

COURT FILE NUMBER S-235306
VANCOUVER REGISTRY
ESTATE NO. 11-254535

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE RECEIVERSHIP 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.,
ROKSTAD POWER (EAST), INC., ROKSTAD POWER INC., AND ROKSTAD AIR
LLC**

FIRST REPORT OF THE RECEIVER

DECEMBER 3, 2024

FIRST REPORT OF THE RECEIVER

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INTRODUCTION

1. On November 6, 2024 (the “**Receivership Date**”), FTI Consulting Canada Inc. (“**FTI**”) was appointed as receiver and manager (the “**Receiver**”) without security of all of the assets, undertakings and property (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., Rokstad Power (East), Inc., Rokstad Power Inc., and Rokstad Air LLC (collectively, the “**Debtors**” or “**Rokstad**”), pursuant to an Order of the Honourable Justice Loo (the “**Receivership Order**”) of the Supreme Court of British Columbia (the “**Court**”) pursuant to section 243(1) of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended (the “**BIA**”).
2. Previously, on October 10, 2024 (the “**Interim Receivership Date**”), FTI was appointed as Interim Receiver (in such capacity, the “**Interim Receiver**”) of certain of the Debtors with authorizations to, among other things, exercise control over certain of the Debtors’ Property and all receipts and disbursements arising from such Property.
3. On November 22, 2024, the Receiver obtained an order in the United States Bankruptcy Court for the District of Delaware (the “**US Bankruptcy Court**”) under Chapter 15 of the United States Bankruptcy Code (the “**Chapter 15 Proceedings**”) recognizing the Receivership Proceedings as a foreign main proceeding, recognizing the Receivership Order and granting certain ancillary relief.
4. On December 3, 2024, the Receiver filed a Notice of Application for an order (the “**Increase in Receiver’s Borrowings Order**”) increasing the amount that the Receiver is authorized to borrow under the Receiver’s Certificates from US\$5.0 million to US\$8.0 million.

PURPOSE

5. The purpose of this first report of the Receiver (the “**First Report**”) is to, among other things, provide this Honourable Court and the Debtors’ stakeholders with information with respect to the following:
 - a. the activities of the Receiver since the Receivership Date;
 - b. the Receiver’s interim statement of receipts and disbursements from the Receivership Date to November 29, 2024 (the “**SR&D**”);
 - c. the Receiver’s cash flow forecast (the “**Cash Flow Forecast**”) for the 10-week period ending on February 7, 2025 (the “**Forecast Period**”); and
 - d. the Receiver’s application for the Increase in Receiver’s Borrowings Order.

TERMS OF REFERENCE

6. In preparing this First Report, the Receiver has relied upon audited and unaudited financial information, other information available to the Receiver and, where appropriate, the Debtors’ books and records and discussions with various parties (collectively, the “**Information**”).
7. Except as described in this First 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 Canadian Institute of Chartered Accountants Handbook; and

- b. the Receiver has not examined or reviewed financial forecasts and projections referred to in this First Report in a manner that would comply with the procedures described in the Canadian Institute of Chartered Accountants Handbook.
- 8. Future-oriented financial information reported or relied on in preparing this First Report is based on assumptions regarding future events. Actual results may vary from forecasts and such variances may be material.
- 9. Information and advice described in this Report that has been provided to the Receiver by its legal counsel was provided to assist the Receiver in considering its course of action, is not intended as legal or other advice to, and may not be relied upon by, any other person.
- 10. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

ACTIVITIES OF THE RECEIVER

- 11. Since the Receivership Date, the Receiver has undertaken activities to manage the ongoing operations of Rokstad and administer the receivership estate, including, among other things, the following:
 - a. attending the Debtors' offices in Coquitlam, British Columbia, and Phoenix, Arizona;
 - b. freezing certain of the Debtors' bank accounts, opening up Receiver's estate bank accounts and taking steps to be added as signatories to certain of Rokstad's other operating accounts;
 - c. meeting with the Debtors' senior management including the President and Chief Executive Officer and vice presidents of the various operating divisions to work with the Receiver in contacting key suppliers to ensure their continued supply of goods and service in addition to contacting customers. The Receiver has contacted all major

- customers to advise them of the proceedings and attended meetings with customer executives to discuss the status of the Debtors' ongoing operations;
- d. With the assistance of Rokstad's management, the Receiver has, thus far, been able to successfully:
- i. maintain the continuation of services of the Debtors' critical suppliers;
 - ii. continue with employment of approximately 490 employees located in Canada and the USA; and
 - iii. continue to provide services to Rokstad's major customers. As a result, the Debtors' operations have continued without any material disruptions since the Receivership Date;
- e. preparing the Cash Flow Forecast on a consolidated and divisional basis;
- f. administering accounts payable cheque runs to support the Debtors' ongoing operations;
- g. attending meetings with Stellex in its capacity as senior secured lender to Rokstad and lender of the Receiver's Borrowings;
- h. developing a sales solicitation process which the Receiver intends to seek Court approval of in the coming weeks;
- i. issuing Receiver's Certificates in respect of Receiver's Borrowings advanced by Stellex;

- j. preparing the notice and statement of the Receiver as required under section 245 and 246 of the *BIA* and mailing the notice to all known creditors as well as posting all relevant documents to the Receiver's website;
- k. reviewing Rokstad's insurance coverage and arranging for the Receiver to be added as a loss payee under the relevant policies;
- l. retaining US legal counsel to provide advice with respect to the Chapter 15 Proceedings and other United States legal and restructuring matters;
- m. responding to inquiries from numerous creditors and stakeholders regarding the Receivership Proceedings;
- n. engaging with the Debtors' employees, including approximately 139 employees in Canada and 351 in the United States, through "town hall" information sessions and engagements with the union. The Receiver has been working to address employee concerns regarding the status work visas, eligibility for vacation accrual payout and other matters and is monitoring operational and employee matters on a daily basis; and
- o. evaluating a Complaint filed by Rokstad Holdings against Stellex Capital Management LLC in the United States District Court for the Southern District of New York (the "**New York Complaint**").

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

12. The Receiver's interim statement of SR&D for the period of November 6, 2024 to November 29, 2024 is summarized below:

	<i>Actuals</i>
<i>Rokstad - Cash Flow</i>	<i>Nov-6-24 to</i>
<i>USD Thousands</i>	<i>Nov-29-24</i>
Opening Balance	\$ 2,524
Receipts	
Receiver's Certificate	5,000
Collection of Accounts Receivable	5,721
Other Receipts	1,323
Total Receipts	12,044
Disbursements	
Payroll & Benefits	8,088
Operating Expenses	3,348
Leases	-
Insurance	-
Rent	-
Professional Fees	50
Total Disbursements	11,486
Change in Cash	558
Ending Balance	\$ 3,082

13. A summary of the material categories of receipts are disbursements are discussed below:
- a. Receiver's Certificate relates to amounts in respect of Receiver's Borrowings advanced by Stellex;
 - b. Collection of Accounts Receivables relates to contract receivables on normal course payment terms and, in some cases net of discounts for early payment;
 - c. Payroll & Employee costs relate to ordinary course payroll and remittances, union-related payments and other employee costs;

- d. Operating expenses relate to amounts paid to suppliers and vendors providing services for project needs including equipment rentals; and
 - e. Equipment Lease payments relate to certain payments for equipment leases.
14. The Receiver has incurred obligations in respect of Receiver's fees, legal fees and other commitments that have not yet been paid and are not reflected in the SR&D.

CASH FLOW FORECAST

15. The Receiver has prepared the Cash Flow Forecast to set out the estate's funding requirements for the Forecast Period, a copy of which is attached at Appendix "A". The table below summarizes:
- a. The actual receipts and disbursements from the Receivership Date to November 29, 2024 (referred to as the SR&D);
 - b. The projected immediate cash needs for the period from November 30, 2024 to December 13, 2024 (the "**2-week Cash Needs**"); and
 - c. The cash needs for the remainder of the Forecast Period from December 14, 2024 to February 7, 2025 ("**8-week Cash Needs**").
16. The 2-week Cash Needs plus the 8-week Cash Needs comprise the expected cash needs for the Forecast Period, as set out in the Cash Flow Forecast.

17. A summary of the Cash Flow Forecast is set out in the table below:

	<i>Actuals</i>	<i>2-Weeks</i>	<i>8-Weeks</i>	<i>Total</i>
<i>Rokstad - Cash Flow</i>	<i>Nov-6-24 to</i>	<i>Dec-2-24 to</i>	<i>Dec-20-24 to</i>	<i>Nov-6-24 to</i>
<i>USD Thousands</i>	<i>Nov-29-24</i>	<i>Dec-13-24</i>	<i>Feb-7-25</i>	<i>Feb-7-25</i>
Opening Balance	\$ 2,524	\$ 3,082	\$ 1,810	\$ 2,524
Receipts				
Receiver's Certificate	5,000	3,000	4,000	12,000
Collection of Accounts Receivable	5,721	3,795	26,761	36,277
Other Receipts	1,323	248	1,180	2,752
Total Receipts	12,044	7,044	31,941	51,029
Disbursements				
Payroll & Benefits	8,088	2,938	15,634	26,660
Operating Expenses	3,348	2,386	8,439	14,172
Leases	-	515	1,020	1,535
Insurance	-	2,056	877	2,933
Rent	-	422	836	1,258
Professional Fees	50	-	1,983	2,033
Total Disbursements	11,486	8,316	28,789	48,591
Change in Cash	558	(1,272)	3,152	2,438
Ending Balance	\$ 3,082	\$ 1,810	\$ 4,962	\$ 4,962

18. A summary of the actual and forecast borrowings under the Receiver's Certificates are:
- Receiver's actual borrowing as set out in the SR&D - US\$5.0 million;
 - Receiver's forecast requirements for the 2-week Cash Needs - US\$3.0 million; and
 - Receiver's forecast requirements for the remaining 8-week Cash Needs - US\$4.0 million, for a total US\$12.0 million.
19. The Receiver is currently requesting an increase in the permitted borrowings under the Receiver's Certificates of US\$3.0 million on an urgent basis, which increase will bring the authorized borrowings to US\$8.0 million. The Receiver expects that a further increase in the Receiver's permitted borrowings of US\$4.0 million will be required for the 8-week Cash Needs (for total borrowings of US\$12.0 million), but such increase will not be sought

until the Receiver's upcoming application on December 13, 2024. The additional funding to be requested for the 8-Week Cash Needs will be sufficient to address the peak borrowing requirements during the week ending January 17, 2025, after which the cash position is forecast to improve due to accounts receivable collections, with a forecasted ending cash balance of approximately US\$5.0 million.

20. The Cash Flow Forecast is based on the following key assumptions:
- a. Receipts: based on expected payment date from customers for existing invoices and forecast for scheduled work-in-progress and associated payment terms with customers;
 - b. Payroll and Benefits: based on labor rates by workstream for each of the Debtors' divisions and including most recent available information for storm response work or lump sum projects;
 - c. Operating costs: based on expected project expenses and payments to suppliers for ongoing work based on discussions with management personnel in charge of the various operation divisions;
 - d. Equipment leases: estimated monthly cost of leases per the Debtors' existing lease agreements;
 - e. Rent: monthly occupation rent for the Debtors' lease premises including estimated costs for associated utilities;
 - f. Insurance Cost: the Debtors' insurance was recently renewed and includes a lump-sum payment and monthly premium financing installments thereafter;
 - g. Professional fees relate to the expected costs of the Receiver and the Receiver's US and Canadian counsel; and

h. Taxes: estimate for monthly remittance of GST/HST in Canada.

RECEIVER'S BORROWINGS

21. The Receivership Order authorizes the Receiver to borrow such monies as it deems necessary or desirable from the Debtors' existing secured lenders, Stellex, provided that the outstanding principal amount does not exceed US\$5.0 million. The Receiver's Borrowings advanced by Stellex are secured by the Receiver's Borrowings Charge.
22. As of the date of this Report, the Receiver has borrowed the full authorized amount of US\$5.0 million. These funds are being used to administer the receivership estate and to continue the Debtors' operations in the normal course until the Receiver can undertake a sale process and complete a going concern transaction for the benefit of stakeholders.
23. As reflected in the Cash Flow Forecast, the Receiver is required to make certain critical payments, including with respect to payroll and employee costs, during the week ending December 6, 2024. However, due to the uncertainty regarding the timing for receipt of forecast receipts reflected in the Cash Flow Forecast, and specifically as set out in the 2-week Cash Needs, the Receiver is concerned that, absent an increase to the authorized Receiver Borrowings, the Receiver may not be able to meet payroll and make other critical payments (including insurance expenses) this week. Accordingly, the Receiver is seeking an increase in the permitted borrowings from US\$5.0 million to US\$8.0 million.
24. The Receiver's comments with respect to its application for the Increase in Receiver's Borrowings Order are as follows:
 - a. The increase will ensure the Receiver is able to pay employee payroll, insurance premiums and other critical payments in the event that collections during the week ending December 6, 2024 are lower or collected later than forecast;

- b. The Cash Flow Forecast indicates that the requested increase of US\$3.0 million will be sufficient to meet the estate's funding requirements through the next scheduled Court application on December 13, 2024 and will provide for any potential unfavourable variances in forecast receipts during this period. As discussed above, an application for a further increase in the borrowings under the Receiver's Certificates will be made on December 13, 2024; and
- c. The Cash Flow Forecast has been shared with Stellex and Stellex has confirmed its willingness to increase the maximum amount of funding available to the Receiver to US\$8.0 million, subject to investment committee approvals and the approval of this Honourable Court.

CONCLUSIONS AND RECOMMENDATIONS

- 25. The Receiver requires an increase to the permitted borrowings under the Receivership Order on an urgent basis to ensure that employees and certain key suppliers continue be paid in the normal course and ongoing operations are preserved, to the benefit of all stakeholders.
- 26. Based on the forgoing, the Receiver respectfully recommends that this Honourable Court grant the Increase in Receiver's Borrowings Order.
- 27. The Receiver plans to file a further report in the coming days in support of its application for orders providing, among other things:
 - a. Authorization of a further increase in the allowed borrowings under the Receiver's Certificates to US\$12 million;
 - b. Approval of a settlement anticipated to be entered by the Receiver with Stellex Capital Management LLC of the New York Complaint and authorization for the Receiver to take such steps as may be necessary to implement such settlement;

c. Approval of sale solicitation procedures; and

d. Approval of a key employee retention plan.

All of which is respectfully submitted this 3rd day of December 2024.

FTI Consulting Canada Inc.
in its capacity as Receiver of Rokstad



Tom Powell
Senior Managing Director



Deryck Helkaa
Senior Managing Director

First Report of FTI Consulting Canada Inc.,
In its capacity as Receiver of Rokstad

Appendix “A” – Cash Flow Forecast

Rokstad - Cash Flow \$ USD Thousands	Actuals	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total
	Nov-6-24 to Nov-29-24	Dec-2-24 to Dec-13-24	Dec-20-24	Dec-27-24	Jan-03-25	Jan-10-25	Jan-17-25	Jan-24-25	Jan-31-25	Feb-07-25	Nov-6-24 to Feb-7-25	
	Opening Balance	\$ 2,524	\$ 3,082	\$ 1,810	\$ 1,730	\$ 1,626	\$ 1,550	\$ 2,877	\$ 1,851	\$ 2,926	\$ 5,995	\$ 2,524
Receipts												
Receiver's Certificate	5,000	3,000	2,000	-	-	2,000	-	-	-	-	-	12,000
Collection of Accounts Receivable	5,721	3,795	3,128	3,302	3,018	1,856	2,979	3,187	6,848	2,442	36,277	
Other Receipts	1,323	248	-	755	289	-	-	-	-	137	2,752	
Total Receipts	12,044	7,044	5,128	4,057	3,306	3,856	2,979	3,187	6,848	2,579	51,029	
Disbursements												
Payroll & Employee Costs	8,088	2,938	3,975	1,345	1,150	1,337	3,525	1,444	1,429	1,429	26,660	
Operating Expenses	3,348	2,386	577	2,816	865	640	479	669	1,840	552	14,172	
Leases	-	515	-	-	511	-	-	-	509	-	1,535	
Insurance	-	2,056	-	-	439	-	-	-	-	439	2,933	
Rent	-	422	-	-	418	-	-	-	-	418	1,258	
Professional Fees	50	-	656	-	-	553	-	-	-	774	2,033	
Total Disbursements	11,486	8,316	5,208	4,161	3,382	2,530	4,004	2,113	3,779	3,612	48,591	
Operating Cash Flows	558	(1,272)	(80)	(104)	(76)	1,327	(1,025)	1,075	3,069	(1,033)	2,438	
Ending Balance	\$ 3,082	\$ 1,810	\$ 1,730	\$ 1,626	\$ 1,550	\$ 2,877	\$ 1,851	\$ 2,926	\$ 5,995	\$ 4,962	\$ 4,962	