

COURT FILE NUMBER 1501-15223
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
PLAINTIFF CENTURY SERVICES LP by its general partner
CENTURY SERVICES INC.
DEFENDANT CHRIS MECHANICAL SERVICES LTD.,
DUFFY BUILDING CORPORATION AND
DUFFY HOLDINGS LTD.
DOCUMENT THIRD REPORT OF FTI CONSULTING
CANADA INC., IN ITS CAPACITY AS COURT
APPOINTED RECEIVER AND MANAGER OF
CHRIS MECHANICAL SERVICES LTD.,
DUFFY BUILDING CORPORATION AND
DUFFY HOLDINGS LTD.

July 21, 2017

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RECEIVER'S THIRD REPORT

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INTRODUCTION

1. On December 18, 2015 (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**”) of Chris Mechanical Services Ltd. (“**Chris Mechanical**”), Duffy Building Corporation and Duffy Holdings Ltd. (collectively the “**Company**”) pursuant to an Order of this Honourable Court (the “**Receivership Order**”).
2. The plaintiff in these receivership proceeding is Century Services LP, by and through its general partner Century Services Inc. Subsequent to the Date of Appointment as part of an internal re-organization Century Services LP by its general partner Century Services Inc. assigned all of the Century Security and all of the indebtedness owed to it by the Company to Century Services Corp. (“**Century**”).
3. The Receivership Order authorized the Receiver, among other things, to take possession of and exercise control over the Property, carry on the business of the Company and to make such arrangements or agreements as deemed necessary by the Receiver.
4. The Receiver’s reports and other publicly available information in respect of these proceedings (the “**Receivership Proceedings**”) are posted on the Receiver’s website at <http://cfcanada.fticonsulting.com/chrismechanicalservices>.
5. The purpose of this report (the “**Third Report**”) is to inform the Court as to the following:
 - (a) the status of various aspects of the Receivership Proceedings including the Receiver’s activities since the Receiver’s Second Report dated February 17, 2017;

- (b) a summary of the Receiver's receipts and disbursements since the Date of Appointment; and
 - (c) a summary of the Receiver's final administrative tasks relating to this receivership.
6. The Receiver is requesting the following relief from this Honourable Court:
- (a) an order approving the activities of the Receiver since the Receiver's Second Report;
 - (b) approval of the Century Final Distribution;
 - (c) approval of the Receiver's receipts and disbursements from the Date of Appointment;
 - (d) approval of the fees and expenses of the Receiver and the Receiver's Counsel (as defined below);
 - (e) authorization for the Receiver to destroy the Company's remaining books and records (the "**Books and Records**") if not claimed by the former directors of the Company by September 15, 2017; and
 - (f) discharge of the Receiver and termination of the Receivership Proceedings upon the completion of the Receiver's remaining administrative tasks relating to this receivership.

TERMS OF REFERENCE

7. In preparing this Third Report, the Receiver has relied upon unaudited financial information, other information available to the Receiver and, where appropriate, the Books and Records and discussions with various parties (collectively, the "**Information**").

8. 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 Canadian Institute of Chartered Accountants Handbook; and
 - (b) the Receiver has not examined or reviewed financial forecasts and projections referred to in this Third Report in a manner that would comply with the procedures described in the Canadian Institute of Chartered Accountants Handbook.
9. 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.
10. The Receiver has prepared this Third Report in connection with the Receiver's application for, amongst other things, the granting of a Discharge Order scheduled for July 31, 2017. This Third Report should not be relied on for other purposes.
11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined are as defined in the Receiver's First and Second Reports and/or the Receivership Order.

CURRENT STATUS OF RECEIVERSHIP PROCEEDINGS

Correspondence with Miles Davison LLP

12. The Receiver has not received any further communications from Miles Davison LLP since delivering its letter to Miles Davison LLP dated January 18, 2017 responding to various questions related to the Receivership Proceedings asked of it by Miles Davison LLP on behalf of Mr Hickey.

SR&ED Claims

13. At the date of the Second Report, the Receiver was still working to collect \$187,000 in Scientific Research and Experimental Development claims (“SR&ED Claims”) relating to 2014 provincial SR&ED amounts. This amount has now been collected by the Receiver.
14. The Receiver has collected all of the SR&ED Claim amounts relating to 2014 and 2015, totaling \$767,261, and does not expect any further amounts to be received.

Accounts Receivable

15. Since the date of its Second Report, the Receiver has not been able to collect any further accounts receivable amounts. As of the date of this Third Report, the Receiver has collected a total of \$58,413.90 in accounts receivable (the “**AR Collections**”) and believes that no other accounts receivable are recoverable.
16. Since the Second Report, the Receiver has distributed the AR Collections to the secured parties, WEPPA and 1784761 Alberta Ltd. (“**178 AB**”), as set out in the Second Report. Of the \$58,413.90 in Collected AR, \$33,273.80 was distributed to WEPPA for their Super Priority WEPPA Claim and the remaining \$23,140.10 was distributed to 178 AB as per the Master Factoring Agreement, GSA and Inter-Creditor Agreement.

Sale of CMS Building

17. On March 8, 2017, the Receiver and Century closed the sale of the CMS Building to Century. Since the closing of the sale, the Receiver has transferred ownership of all CMS Building records to Century and moved the Books and Records to an off-site storage facility.

Remaining Auction Proceeds

18. In the Second Report, the Receiver discussed two items, a barbeque and snow blower, which were accidentally auctioned off during the Chris Mechanical Auction. At the time of the Second Report, the Receiver had not received proof of ownership for these items and was holding the proceeds (the “**Withheld Proceeds**”) until proof of ownership was presented. At the date of this report, the Receiver is still holding the Withheld Proceeds as it has not received proof of ownership. As a result, the Receiver intends to distribute the Withheld Proceeds to Century according to their security over the Chris Mechanical Equipment.

Final Administrative Matters

19. With the closing of the sale of the CMS Building, the Receiver’s has now completed all operational tasks relating to the Receivership Proceedings and has realized on all of the Company’s assets which it believes have material value.
20. The Receiver has completed the distribution of all sale proceeds and amounts collected through the Receivership to date, with the exception of approximately \$24,000 (“**Holdback Funds**”), which will be used for the remaining administrative tasks and to pay accrued but unpaid professional fees.
21. Following the completion of the final administrative tasks the Receiver proposes to distribute any amounts remaining from the Holdback Funds, to Century (the “**Century Final Distribution**”) without further approval from this Honourable Court. The Century Final Distribution will not exceed the total debt owed to Century.
22. After July 31, 2017, the Receiver’s only remaining administrative tasks will be the following:
 - (a) final dealings with the Books and Records as discussed herein;

- (b) closing Company and Receivership accounts;
- (c) completing GST returns;
- (d) the payment of final professional fee invoices;
- (e) attending to requests from the Canada Revenue Agency (“**CRA**”) with respect to examining Receivership period GST filings. On July 10, 2017 the Receiver received notice from the CRA advising that they selected the GST filings for the month of May 2017 to be examined. On July 20, 2017 the Receiver responded to the CRA providing the information requested by the CRA to complete their examination. As at the date of this Third Report the CRA has not completed their review of the information provided however the Receiver does not expect any material adjustments to the post receivership GST filings as a result of the examination. Furthermore, the Receiver notes that May 2017 was relatively immaterial from a GST perspective as there were no ongoing operations that would have given rise to GST collections; and
- (f) completing and filing statutory reports with the office of the superintendent in respect of the Receiver’s discharge. (collectively the “**Remaining Tasks**”).

SUMMARY OF RECEIPTS AND DISBURSEMENTS

23. Receipts and Disbursements from the Date of Appointment to July 21, 2017 are summarized below:

Schedule of Receipts and Disbursements	
As of July 21, 2017	
Receipts	
Net Proceeds from Sale of Assets	1,230,205
SR&ED	767,261
AR Collections	58,414
Receiver's Certificate	50,000
Other Receipts	14,127
Opening Cash	8,446
Bank Charges	926
Total - Receipts	2,129,379
Disbursements	
Operating Expenses	(7,757)
Employee Costs	(52,602)
SR&ED Consultants	(140,427)
Utilities	(26,705)
Property Taxes	(156,329)
Insurance	(44,064)
GST/PST Paid & Remitted	(6,077)
Receiver's Fees	(206,448)
Legal Fees	(101,166)
Trustee's Fees	(5,000)
Distribution of AR Collections	(58,414)
Distribution to Secured Creditor	(1,300,000)
Total - Disbursements	(2,104,988)
Net Cash on Hand	24,391

- (a) Net Proceeds from Sale of Assets – amounts received from the sale of the Chris Mechanical Equipment and Chris Mechanical IP. These are the net amounts from the sales as the payments to the Receiver were net of costs and auctioneer fees;
- (b) SR&ED –refundable tax credits received from the provincial and federal governments relating to the SR&ED Claims;

- (c) AR Collections – accounts receivable amounts collected by the Receiver;
- (d) Receiver Certificate – amounts borrowed in accordance with the terms of the Receivership Order;
- (e) Other Receipts – miscellaneous amounts collected as refunds from Company vendor accounts in a credit position;
- (f) Opening Cash – funds available in Chris Mechanical’s bank accounts at the time of the receivership. The Receiver froze these accounts and transferred the funds to the Receiver’s bank account in accordance with the terms of the Receivership Order;
- (g) Operating Costs – costs incurred relating to general operations of the company (ie. copier rentals, necessary office supplies, etc.);
- (h) Employees Costs – costs, including wages, government remittances, and payroll service charges, relating to the re-hiring by the Receiver of a number of former Chris Mechanical employees to assist with the administration of the estate of the Company;
- (i) SR&ED Consultants – costs relating to consultants hired to complete and file the SR&ED Claims;
- (j) Utilities – costs incurred relating to the operating costs of the CMS Building;
- (k) Property Taxes – amounts paid to the City of Calgary in respect of property taxes related to the CMS Building for the calendar years 2015 and 2016;
- (l) Insurance – costs incurred relating to the Chris Mechanical commercial insurance and employee benefits;

- (m) GST Paid & Remitted– GST amounts paid, received and remitted during the Receivership Proceedings;
- (n) Receiver’s Fees – Receiver’s fees and disbursements in respect of the Receivership Proceedings;
- (o) Legal Fees – Receiver’s counsel’s fees and disbursements in respect of the Receivership Proceedings;
- (p) Trustee’s Fees – amounts distributed to Trustee for administration of bankruptcy proceedings for Chris Mechanical;
- (q) Distribution of AR Collections – amounts distributed to WEPPA and 178 AB in relation to their security for accounts receivable collected by the Receiver; and
- (r) Distribution to Secured Creditor – amounts paid to Century in relation to the Auction Approval and Vesting Order.

24. As at July 21, 2017 the Receiver holds approximately \$24,390.69 in cash on hand.

PROFESSIONAL FEES

- 25. Invoices rendered by the Receiver from the Date of Appointment to June 30, 2017 total \$206,448 exclusive of GST (the “**Receiver’s Fees**”). The accounts will be made available upon request.
- 26. The Receiver anticipates issuing a final invoice in an amount not to exceed \$12,500 (the “**Receiver’s Final Fees**”) in connection with work completed through July 2017, and additional time attending to the discharge application and final administrative matters including the issuance of final distributions and destruction of the Books and Records.

27. Invoices rendered by the Receiver's Counsel from the Date of Appointment to June 30, 2017 total \$101,166 exclusive of GST (the "**Receiver's Counsel Fees**"). The accounts will be made available upon request.
28. The Receiver's Counsel anticipates issuing a final invoice in an amount not to exceed \$10,000 ("**Receiver's Counsel's Final Fees**") in connection with unbilled work completed in July 2017, plus additional time attending to final administrative matters.
29. The Receiver is of the opinion that the Receiver's Fees and the Receiver's Counsel's Fees are appropriate and reasonable in the circumstances.

BOOKS AND RECORDS

30. The Books and Records are currently located at an offsite storage facility. The Receiver is seeking this Honourable Court's authorization to destroy the Books and Records unless they are claimed by former directors of the Company by September 15, 2017. The Receiver proposes to notify the directors of its intention to destroy the Books and Records by way of email to Miles Davison LLP and to Mr. Hickey, as well as by letter delivered to each director of the Company at their address listed with Alberta Corporate Registries, all to be sent by August 2, 2017.

TERMINATION OF RECEIVERSHIP PROCEEDINGS

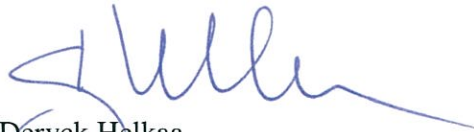
31. As described earlier in this Third Report, with the exception of the Remaining Tasks, the Receivership Proceedings are complete. Accordingly, the Receiver is seeking an Order terminating the Receivership Proceedings and discharging the Receiver upon the Receiver filing a Certificate confirming that it has completed the Remaining Tasks.

RECEIVER'S RECOMMENDATIONS

32. The Receiver respectfully requests that this Honourable Court grant an Order, *inter alia*:
- (a) approving the Receiver's actions and conduct as reported in the Third Report;
 - (b) approving the Receiver's schedule of receipts and disbursements;
 - (c) authorizing the destruction of the Company's books and records if not claimed by the former directors of the Company by September 15, 2017
 - (d) approving the Receiver's Fees, the Receiver's Final Fees, the Receiver's Counsel's Fees and the Receiver's Counsel's Final Fees; and
 - (e) discharging the Receiver.

All of which is respectfully submitted this 21st day of July, 2017.

FTI Consulting Canada Inc. in its capacity as receiver
and manager of the assets undertakings and
properties Chris Mechanical Services Ltd.,
Duffy Building Corporation and Duffy
Holdings Ltd.



Deryck Helkaa
Senior Managing Director



Dustin Olver
Managing Director