCJ951268
224	2015	Lode King	HGF28-3L	2LDHG2831FF059146
224P	2015	Lode King	HGF30-2P	2LDHG3022FF059147
225	2015	Lode King	HGF28-3L	2LDHG2835FF058887
225P	2015	Lode King	HGF30-2P	2LDHG3026FF058888
226	2015	Lode King	HGF28-3L	2LDHG2838FF059094
226P	2015	Lode King	HGF30-2P	2LDHG3029FF059095
227	2015	Lode King	HGF28-3L	2LDHG2833FF059343
227P	2015	Lode King	HGF30-2P	2LDHG3024FF059344
240	2015	Lode King	HGF28-3L	2LDHG2837FF060026
240P	2015	Lode King	HGF30-2P	2LDHG3028FF060027
242	2015	Lode King	HGF28-3L	2LDHG2832FF060077
242P	2015	Lode King	HGF30-2P	2LDHG3023FF060078
243	2015	Lode King	HGF28-3L	2LDHG2834FF060114
243P	2015	Lode King	HGF30-2P	2LDHG3025FF060115
249	2015	Lode King	HGF28-3L	2LDHG2836FF060177
249P	2015	Lode King	HGF30-2P	2LDHG3027FF060178
250	2015	Lode King	HGF28-3L	2LDHG2832FF060273
250P	2015	Lode King	HGF30-2P	2LDHG3023FF060274
251	2015	Lode King	HGF28-3L	2LDHG2831FF060362
251P	2015	Lode King	HGF30-2P	2LDHG3022FF060363
252	2015	Lode King	HGF28-3L	2LDHG3025FF060470
252P	2015	Lode King	HGF30-2P	2LDHG3025FF060471
253	2015	Lode King	HGF28-3L	2LDHG2838FF060472
253P	2015	Lode King	HGF30-2P	2LDHG3029FF060473
254	2015	Lode King	HGF28-3L	2LDHG2839FF060481
254P	2015	Lode King	HGF30-2P	2LDHG302XFF060482
FS132	2014	BOBCAT	S650	ALJ812248

420	2016	Western Star	4900FA	5KJJAED19GPGW3267
416	2016	Western Star	4900FA	5KJJAED19GPGW0689
417	2016	Western Star	4900FA	5KJJAED15GPGW0690
418	2016	Western Star	4900FA	5KJJAED15GPGW2861
421	2016	Western Star	4900FA	5KJJAED10GPGW3268
422	2016	Western Star	4900FA	5KJJAED17GPGW2862
423	2016	Western Star	4900FA	5KJJAED12GPGW3269
134	2008	Talbert	55HG120	40FSK694281028834
171	2011	Stellar	Steller	2N9LB5030BE065042
200	2013	Midland	MX3000	2MFB2S4D0DR007161
240	2000	Peterbilt	379	1XP5DB9X6YD515397
284	2006	Peterbilt	379	1XP5DB9X87D658334
FS105	2001	John Deere	JD230LC	FF0230X600930
FS113	1994	CAT	D5H LGP	1DD06080
170	2011	Lode King	HGF28-3L	2LDHG2832BF051342
170P	2011	Lode King	HGF30-2P	2LDHG3023BF051343
181	2011	Advance	1300FT3	2L9TC5320BD079736
182	2011	Advance	1300FT3	2AEBCREH0BR000291
183	2011	Advance	1300FT3	2AEBCREH2BR000292
184	2011	Advance	1300FT3	2AEBCREF4BR000293
203	2013	Lode King	HGF28-3L	2LDHG2836DF055672
203P	2013	Lode King	HGF30-2P	2LDHG2836DF055673
204	2013	Lode King	HGF28-3L	2LDHG2833DF055578
204P	2013	Lode King	HGF30-2P	2LDHG2833DF055579
216	2014	Mac	TR1480APB	5MATA4639EA029736
217	2014	Mac	TR1480APB	5MATA4630EA029737
376	2013	Peterbilt	388	1XPWDP9X4DD212257
382	2014	Peterbilt	388	1XPWDP9X3ED230816
385	2014	Peterbilt	388	1XPWDP9X9ED230819
391	2014	Peterbilt	388	1XPWDP9X4ED230825
5833	2013	GMC	Sierra SLE 3500	1GD322C89DF156833
FL06	2013	Manitou	M50.4	8FGU30
257	2015	Lode King	HGF28-3L	2LDHG2838FF060522
257P	2015	Lode King	HGF30-2P	2LDHG3029FF060523
258	2015	Lode King	HGF28-3L	2LDHG2831FF060524
258P	2015	Lode King	HGF30-2P	2LDHG3022FF060525
256	2015	Lode King	HGF28-3L	2LDHG2834FF060520
256P	2015	Lode King	HGF30-2P	2LDHG3025FF060521
25	1998	Doepker	N/A	2D9FDSA29J1016503
25P	1998	Doepker	N/A	2D9FDSA3XJ1016504
35	1988	Doepker	N/A	2D9FDSA26J1016541
51	1979	Fruehauf	N/A	DPA4F2W28
54	1976	Scona	N/A	SNT590
99	1974	Westtank	N/A	74WR41
125	2009	Fontaine	VDTT-1-8054	13N25330791549074
128	2009	Fontaine	IX40C	13N34820993549507
135	2009	Diamond Bl	N/A	2T9JT2S299A176770
136	2009	Pacesetter	PS10D	2P9TD13169096062
144	1981	Kenworth	W900	M910190
144P		Renn	N/A	14M1F21379
241	1986	Peterbilt	357	1XP9DB9X4GP196189
241P	1980	Renn	N/A	14M1F56680
253	1989	Peterbilt	379	D276509GL

254	1997	Freightliner	FL120	2FUPCDYB1VA883212
353	2003	Ford	F350	1FDWF37P23ED40993
5445	2004	Ford	F350	1FDWF36L64EC22445
FL02	1984	MB	5250	C455090-11
FL03	1997	Hyster	H110XL2	G005D10398U
FL04	2006	Hyster	H50FT	L177B04874D
FL05	2011	Toyota	8FGU30	8FGU30
FL07	N/A	Toyota	42-f5g25	405FG25-41683
FS100	1981	Terex	TS14B	28041
FS102	1984	Terex	72-51BA	C-4558
FS103	1974	John Deere	644-B	263185
FS106	1974	John Deere	450C	220672T
FS107	1978	Champion	740	220672T
FS108	1950	Champion	Grader	23144-1184
FS109	1980	Case	1070 Tractor	880789
FS111	N/A	Vibro	N/A	43CF153
FS115	2012	Polywest	Pollywest 2000	2000 GAL Water Tank
FS117	2011	Case	580SN WT	NBC545257
FS118		CAT	Gen Set	
FS119		LETH	N/A	
FS120		Hydraulic	N/A	
FS122	2011	CAT	N/A	
FS123			Portable Rail Ramp	
FS125			Smooth Roller Packer	
FS126	2015	Pro Tote	Model 8 Elite	5040MOD7-2989
FS128		Boss	Snow Plow	199742
FS130		Ford	Irrigation Pump	
FS131			Irrigation Pump	
21		SUPERMOD	IMCA	
GN01	2009	Gooseneck		4P5FD322091133532
PL62	1985	Fruehauf		1H2V04821FE023003
PM608	1987	Fruehauf		2H8V0482GHS021705
PM897		Fruehauf		2H8V04826ES061102
RACE01	1996	Wells Cargo	AW28ZW	1WC200N25TR027062
SHOP	1986	Chevrolet	Wrangler	
SS01	2007	Side By Side	UTX800C	KZMUAQTG772000006
C01	1987	Strike	Single Axle Converter	
110	1987	Lode King		1L4L42348H1015007
124	2009	Fontaine	VDTT-1-8053	13N25330591549073
303	1994	Kenworth	T800	2XKDDB9X4RM933812
371	2013	International	Lonestar	3HSCXSJR4DN115612
5671	2011	Chevrolet	Silverado SLT 3500	1GC4K1C89BF134671
AUG01	2012	Trinity	TCSS-1435	1702129333
AUG02	2012		UBSNH-1015	1607129566
AUG03	2013	Convey All	UBH-1418-RCSC	27061310155
FS104		Bobcat	S250	526015294
FS124	2011	Bazooka	1200-BAZT	1D912002V12SS576
FS129		Boss	Snow Plow	
FS133	N/A		Swing Unloader	
FS134	N/A		Swing Unloader	
FS135			Swing Unloader	1352015
SAR-100	2014	Offices to go	OTG23-2rd	1F9SLB221ES217419
TBTR003	2015	Royal	CHT820	2S9JL4362F3031875

TBTR004	2015	Royal	CHT70-820-7	2S9JL4364F3031876
TBTR005	2014	Roadclipper	18eeql120x82	46UFU2021E1156889
TBTR006	2014	Roadclipper	18eeq120X82	46UFU2022E1155623
T82			Tool Trailer for Crusher	
SSSECUR E		CCSI	Cameras	
T78	2002	Utility - TK Reefer		1UYVS25323U093102
128FA	2009	Fontaine	IX40C	13NM0510493549513
FS165		Siemens	147P	07-004

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APPENDIX A

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APPENDIX B

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