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COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANT NATIONAL BANK OF CANADA

RESPONDENT BALANCED ENERGY HOLDINGS INC.,
BALANCED ENERGY HOLDINGS INC.,
MICHELLE THOMAS, NEIL SCHMEICHEL,
DARREN MILLER, and CODY BELLAMY

DOCUMENT **THIRD REPORT OF FTI CONSULTING
CANADA INC., IN ITS CAPACITY AS
COURT APPOINTED RECEIVER AND
MANAGER OF BALANCED ENERGY
HOLDINGS INC. AND BALANCED ENERGY
OILFIELD SERVICES (USA) INC.**

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May 1 2023

April 24, 2022

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

RECEIVER

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THIRD REPORT OF THE RECEIVER

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INTRODUCTION

1. On March 7, 2022 (the “**Date of Appointment**”), FTI Consulting Canada Inc. was appointed as receiver and manager (the “**Receiver**”) of all the assets, undertakings and properties (the “**Property**” or the “**Assets**”) of Balanced Energy Oilfield Services Inc. (“**BCAN**”), Balanced Energy Oilfield Services (USA) Inc. (“**BUSA**”), and Balanced Energy Holdings Inc. (“**BEH**”) (collectively the “**Balanced Group**” or the “**Company**”) pursuant to an Order of the Honourable Justice A.D. Grosse (the “**Receivership Order**”).
2. The Receivership Order authorized the Receiver, among other things, to carry on the business of the Company, to market and solicit offers to purchase the Assets of the Company, and to make such arrangements or agreements as deemed necessary by the Receiver.
3. The Receiver’s reports and other information in respect of these proceedings (the “**Receivership Proceedings**”) are posted on the Receiver’s website at <http://cfcanada.fticonsulting.com/balancedenergy/>.
4. Any capitalized terms not defined herein have the meanings given to them in the Sales Solicitation Process (the “**SSP**”) which is attached as Schedule “A” to the Order (Approval of Sales Solicitation Process) granted in these proceedings on March 30, 2022.

BACKGROUND

5. The Balanced Group carried on business of coil tubing services, nitrogen services, and crane services to the oil and gas industry in Canada and the United States. As such, some of the assets belonging to the Balanced Group were physically located in the United States as at the Date of Appointment.
6. On March 11, 2022, the Receiver was served with a Temporary Restraining Order (the “**TRO**”) for Preliminary Injunction issued by the State Court of North Dakota (the “**ND Court**”) enjoining BUSA, its agents representatives and attorneys from removing certain pieces of seized equipment (“**Seized Equipment**”) from an impound yard in North Dakota. The TRO was continued by further order of the ND Court on March 14 and April 12, 2022.
7. On March 30, 2022, this Honourable Court granted various Orders (collectively the “**March 30 Orders**”) which, among other things, authorized and approved the SSP, the Stalking Horse Term Sheet, the Approval and Vesting Order and Approval and Reverse Vesting Order (“**RVO**”).
8. Pursuant to the March 30 Orders, the Receiver was authorized to complete the transaction contemplated by the Stalking Horse Term Sheet (the “**Stalking Horse Transaction**”) unless a Superior Offer was received by the Bid Deadline set out in the SSP.
9. No Superior Offer was received by the Bid Deadline and the Receiver closed the Stalking Horse Transaction on May 18, 2022.

10. Pursuant to the RVO, upon the delivery of a Receiver's Certificate confirming that the transaction contemplated by the Stalking Horse Term Sheet had closed, BCAN ceased to be a defendant in these Receivership Proceedings and was released from the scope and effect of the Receivership Order and the style of cause was amended to remove BCAN's name. The necessary Receiver's Certificate was filed with this Court on May 19, 2022.
11. In light of the enforcement steps being taken against the Balanced Group (and US based assets belonging to the Balanced Group) in the United States, on April 14, 2022, the Receiver (in its capacity as authorized foreign representative), through its bankruptcy counsel Munsch Hardt Kopf & Harr, P.C. ("**Munsch**") and local North Dakota counsel Olson & Burns, P.C. ("**Olson & Burns**" and collectively with Munsch, "**US Counsel**"), filed a Petition for Recognition as Foreign Main Proceeding Pursuant to Sections 1515 and 1517 of the United States *Bankruptcy Code* and Related Relief (the "**Chapter 15 Petitions**") for each member of the Balanced Group with the United States Bankruptcy Court for the District of North Dakota ("**US Court**") seeking an order recognizing the Receivership Proceedings as a foreign main proceeding pursuant to Sections 1515 and 1517 of the United States *Bankruptcy Code*. On May 19, 2021, the US Court entered its Order granting recognition ("**Recognition Order**") as a Foreign Main Proceeding and Related Relief wherein the Chapter 15 Petitions were granted.
12. The Recognition Order, among other things, gave effect to the stay of proceedings (and other rights and powers set out in the Receivership Order) in the United States.
13. On June 10, 2022, this Honourable Court granted an order which, among other things, authorized the Receiver to: (i) make distributions in respect of the LBEL Secured Debt and (ii) one or more distributions to NBC up to the amount of the NBC Secured Debt (as defined below).

14. The purpose of this report (“**Third Report**”) is to inform the Court of the following matters:
- (a) the activities of the Receiver since the date of the Second Report of the Receiver (“**Second Report**”);
 - (b) the Receiver’s statement of receipts and disbursements from the Date of Appointment to April 21, 2023;
 - (c) a summary of the Receiver’s fees and expenses (the “**Receiver’s Fees**”) and the Receiver’s Canadian Counsel’s and the Receiver’s US Counsel’s fees and disbursements (the “**Receiver’s Counsel’s Fees**”);
 - (d) details of the secured and potential priority claims in the Receivership Proceedings; and
 - (e) a summary of the estimated net proceeds available for distribution and remaining tasks to complete the administration of the Receivership Proceedings.
15. The Receiver is requesting the following relief from this Honourable Court at its Application returnable May 1, 2023 (the “**Application**”):
- (a) Ratification and approval of the Receiver’s activities as set out in this Third Report, and the Statement of Receipts and Disbursements (as defined below);
 - (b) approval of the Receiver’s Fees and the Receiver’s Counsel’s Fees without the necessity of a formal passing of accounts or a formal assessment of accounts;

- (c) authorization for the Receiver to assign BEH into bankruptcy if the Receiver deems it necessary to do so;
- (d) authorization to holdback certain funds to complete the administration of these Receivership Proceedings, as set out in paragraph 56 below;
- (e) authorization for the Receiver to destroy the Company's corporate books and records if unclaimed by any of the current or former directors of the Company within 30 days of the Receiver providing such notice; and
- (f) discharging the Receiver as Receiver of the Balanced Group upon the Receiver filing with the Court a sworn Affidavit of a Licensed Insolvency Trustee employed by the Receiver.

TERMS OF REFERENCE

- 16. In preparing this Third Report, the Receiver has relied upon unaudited financial information, other information available to the Receiver and, where appropriate, the Company's books and records and discussions with various parties (collectively, the "**Information**").
- 17. Except as described in this Third Report:
 - (a) the Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*; and

- (b) the Receiver has not examined or reviewed the financial forecasts and projections referred to in this Second Report in a manner that would comply with the procedures described in the *Chartered Professional Accountants of Canada Handbook*.
18. Future oriented financial information reported or relied on in preparing this Third Report is based on assumptions regarding future events. Actual results may vary from forecasts and such variations may be material.
19. The Receiver has prepared this Third Report in connection with the Application. This Third Report should not be relied on for other purposes.
20. Information and advice described in this Third Report has been provided to the Receiver by its counsel, Osler, Hoskin & Harcourt LLP (the “**Receiver’s Canadian Counsel**”) and has been provided to the Receiver to assist it in considering its course of action and is not intended as legal or other advice to, and may not be relied upon by, any other stakeholder.
21. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

ACTIVITIES OF THE RECEIVER

22. Since the date of the Second Report the Receiver has, among other things:
- (a) closed the Stalking Horse Transaction and collected the proceeds therefrom;
 - (b) completed final customer billings for projects completed during the Receivership Proceedings and continued to work to collect accounts receivable owed to the Company, including certain refundable tax credits owing to BUSA;
 - (c) continued administering proceedings in the United States under Chapter 15 of the United States Bankruptcy Code in order to deal with various creditor claims that were being advanced in the United States;
 - (d) responded to requests for information from creditors, employees and other stakeholders; and
 - (e) corresponded with and reviewed various claims from creditors asserting priority claims, including the Canada Revenue Agency (“**CRA**”).

SUMMARY OF RECEIPTS AND DISBURSEMENTS

23. Receipts and Disbursements from the Date of Appointment to April 21, 2023, are summarized in the following table (“**Statement of Receipts and Disbursements**”):

Statement of Receipts and Disbursements for the period of March 7, 2021 to April 21, 2022	
CAD \$	Cumulative
Receipts	
Sale of Assets	\$ 13,105,335
Accounts receivable collections	6,059,588
Receiver's Certificate	1,000,000
ERTC refund	675,012
GST Collected	255,402
Transfer from pre-receivership account	43,747
Other receipts	10,499
Total - Receipts	21,149,582
Disbursements	
Distribution to secured creditor	15,370,816
Distribution to LBEL	926,220
Payroll and benefits	1,678,994
Receiver's Certificate	1,000,000
Operating expense	712,657
Legal fees and disbursements	466,373
Insurance	248,433
Receiver's fees and costs	310,790
Rent and utilities	104,925
Lien Settlement	81,162
GST Paid	82,365
Bank fees and other	16,845
Total - Disbursements	20,999,582
Net Cash on Hand	\$ 150,000

24. In the Statement of Receipts and Disbursements:

- (a) “Sale of assets” includes collection of the proceeds from the Stalking Horse Transaction;

- (b) “Accounts receivable” includes collections by the Receiver in connection with the Company’s coil tubing services;
- (c) “Receiver’s Certificate” includes funds advanced by NBC and subsequently repaid pursuant to the security of the Receiver’s Borrowing Charge;
- (d) “ERTC refund” relates to certain employee retention tax credits collected by the Receiver in respect of certain refundable tax credits owing to BUSA relating to the pre-receivership period;
- (e) “Transfer from pre-receivership accounts” relates to transfers from accounts maintained by the Company pre-receivership to the Receiver’s trust account;
- (f) “Distribution to secured creditor” relates to the distributions effected to NBC pursuant to the June 10, 2022 Order of this Court in partial satisfaction of the amounts owing under NBC Secured Debt;
- (g) “Distribution to LBEL” is the distribution effected to LBEL pursuant to the June 10, 2022 Order of this Court in full satisfaction of the amounts owing under LBEL Secured Debt;
- (h) “Payroll and benefits” includes amounts disbursed by the Receiver relating to payroll and employee deductions and payments to consultants of BCAN and BUSA;
- (i) “Operating expense” includes amounts paid to vendors and suppliers to facilitate the ongoing operations of the BCAN business;

- (j) “Legal fees and disbursements” are amounts paid to the Receiver’s US Counsel (approximately US\$125,000) and the Receiver’s Canadian Counsel (approximately \$323,000) in respect of legal advice in connection with the Receivership Proceedings;
 - (k) “Insurance” relates to insurance costs including operator’s extra insurance, general liability and employee benefits;
 - (l) “Receiver’s fees and costs” are amounts paid to date in connection with the administration of the Receivership Proceedings;
 - (m) “Rent and Utilities” includes amounts disbursed for occupation rent and office utilities; and
 - (n) “Bank Charges” include wire payment fees, and other miscellaneous bank fees.
25. As at April 21, 2023, the Receiver holds approximately \$150,000 of cash on hand.

PROFESSIONAL FEES

26. Invoices for professional services rendered and costs for the Receiver from the Date of Appointment to March 31, 2022, total \$310,790.44, exclusive of GST.
27. Invoices for professional services rendered and disbursements for the Receiver’s Canadian Counsel from the Date of Appointment to March 31, 2022, total \$323,388.03, exclusive of GST.

28. Invoices for professional services rendered and disbursements for the Receiver's US Counsel from the Date of Appointment to March 31, 2022, total US\$123,806.88 exclusive of GST.
29. Invoices for the Receiver's Fees and the Receiver's Counsel's Fees can be made available upon request of this Honourable Court.
30. The Receiver is recommending a hold back for the Receiver's Fees and the Receiver's Counsel's Fees of approximately \$83,000 for additional time attending to the final administrative matters of the Receivership Proceedings, including the costs of this Application and the discharge of the US proceedings and to address any remaining costs and expenses prior to the completion of the Receivership Proceedings.
31. The Receiver is of the opinion that the Receiver's Fees and the Receiver's Counsel's Fees are reasonable and appropriate in the circumstances, and in particular, given the length of the Receivership Proceedings, the cross border aspects of the Company's operations, the work required to manage the ongoing operations of BCAN prior to the completion of the Stalking Horse Transaction, the time required to complete a fulsome sales process, close the Stalking Horse Transaction and collect on various post close receivables and tax refunds.

DETAILS OF SECURED AND POTENTIAL PRIORITY CLAIMS

32. As more fully described in the Second Report, the Receiver is aware of the following secured claims, charges and liens that are owed by the Company, either pursuant to statute, or which have been registered against the Property.

Secured Claims

33. As at May 27, 2022, the amount owing under the NBC Facility and the NBC HASCAP Facility (as those terms are defined in the Second Report) was approximately \$25.2 million (the “**NBC Secured Debt**”), with interest accruing thereafter plus legal and professional fees, costs, charges disbursements and expenses incurred by NBC.
34. In addition to NBC, LBEL Inc. (“**LBEL**”) held a secured charge over certain equipment held by BUSA in the amount of approximately \$915,000 (as at May 16, 2022) (the “**LBEL Secured Debt**”) pursuant to a Specific Security Agreement dated March 20, 2018 (the “**LBEL Security Agreement**”). The amount owing to LBEL was repaid in full pursuant to the June 10, 2022 Distribution Order.

Canada Revenue Agency

35. On June 21, 2022, the CRA delivered a notice to the Receiver asserting a claim of \$295,352.17, which was comprised of:
- (a) \$250,346.22 (the “**Unsecured CRA Claim**”), which relates to outstanding GST for the period ending March 7, 2022; and
 - (b) \$45,101.41 (the “**Deemed Trust CRA Claim**”) which relates to outstanding GST for the period ending February 28, 2022
36. A copy of the June 21, 2022 notice from the CRA is attached hereto as Appendix “A”.

37. The CRA is asserting a trust claim under subsection 222(3) of the *Excise Tax Act* only in respect of the Deemed Trust CRA Claim. No security or deemed trust is asserted in respect of the Unsecured CRA Claim, which the Receiver believes to be unsecured.
38. Pursuant to the provisions of the RVO, the Unsecured CRA Claim was a “Transferred Liability”, and hence was transferred to BEH, and is being administered by the Receiver along with all other unsecured debt. The Receiver does not anticipate being able to make any distribution to unsecured creditors.
39. With respect to the Deemed Trust CRA Claim, the Receiver believes that this falls within the definition of “Claims” in the RVO, and is therefore caught by the release language in paragraph 11(b) of the RVO, such that the Deemed Trust CRA Claim cannot be advanced against BCAN, or the Transferred Assets, or the Retained Assets.
40. In the alternative, in the event the Deemed Trust CRA Claim can be advanced against the Transferred Assets, the Deemed Trust CRA Claim can be subordinated to the NBC Secured Debt by operation of the Bankruptcy and Insolvency Act, R.S.C. 1985, c.B-3 (“**BIA**”).
41. On April 21, 2023, NBC requested that, in the event the Deemed Trust CRA Claim was advanced against Receivership assets, the Receiver take steps to make an assignment for and on behalf of BEH of its property for the general benefit of creditors under section 49 of the BIA (the “**Bankruptcy Assignment**”). If the Bankruptcy Assignment occurs, it would subordinate the Deemed Trust CRA Claim to the NBC Secured Debt. The Receiver seeks this Honourable Court's authority to authorize it to take the steps necessary to assign BEH into bankruptcy, which it would do immediately after the date of the Application (if necessary).

42. If the authority to bankrupt BEH is not granted, the Receiver would maintain a holdback in the amount of the Deemed Trust CRA Claim pending resolution of the Deemed Trust CRA Claim. If the Bankruptcy Assignment is completed, the Receiver is of the view that NBC will have priority over the Deemed Trust Claim and therefore seeks authority to distribute the full amount of the holdback for the Deemed Trust Amount to NBC.

Wage Earner Protection Program

43. On the Date of Appointment, several former employees were terminated and were not paid termination and/or severance pay. Additionally, employees that were terminated (or resigned) during the Receivership Proceedings on behalf of the Debtors were not paid vacation pay that accrued prior to the Date of Appointment or termination and/or severance pay.
44. In accordance with the *Wage Earner Protection Program Act*, the Receiver made the former employees aware of the existence of such program and advised that the Receiver would review the Company's books and records and identify employees who were owed eligible wages under the Wage Earner Protection Program (the "**WEPP**").
45. After reviewing the Company's books and records, and with the assistance of the Company, the Receiver determined that a total of approximately \$6,511.43 was owed to former employees for unpaid vacation and a total of \$60,180.77 for termination and severance pay, which are considered eligible wages under the WEPP (the "**WEPP Claims**").

46. Pursuant to section 81.4(4) of the *Bankruptcy and Insolvency Act*, the WEPP Claims are secured against the Company's current assets to the extent of \$2,000 per employee for wages and compensation (including vacation pay, but excluding severance and termination pay).
47. The Receiver received a statement from Service Canada asserting a subrogated priority claim in the amount of \$5,620.79 ("WEPP Priority Claim") related to the unpaid vacation pay portion of the WEPP Claims. The WEPP Priority Claim was paid on August 16, 2022.

Repairman's Liens

48. The Receiver was made aware of potential repairman's liens, claimed by two creditors of BUSA and registered or asserted in North Dakota.
49. After further investigation, including receiving formal documentation and US legal advice in respect of such claims the Receiver entered into settlement and mutual release agreements with the two parties to satisfy the claims.

Security Review

50. As more fully described in the Second Report, the Receiver's Canadian Counsel reviewed the NBC Facility, the NBC HASCAP Facility and the NBC Security and determined that, subject to the standard qualifications and assumptions, NBC has a valid and enforceable security over the Assets securing the NBC Debt.
51. The Receiver also engaged Munsch to review and opine on the security granted by BUSA to NBC. Munsch determined that, subject to customary assumptions and qualifications, NBC's security against BUSA was properly perfected.

52. The Receiver's Canadian Counsel has also reviewed the LBEL Security Agreement and determined that, subject to the standard qualifications and assumptions, LBEL has valid and enforceable security in the assets listed in the LBEL Security Agreement.
53. The Receiver repaid the LBEL Secured Debt in full on June 14, 2022 from the proceeds of the Stalking Horse Transaction.
54. Other than those parties referenced above, no other party has contacted the Receiver nor the Receiver's Canadian Counsel asserting a claim in priority to NBC and the Receiver is not aware of any party asserting priority to the NBC, or any party that would be entitled to do so.

PROPOSED FINAL DISTRIBUTION

55. As described above, the Receiver has an opinion from the Receiver's Canadian Counsel and Receiver's US Counsel opining that the LBEL Security Agreement and NBC Security are, subject to the usual assumptions, validly authorized, executed, issued and registered. Given the realization of the Property is substantially complete, the Receiver does not anticipate the recoveries will be sufficient to repay the NBC Secured Debt in full. Accordingly, in the Receiver's view NBC is the fulcrum creditor in the Receivership Proceedings.
56. As detailed above, the Receiver has approximately \$150,000 of cash on hand. The table below presents a summary of the Receiver's proposed holdback to be retained by the Receiver on account of the following:
 - (a) a holdback for professional fees to complete the administration of the Receivership Proceedings;

- (b) the Deemed Trust CRA Claim; however, when the Bankruptcy Assignment is complete this claim will become unsecured and the balance of funds (less costs to administer the bankruptcy estate) would be distributed to NBC; and
- (c) the remaining costs to complete the administration of these Receivership proceedings including storage costs.

(collectively, the “**Holdback**”).

Estimated Holdback CAD \$	
Holdback	
Professional Fees	83,527
CRA Deemed Trust Claim	45,101
Storage and destruction of records + contingency	21,372
Total - Holdback	150,000

- 57. As at May 27, 2022, the total amount owing under the NBC Secured Loans was approximately \$25.2 million. The Distribution Order authorized the Receiver to make distributions to NBC up to the amount of the NBC Secured Debt without further Order of this Honourable Court.
- 58. As of the date of this Third Report the Receiver has distributed approximately \$15.3 million to NBC on account of and in partial satisfaction of the NBC Secured Debt.
- 59. The distribution of any residual funds to NBC will be significantly below the amount of the remaining NBC Secured Debt and here are no other secured creditors with secured claims against the Company that rank ahead of, or potentially rank ahead of, the secured claim of NBC (other than, potentially, the Deemed Trust CRA Claim).

CORPORATE BOOKS AND RECORDS

60. The Company's corporate books and records are currently located at an offsite storage facility. The Receiver is seeking the approval of this Honourable Court to destroy the remaining corporate books and records, except those required by statute, unless they are claimed by any of the current or former directors of the Company within 30 days of the Receiver providing written notification of the same. The Receiver has no further need to retain these books and records.
61. The Receiver will use the addresses listed on an Alberta Corporate Registry search as the addresses at which to notify the current or former directors.

TERMINATION OF THE RECEIVERSHIP PROCEEDINGS

62. As described in this Third Report, the administration of these Receivership Proceedings is substantially complete, with exception of certain matters which are administrative in nature. To avoid the additional costs associated with subsequent Court appearances, and with the support of NBC, the Receiver is seeking an Order terminating the Receivership Proceedings and discharging the Receiver of its duties and obligations under the Receivership Order upon filing a sworn Affidavit of a licensed Trustee employed by the Receiver (the "**Receiver's Completion Affidavit**") with this Honourable Court certifying that all remaining administrative matters have been concluded.
63. On March 22, 2023, the Receiver's US Counsel filed a motion for entry of an order closing the Chapter 15 proceedings. It is expected that the order closing the Chapter 15 proceedings will be entered by the US Court in advance of the Application.

RECEIVER'S RECOMMENDATIONS

64. The Receiver respectfully requests that this Honourable Court grant the following relief:
- (a) Ratification and approval of the Receiver's activities as set out in this Third Report, and the Statement of Receipts and Disbursements (as defined below);
 - (b) approval of the Receiver's Fees and the Receiver's Counsel's Fees without the necessity of a formal passing of accounts or a formal assessment of accounts;
 - (c) authorization for the Receiver to assign BEH into bankruptcy if the Receiver deems it necessary to do so;
 - (d) authorization to retain the Holdback to complete the administration of these Receivership Proceedings and distribute any residual funds to NBC, as set out in paragraph 56 above;
 - (e) authorization for the Receiver to destroy the Company's corporate books and records if unclaimed by any of the current or former directors of the Company within 30 days of the Receiver providing such notice; and

- (f) discharging the Receiver as Receiver of the Balanced Group upon the Receiver filing with the Court the Receiver's Completion Affidavit.

All of which is respectfully submitted this 24th day of April 2023.

FTI Consulting Canada Inc. in its capacity as
Receiver of the assets, property and undertaking
of the Balanced Group.



Name: Dustin Olver, CPA, CA, CIRP, LIT
Title: Senior Managing Director,
FTI Consulting Canada Inc.

Appendix “A” – CRA Notice



Tax Services Office
Saskatoon SK S7K 0A8

June 21, 2022

BALANCED ENERGY OILFIELD SERVICES INC.
C/O FTI CONSULTING CANADA INC.
520 FIFTH AVENUE S.W.
SUITE 1610
CALGARY AB T2P 3R7

Account Number
85158 2965 RT0001

Dear Receiver:

Subject: BALANCED ENERGY OILFIELD SERVICES INC.

We understand that you have been appointed receiver or receiver-manager (receiver) for the above GST/HST registrant. Currently, the registrant owes goods and services tax / harmonized sales tax (GST/HST) of \$295,352.17.

Period outstanding	GST/HST payable	Penalty & interest	Total
P/E 2022-02-28	\$45,101.41	\$0.00	\$45,101.41
P/E 2022-03-07	\$250,250.76	\$95.46	\$250,346.22

Under the Excise Tax Act, \$45,101.41 of the above totals represents property of the Crown held in trust and does not form part of BALANCED ENERGY OILFIELD SERVICES INC.'s property, business, or estate. This is the case whether or not those funds are kept separate and apart from the registrant's own money or from the estate's assets.

You must pay the Receiver General for Canada \$45,101.41 out of the realization of any property subject to the trust created by subsection 222(3) of the Act before paying any other creditor. Please send us your payment right away. If this is not possible, please tell us when you will make the payment. Also, please tell us when you will pay the remaining balance of \$250,346.22.

As a receiver, you must collect and remit the registrant's GST/HST for the period you are acting as a receiver. You also must file the registrant's returns for any periods ending while

.../2



you were acting as receiver. This includes any returns the registrant did not file for a period ending in or immediately before the fiscal year you became receiver.

For more information or clarification, please call us at 1-587-337-4738.

Yours truly,

A handwritten signature in blue ink, appearing to read 'G. Miller', with a long horizontal flourish extending to the right.

pp G. Miller (1223)
Resource/Complex Case Officer