Clerk's Stamp

COURT FILE NUMBER	1901-12274
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PLAINTIFF	ATB FINANCIAL (FORMERLY ALBERTA TREASURY BRANCHES)
DEFENDANTS	1963843 ALBERTA LTD., PENHOLD CROSSING PLAZA LTD., ASHWANI AWASTHI, SWARNJIT SINGH KOONER, SUKHBIR NAIN, OM ACAYOT ABHOY, and ANURAG SUMAN
DOCUMENT	**RECEIVER'S THIRD REPORT – 1963843 ALBERTA LTD.** **January 5, 2021**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**<u>RECEIVER</u>** Ernst & Young Inc. 2200, 215 – 2 Street SW Calgary, Alberta T2P 1M4 Telephone: 403-206-5061 Fax: 403-206-5075 Email: peter.chisholm@ca.ey.com **<u>COUNSEL</u>** Dentons Canada LLP 15th Floor, Bankers Court 850 – 2 Street SW Calgary, Alberta T2P 0R8 Telephone: 403-268-7000 Fax: 403-268-3100 Email: derek.pontin@dentons.com john.regush@dentons.com

TABLE OF CONTENTS OF THE THIRD REPORT

INTRODUCTION AND PURPOSE

1. Ernst & Young Inc. (the "**Receiver**") was appointed as Receiver and Manager of the property, assets and undertakings of 1963843 Alberta Ltd. ("**196**") and Penhold Crossing Plaza Ltd. ("**Penhold Crossing**", collectively with 196 the "**Debtors**") pursuant to an Order of this Court (as amended from time to time, the "**Receivership Order**") dated November 6, 2019 (the "**Receivership Date**").

2. The purpose of this report (the "**Third Report**") is to provide this Honourable Court, and other interested stakeholders, with comments on the Receiver's request for an increase in the authorized Receiver's Borrowings Charge (as defined in the Receivership Order) from $175,000 to $250,000.

TERMS OF REFERENCE

3. Capitalized terms not defined in this Third Report are as defined in the Receivership Order.

4. In preparing the Third Report, the Receiver has relied upon unaudited financial information of the Debtors, the Debtors' books and records, certain financial information prepared by the Debtors and discussions with Debtors' Management ("**Management**"). The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information provided. Accordingly, the Receiver expresses no opinion or other form of assurance on the information contained in this report or relied upon in its preparation. Future oriented financial information reported or relied on in order to prepare this report is based on Management's assumptions regarding future events; actual results will vary from forecast, and such variations may be material.

5. All references to dollars are in Canadian currency unless otherwise noted.

ACTIVITIES OF THE RECEIVER SINCE SECOND REPORT

Supplement Report & Sales Process

6. As described in greater detail in the Receiver's Second Report and Supplement to the Second Report, the Receiver sought approval of a Sales Process (as defined in the Receiver's previous Reports) by application originally scheduled to be heard on September 8th, 2020. This application was adjourned at the request of Sukhbir Nain and Om Acayot Abhoy ("**Nain/Abhoy**"), who were party to a dispute with ATB Financial ("**ATB**") regarding the validity of a cross-guarantee provided by Penhold Crossing in favour of 196 (previously referred to as the "**Guarantee Dispute**" in the Receiver's prior Reports).

7. Subsequent to the adjournment of the September 8th application, the Receiver understands the Guarantee Dispute was resolved as between Nain/Abhoy and ATB, such that the Receiver set down an application seeking approval of the Sales Process on November 10, 2020, which application was granted. As approval of the Sales Process occurred later than originally anticipated, the Receiver extended the bid deadline from November 27, 2020 to January 29, 2021.

8. The Receiver, in consultation with the Real Estate Broker, has been marketing the business and property of the Debtors in accordance with the Sales Process.

Statement of Receipt and Disbursements

9. Exhibit 1.0 is a statement of receivership and disbursements during the period of the Receivership Date through to December 18, 2020

1963843 Alberta Ltd. - in Receivership		Exhibit 1.0
Statement of Receipts and Disbursements		
For the Period November 8, 2019 to December 18, 2020		
Receipts:	**Notes**	
Fuel and convenience sales	a	832,331
Receiver's certificate	b	175,000
Lotto sales		127,906
Rental income	c	83,114
Refund		4,294
ATM commissions		2,592
Total Receipts		**1,225,236**
Disbursements:		
Fuel purchases	a	555,606
Rental payments	d	160,380
Convenience store purchases	a	149,817
AGLC payments		117,577
Payroll		90,187
Insurance	e	33,463
Source deductions		26,131
Lease payments		24,349
Repairs & maintenance	f	23,690
Utilities		8,505
Bank & Moneris charges		10,773
Waste disposal		8,873
Locksmith		1,508
Workers Compensation Board		788
Supplies & uniforms		346
Business license		240
Filing & license fees		70
Total Disbursements		**1,212,304**
Cash on Hand - December 18, 2020		**12,933**

10. Notes to the Receiver's statement of receipts and disbursements are as follows:

a) The Receiver has maintained agreements with various tobacco, food and beverage vendors, operating on a C.O.D basis with no commitment to any term length of agreement. The fuel purchases made through Parkland are paid in advance. All fuel in the tanks (approximately 30,000 litres of gasoline and diesel as at the date of this report) have been accounted for as an expense but not as revenue. The fuel payments being made upfront are a cost burden with large amounts of funds needed in the account to cover. Payments made at the tank are swept directly by Parkland Fuel and deemed a credit toward purchases going forward;

b) Receiver's Borrowings advanced by ATB Financial to date. The Receiver is seeking to increase authorized Receiver's Borrowings Charge by $75,000 from $175,000 to $250,000;

c) Rental income related to the Tim Hortons sublease with 196. Tim Horton's pays a flat fee every first of the month to cover utility related costs, and then pays a fee tied to a percentage of the revenue that is made in the middle of the month;

d) Monthly rental payments to Penhold Crossing. These rental amounts represent payment of rents owing to Penhold Crossing. The December and January rental payments have not yet been made and the Receiver intends to make this payment if the proposed increase in authorized Receiver's Borrowings is approved by this Court;

e) Insurance costs have been material, with the Receiver paying almost four times more for a Pollution Policy than what was previously in place. This was done after an exhaustive solicitation, yielding many brokers refusing such coverage. Further, policy renewals for liability coverage have proven to show similar increases as a result of insurers hesitation to deal with Receiverships; and

f) The majority of these costs have been in relation to the fuel tank repairs necessary to be made. Further, maintenance costs associated with the fountain machines and fuel pumps/card readers have been made as well.

Receiver's Borrowings Charge

11. This Honourable Court previously granted an Order dated July 23, 2020 increasing the authorized Receiver's Borrowings Charge from $100,000 to $175,000. This prior increase in Receiver's Borrowings Charge was sought based on amounts anticipated to be necessary to provide sufficient funding to operate 196 until Fall 2020, at which time it was anticipated the Sales Process would be completed. The adjournment of the Receiver's request for approval of the Sales Process and corresponding extension of the bid deadline under the Sales Process from November 27, 2020 to January 29, 2020 necessitate additional borrowings to permit 196's business operations to continue through to the end of the Sales Process and through closing of any sale that may be approved. As discussed in the Receiver's previous Reports, the

Receiver is of the view that a going concern sale of the assets of 196 is anticipated to result in better realization than a sale of the assets of 196 other than as a going concern.

12. The Receiver has made rental payments to Penhold Crossing as per the terms of the lease agreement between 196 and Penhold Crossing (with the exception of rental payments for December 2020 and January 2021, which the Receiver intends to make if the Receiver's Borrowings Charge is increased). However, the current cash balance of 196 will not allow for such payments to be made further as it looks to close on a sale in the coming months.

13. The Receiver anticipates that an additional $75,000 in Receiver's Borrowings Charge will be sufficient to permit 196 to maintain operations through the bid deadline under the Sales Process and through to closing of any sale that may be approved in the Sales Process.

14. As such, the Receiver requests that an additional $75,000 in Receiver's Borrowings Charge be granted in order for the operations of 196 continue during this period, and for the lease payments to be satisfied. This would bring the total authorized Receiver's Borrowings Charge from $175,000 to $250,000.

RECOMMENDATION

15. The Receiver recommends that this Honourable Court increase the authorized Receiver's Borrowings Charge from $175,000 to $250,000 to permit the Receiver to continue operating the business of 196 during the Sales Process.

Respectfully submitted this 5th day of January 2021.

Ernst & Young Inc.
In its capacity as Receiver of
1963843 Alberta Ltd.
and not in its personal or corporate capacity

Per:

Peter Chisholm, CPA, CA, CIRP, Licensed Insolvency Trustee
Senior Vice-President