



No. S-240477
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN BANKRUPTCY AND INSOLVENCY

**IN THE MATTER OF THE INTERIM RECEIVERSHIP OF
ROKSTAD HOLDINGS CORPORATION, ROKSTAD POWER (2018) LTD., ROKSTAD
POWER CONSTRUCTION SERVICES LTD., ROKSTAD POWER TRANSMISSION
SERVICES LTD, ROKSTAD POWER (PRAIRIES) LTD., GOLDEN EARS PAINTING
& SANDBLASTING (2018) LTD. AND PLOWE POWER SYSTEMS (2018) LTD.**

FIRST REPORT OF THE INTERIM RECEIVER

November 1, 2024

FIRST REPORT OF THE INTERIM RECEIVER

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INTRODUCTION

1. On October 10, 2024 (the “**Appointment Date**”), FTI Consulting Canada Inc. was appointed as Interim Receiver (“**FTI**” or the “**Interim Receiver**”), without security, of all of the bank accounts, receipts and disbursements (the “**Property**”) of Rokstad Holdings Corporation, Rokstad Power (2018) Ltd., Golden Ears Painting & Sandblasting (2018) Ltd., Plowe Power Systems (2018) Ltd., Rokstad Power Construction Services Ltd., Rokstad Power Transmission Services Ltd., and Rokstad Power (Prairies) Ltd. (collectively, the “**Debtors**”) pursuant to an order of this Honourable Court (the “**Interim Receivership Order**”).
2. The Interim Receivership Order authorized the Interim Receiver to, among other things:
 - a. take possession of and exercise control over the Property and any and all receipts and disbursements arising out of or from the Property;
 - b. receive, preserve and protect the Property, or any part or parts thereof;
 - c. execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Interim Receiver’s name or in the name and on behalf of the Debtors, for any purpose pursuant to the Interim Receivership Order;
 - d. engage consultants, agents, counsel and such other persons from time to time and on whatever basis to assist with the exercise of the Interim Receiver’s powers and duties;
 - e. report to, meet with and discuss with such affected Persons (as defined below) as the Interim Receiver considers appropriate on all matters relating to the Property and the business, and to share information, subject to confidentiality terms as the Interim Receiver considers appropriate;

- f. take any steps reasonably incidental to the exercise of these powers of the performance of any statutory obligations;
 - g. operate and control on behalf of the Debtors, all the existing accounts wherever situated, in such a manner as the Interim Receiver deems necessary; and
 - h. open one or more new accounts in its name with any Bank located within the jurisdiction of this Court.
3. The Interim Receivership Order provides that the Debtors must not, until further order of this Court, dispose of or deal with or diminish the value of any of their assets, provided that they may dispose of assets in the ordinary course of business with the prior written consent of the Interim Receiver.
4. The Interim Receivership Order further provides that each of (i) the Debtors; (ii) the Debtors' affiliates and subsidiaries including Rokstad Power (East), Inc., Rokstad Power Inc., and Rok Air, LLC (collectively, the "**Debtors Affiliates**") and together with the Debtors, the ("**Rokstad Group**"); (iii) all of the Debtors' and Debtors' Affiliates' current and former directors, officers, employees, agents, accountants, legal counsel and direct or indirect shareholders, and all other persons acting on their instructions or behalf; and (iv) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (collectively, "**Persons**" and each a "**Person**") must forthwith advise the Interim Receiver of the existence of any Property, including Property in such Person's possession or control, grant immediate and continued access to the Property to the Interim Receiver, and deliver all such Property (excluding Property subject to liens, the validity of which is dependent on maintaining possession) to the Interim Receiver upon the Interim Receiver's request.
5. On October 25, 2024, the Debtors' senior secured lender, Stellex Power Line Opco LLP ("**Stellex**"), filed a Notice of Application for an order appointing FTI as receiver of all of the assets, undertakings and property of the Rokstad Group (the "**Receivership Application**").

6. The purpose of this First Report of the Interim Receiver (the “**First Report**”) is to provide this Honourable Court and the Debtors’ stakeholders with information with respect to:
 - a. the activities of the Interim Receiver since the Appointment Date; and
 - b. a summary of the transactions incurred in respect of the Rokstad Group for the period from the Appointment Date to October 25, 2024.

TERMS OF REFERENCE

7. In preparing this report, the Interim Receiver has relied upon certain information (the “**Information**”) including the Rokstad Group’s unaudited financial information, books and records and discussions with current and former senior management of the Rokstad Group (“**Management**”).
8. Except as described in this report, 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.
9. The Receiver has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
10. Future oriented financial information reported to be relied on in preparing this report is based on Management’s assumptions regarding future events. Actual results may vary from forecast and such variations may be material.
11. Unless otherwise stated, all monetary amounts contained herein are expressed in the Debtors’ primary reporting currency of United States dollars. Capitalized terms not otherwise defined are as defined in the Receivership Order.

INTERIM RECEIVER'S ACTIVITIES

12. Since the Appointment Date, the Receiver's activities have included, among other things, the following:

- a. attending meetings and discussions with key Management personnel including:
 - i. Aaron Rokstad, Chief Executive Officer;
 - ii. Marco Martinez, Chief Financial Officer;
 - iii. David Lattimer, Controller; and
 - iv. David Aiello, Treasury Manager;
- b. reviewing the Debtors' organizational structure, banking arrangements and cash management systems;
- c. visiting the Rokstad Group's offices in Phoenix, Arizona from which the finance group is based;
- d. attending meetings with key stakeholders including Stellex, in its capacity as senior secured lender to the Debtors, as well as Stellex's legal counsel;
- e. considering the implications to the Company's banking arrangements with Canadian Western Bank ("CWB") resulting from the recent acquisition of CWB's debt by Stellex, including the loss of credit facilities and transition to a deposit account with ensuing holds on deposited cheques;
- f. establishing a process with Stellex to return funds swept from certain of the Company's bank accounts with Bank of America ("BoA") as a result of enforcement rights exercised by Stellex pursuant to the Company's Deposit Account Credit Agreement ("DACA");

- g. facilitating communication between the Company's legal counsel and Stellex's legal counsel to amend the existing DACA;
- h. performing reconciliations of the cash sweeps initiated under the DACA;
- i. establishing a process, in conjunction with Management, for reviewing and authorizing proposed payments made by the Debtors and monitoring the Rokstad Group's bank accounts;
- j. reviewing payments made by the Debtors' Affiliates;
- k. opening estate trust accounts;
- l. retaining Osler, Hoskin & Harcourt LLP to act as legal counsel to the Interim Receiver;
- m. responding to a letter from Stellex to the Interim Receiver with information requests with respect to the Rokstad Group. A copy of the letter from Stellex to the Interim Receiver is attached as Appendix "A". A copy of the Interim Receiver's reply to Stellex is attached as Appendix "B";
- n. reviewing Requirement to Pay notices served by the Canada Revenue Agency on CWB in relation to bank accounts held by the Debtors;
- o. reviewing the Receivership Application and related materials; and
- p. preparing this First Report.

13. While the Interim Receiver has not yet rendered an invoice in the Interim Receivership Proceedings, it has accrued professional fees in respect of the above noted activities totaling approximately \$76,000 for the period from the Appointment Date to October 25,

2024, exclusive of disbursements and GST. Approval of the Interim Receiver’s fees and activities will be sought from this Court at a later date once an invoice has been issued.

TRANSACTIONS SINCE THE APPOINTMENT DATE

14. Following the Appointment Date, the Interim Receiver met with Management and set up protocols for the Interim Receiver to monitor all receipts, review all cash disbursements made by the Rokstad Group and approve payments by the Debtors, where appropriate.
15. The current process requires that Management advise the Interim Receiver of proposed disbursements, which are then reviewed and scrutinized by the Interim Receiver, and, where appropriate, approved by the Interim Receiver for payment.
16. The Debtors have constrained liquidity and manage their disbursements on a day-to-day and largely ad hoc basis prioritizing payroll and employee-related costs, with the residual being allocated to suppliers for continued services on current work projects.
17. A summary of the transactions clearing the Rokstad Group’s bank accounts since the Appointment Date are summarized in the table below:

Bank Continuity Schedule			
USD Thousands	BoA	CWB	Total
Opening Balance	\$ 189	\$ 97	\$ 286
Receipts			
Collection of Accounts Receivable	6,279	1,589	7,867
Other Receipts	694	-	694
Total Receipts	6,972	1,589	8,561
Disbursements			
Cheques Issued Prior to Appointment Date	31	229	259
Professional Fees	213	-	213
Payroll & Employee Costs	3,667	410	4,077
P-Card Replenishment	234	-	234
Supplier Payments	1,011	148	1,158
Leases	22	14	37
Total Disbursements	5,178	801	5,979
Ending Balance	\$ 1,984	\$ 885	\$ 2,869

18. The key transactions in the Rokstad Group's bank accounts since the Appointment Date are described as follows:

- a. Collection of Accounts Receivable relates to contract receivables on normal course payment terms and, in some cases, net of trade discounts for early payment;
- b. Other Receipts include an Internal Revenue Service refund of approximately \$660,000, a reimbursement of certain personal expenses by Aaron Rokstad of approximately \$33,000 and \$2,000 of other receipts;
- c. Cheques Issued Prior to the Appointment Date relate to payments that were issued prior to the Interim Receivership Order which were therefore not subject to the review and approval protocols established by the Interim Receiver;
- d. Professional Fees relate to partial payments of amounts due to the Rokstad Group's legal advisors, primarily related to refinancing efforts and restructuring matters;
- e. Payroll & Employee costs relate to ordinary course payroll and remittances, union-related payments and other employee costs;
- f. P-Card Replenishments relate to purchasing cards issued to employees for making payment of business expenses;
- g. Supplier Payments relate to amounts owing to vendors. As described above, Management holds meetings several times a week to prioritize payments based on project needs, agreed payment plans and availability of funds. The majority of these payments are for significantly aged accounts as approximately 30% of the Rokstad Group's accounts are over 90 days old; and
- h. Lease Payments relate to certain automated payments for equipment leases.

19. As referred to above, Stellex initiated sweeps of certain of the Rokstad Group's bank accounts pursuant to its rights under the existing DACA commencing on October 15, 2024. The Interim Receiver discussed the sweeps with Stellex and it was agreed that Stellex would readvance the swept funds to a BoA bank account that was not subject to the daily sweep procedure.

20. The table below summarizes the Company's various accounts with BoA and the transactions related to the cash sweeps and return of funds from Stellex:

USD Thousands	Date	Rokstad Disbursement Account	Rokstad Operating Account	CA Payroll Account	RPE Account	Total
Stellex sweep	10/15/2024	\$ -	\$ (1,207)	\$ -	\$ -	\$ (1,207)
Stellex return	10/15/2024	-	-	-	1,207	1,207
Stellex sweep	10/16/2024	-	-	(54)	-	(54)
Stellex return	10/16/2024	-	-	-	54	54
Stellex sweep	10/17/2024	(90)	-	-	-	(90)
Stellex sweep	10/17/2024	-	(2,006)	-	-	(2,006)
Stellex return	10/17/2024	-	-	-	2,096	2,096
Stellex sweep	10/21/2024	-	(1,186)	-	-	(1,186)
Stellex return	10/21/2024	-	-	-	1,186	1,186
Stellex sweep	10/22/2024	-	(309)	-	-	(309)
Stellex return	10/23/2024	-	-	-	309	309
Stellex sweep	10/24/2024	-	(15)	-	-	(15)
Stellex return	10/24/2024	-	-	-	15	15
Stellex sweep	10/25/2024	-	(244)	-	-	(244)
Stellex sweep	10/25/2024	(769)	-	-	-	(769)
Stellex return	10/25/2024	-	-	-	1,013	1,013
Total		\$ (859)	\$ (4,967)	\$ (54)	\$ 5,880	\$ -

21. As indicated in the table above, all of the swept funds have been readvanced by Stellex.

RECEIVERSHIP APPLICATION

22. The Interim Receiver understands that Stellex is seeking to appoint FTI as the Receiver of the Rokstad Group. FTI advises that it is prepared to act should such an order be granted by this Honourable Court.

All of which is respectfully submitted this 1st day of November, 2024.

FTI Consulting Canada Inc.
in its capacity as Interim Receiver of
Rokstad Holdings Corporation et al.



Tom Powell
Senior Managing Director



Craig Munro
Managing Director

APPENDIX A



Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trademark Agents
1133 Melville Street
Suite 3500, The Stack
Vancouver, B.C. V6E 4E5 Canada
Tel: 604-631-3300 Fax: 604-631-3309

October 18, 2024

Peter Bychawski
Partner
Dir: 604-631-4218
peter.bychawski@blakes.com

VIA EMAIL

Reference: 66834/1

Osler, Hoskin & Harcourt LLP
Suite 3000, Bentall Four
1055 Dunsmuir Street
Vancouver BC V7X 1K8

Attention: Mary Buttery, K.C. and Emily
Paplawski

RE: In the Matter of the Rokstad Group.

Dear Counsel:

We are Canadian counsel to Stellex Power Line OpCo LLC and 1501841 B.C. Ltd. (together, "**Stellex**"). Capitalized terms not otherwise defined in this letter have the meanings ascribed to them in the "**Interim Receivership Order**" granted on October 10, 2024.

Stellex appreciates the steps that the Interim Receiver has taken since its appointment to discharge its statutory mandate under section 47(3) of the *Bankruptcy and Insolvency Act* to protect the estate of the Debtors and the interests of creditors within the parameters of the powers conferred by the Interim Receivership Order.

Noting our client's support for the Interim Receiver discharging its mandate under the Interim Receivership Order, including by approving the disbursement by the Debtors and/or Debtors' Affiliates of urgent payables in the interest of protecting the business, our client remains very concerned that the Debtors and Debtors' Affiliates are deeply insolvent and, as a result, are not in fact conducting themselves in the ordinary and proper course of business. In this respect, we request that the Interim Receiver advise of the following:

1. Do the Debtors and/or the Debtors' Affiliates presently have liquidity to meet all their ordinary course business obligations as they are presently due or scheduled to become due (excluding amounts owing under credit agreements with our client, by assignment, and Crown Capital, which we recognize are due and owing, but not being paid)? If not, what is the current or anticipated shortfall between available cash and the current and pending ordinary course obligations?
2. What is the current balance of the Debtors' and/or Debtors' Affiliates trade payables? What amount of the trade payables are delinquent (i.e. beyond contracted payment terms) and by how



much? How are payments to trade creditors being made and prioritized? What information has been provided to the Interim Receiver to substantiate that the way such payments are being dealt with is reflective of the ordinary course arrangements between the Debtors and/or Debtors' Affiliates and their trade creditors? Does the Interim Receiver have information confirming the aging of trade payables (either the normal 30-day increment to over 6 months or just those over 60 days) that it could share with Stellex?

3. Are the Debtors or the Debtors' Affiliates presently subject to any arrangements with customers whereby customers have provided funding to the Debtors and/or Debtors' Affiliates through advances in exchange for promises of work to be performed? If yes, what information has been provided to the Interim Receiver to substantiate that the Debtors' and Debtors' Affiliates have incurred such obligations in a manner that is reflective of the ordinary course arrangements between the Debtors and the Debtors' Affiliates and their customers?
4. Have the Debtors and the Debtors' Affiliates provided the Interim Receiver with information confirming that they have the liquidity necessary to meet their current customer commitments in the ordinary and proper course of business including by mobilizing work crews as required by existing contracts?

Our client's position is that the foregoing requests are within the Interim Receiver's mandate, including pursuant to paragraphs 2(a), 2(b), 2(e), 3(b), and 5 of the Interim Receivership Order.

We reiterate that Stellex in its capacity as the senior secured lender to the Debtors and Debtors' Affiliates supports the Interim Receiver taking all steps necessary to discharge its mandate including by authorizing the disbursement by the Debtors and Debtors' Affiliates of critical protective payments for payroll, union dues, and urgent trade payables as they are necessary to keep the Debtors' and Debtors' Affiliates in business (and to preserve Stellex's collateral) pending Stellex's application for a permanent receiver. However, it is equally critical to the discharge of the Interim Receiver's mandate that the Interim Receiver and stakeholders be provided with full and transparent information that the Debtors' and Debtors' Affiliates are in fact dealing with their creditors and customers in the ordinary and proper course of business in accordance with existing arrangements and not in an *ad hoc* manner.

Stellex thanks the Interim Receiver for its cooperation to date and looks forward to responses to the above questions at the Interim Receiver's earliest opportunity.

Yours truly,

Peter Bychawski

1386-4292-0720.1

APPENDIX B

From: Powell, Tom
To: Bychawski, Peter
Cc: Bourassa, Kelly; Joshua.hutchinson@blakes.com; Buttery, Mary; Paplawski, Emily; Munro, Craig; Chirkosta, Tessa
Subject: RE: In the Matter of the Rokstad Group
Date: Tuesday, October 22, 2024 9:10:00 PM
Attachments: image001.png

Peter,

We are in receipt of your letter to Osler, Hoskin & Harcourt LLP dated October 18, 2024 requesting responses to four questions relating to the solvency of the Rokstad Group ("Rokstad" or the "Company"). Osler has passed your letter onto us for reply in our capacity as Interim Receiver of Rokstad.

Below we provide responses to the four questions. The responses constitute only our preliminary findings with respect to the Company based on our meetings with certain Rokstad management personnel and our review of various financial information and documentation provided to us by the Company. We have not yet had an opportunity to canvass the responses with the Company or other creditor groups. Accordingly, we caution that the below information may not be complete and should not be relied on as evidence in any Court hearing. The Interim Receiver continues to diligence the Company and intends to include a summary of the below information, plus anything additional which may be identified as relevant to the Interim Receiver's mandate, in a report to the Court.

- 1. Do the Debtors and/or the Debtors' Affiliates presently have liquidity to meet all their ordinary course business obligations as they are presently due or scheduled to become due (excluding amounts owing under credit agreements with our client, by assignment, and Crown Capital, which we recognize are due and owing, but not being paid)? If not, what is the current or anticipated shortfall between available cash and the current and pending ordinary course obligations?**

The Interim Receiver has made numerous requests to the Company for a 13-week cash flow forecast, however, to date, we have not been provided with a cash flow forecast setting out the liquidity requirements of the Company beyond November 8, 2024, and are accordingly not able to quantify an anticipated liquidity shortfall. Refer to question 2 - 4 regarding the status and aging of vendor accounts.

- 2. What is the current balance of the Debtors' and/or Debtors' Affiliates trade payables? What amount of the trade payables are delinquent (i.e. beyond contracted payment terms) and by how much? How are payments to trade creditors being made and prioritized? What information has been provided to the Interim Receiver to substantiate that the way such payments are being dealt with is reflective of the ordinary course arrangements between the Debtors and/or Debtors' Affiliates and their trade creditors? Does the Interim Receiver have information confirming the aging of trade payables (either the normal 30-day increment to over 6 months or just those over 60 days) that it could share with Stellex?**

The Company has reported accounts payable as at October 18, 2024, totaling approximately US\$27.3 million which is summarized as follows:

USD Thousands								
Account Name	Number of Suppliers	Balance	Current	31 - 60 Days	61 - 90 Days	91 - 120 Days	Over 120 Days	
Rokstad Power Inc.	300	16,701	5,281	2,525	3,018	1,331	4,545	
Rokstad Power (East), Inc.	41	945	(51)	498	223	62	214	
Rokstad Holdings Corporation	17	5,540	4,319	302	42	263	614	
Rokstad Power (2018) Ltd.	206	4,115	1,639	620	526	459	871	
Golden Ears Painting & Sandblasting (2018) Ltd.	9	32	9	13	1	-	9	
Total Accounts Payable	573	\$ 27,333	\$ 11,196	\$ 3,958	\$ 3,811	\$ 2,115	\$ 6,253	
Percentage of Total Accounts Payable		100.0%	41.0%	14.5%	13.9%	7.7%	22.9%	

The Interim Receiver offers the following high-level comments with respect to accounts payable:

- Approximately US\$12.2 million, or 45% of accounts payable, are aged greater than 60 days;
- The accounts payable summary is presented net of pre-payments (debits) totaling approximately \$1 million that the Interim Receiver is advised are being made by the Company to ensure ongoing supply from certain key vendors; and
- The outstanding balance has increased by approximately US\$9 million since the accounts payable were last reported as at September 30, 2024. Approximately US\$5.3 million of the increase relates to professional fees for the Company's investment bankers, legal counsel and CWB's advisors.

The Interim Receiver is advised that Company management holds a call several mornings each week to evaluate and prioritize its disbursements for the week based on available cash and operational requirements. The Interim Receiver understands that due to the constrained liquidity, the selection and approval of payments is done on a somewhat *ad hoc* basis.

- 3. Are the Debtors or the Debtors' Affiliates presently subject to any arrangements with customers whereby customers have provided funding to the Debtors and/or Debtors' Affiliates through advances in exchange for promises of work to be performed? If yes, what information has been provided to the Interim Receiver to substantiate that the Debtors' and Debtors' Affiliates have incurred such obligations in a manner that is reflective of the ordinary course arrangements between the Debtors and the Debtors' Affiliates and their customers?**

The Interim Receiver has not been advised of, or seen evidence of, pre-payments from customers for future work. We understand from discussions with Company management that standard contracts provide for trade discounts on a sliding scale (e.g. ~3% discount for payment within a week, with lower discounts for longer payment periods). We have asked management for a copy of a standard contract to understand the trade discounts in greater detail and are completing further diligence on the Company's contracts, collection terms and project pipeline.

- 4. Have the Debtors and the Debtors' Affiliates provided the Interim Receiver with information confirming that they have the liquidity necessary to**

meet their current customer commitments in the ordinary and proper course of business including by mobilizing work crews as required by existing contracts?

As discussed above, we have not been provided with a liquidity forecast beyond November 8, 2024. We are advised that the Company is making pre-payments to certain key vendors and prioritizing payments on various ongoing contracts to ensure continuity of supply and avoid the risk of repossession of critical equipment.

Begin forwarded message:

From: "Brown-John, Sandra" <sandra.brownjohn@blakes.com>
Date: October 18, 2024 at 2:48:14 PM PDT
To: "Buttery, Mary" <mbuttery@osler.com>, "Paplowski, Emily" <EPaplowski@osler.com>
Cc: "Bychawski, Peter" <peter.bychawski@blakes.com>, "Hutchinson, Joshua" <joshua.hutchinson@blakes.com>
Subject: In the Matter of the Rokstad Group

Good afternoon,

Please see the attached letter from Mr. Bychawski.

Thank you.

Sandra Brown-John (she, her, hers)
Legal Administrative Assistant to Robin Reinertson*, Andrew Kavanagh,
Julianna Altmann, Nicholas Tollefson and Lyann Danielak
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