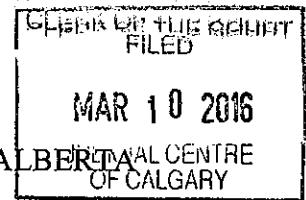


COURT FILE NUMBER 1501-15223  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
PLAINTIFF CENTURY SERVICES LP by its general partner  
CENTURY SERVICES INC.  
DEFENDANT CHRIS MECHANICAL SERVICES LTD.,  
DUFFY BUILDING CORPORATION AND  
DUFFY HOLDINGS LTD.  
DOCUMENT FIRST REPORT OF 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.



**March 8, 2016**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

**RECEIVER'S COUNSEL**

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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., Duffy Building Corporation and Duffy Holdings Ltd. (collectively “**CMS Group**” or the “**Company**”) pursuant to an Order of this Honourable Court (the “**Receivership Order**”).
2. 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.
3. 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>.
4. The purpose of this report (the “**First 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 Date of Appointment;
  - (b) A summary of the Receiver’s receipts and disbursements since the Date of Appointment; and
  - (c) Outline the process undertaken by the Receiver and the Receiver’s recommendation with respect to selecting a selling agent to auction Chris Mechanical’s Equipment as defined below.
5. The Receiver is requesting the following relief from this Honourable Court:

- (a) An order authorizing the Receiver to sell the Chris Mechanical Equipment by way of public auction, pursuant to the terms of an auction agreement between the Receiver and Hilco Acquisitions Canada, ULC (“**Hilco**”) dated February 26, 2016 (the “**Auction Agreement**”); and
- (b) An order approving a distribution of net auction proceeds to Century Services Corp. (“**Century**”).

## **TERMS OF REFERENCE**

- 6. In preparing this First 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**”).
- 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 variations may be material.

9. The Receiver has prepared this First Report in connection with the Receiver's Application scheduled for March 18, 2016. This First Report should not be relied on for other purposes.
10. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined are as defined in the Receivership Order, and application materials filed in the Receivership Proceedings.

## **BACKGROUND**

### **Corporate Structure**

11. The Company is a machine shop focused on well servicing machinery for the oil and gas industry around the world. The Company designs and builds oil field service equipment including flush-by and coil tubing units.
12. Chris Mechanical Services Ltd. ("**Chris Mechanical**") is the parent company and has two subsidiaries, Duffy Building Corporation ("**Duffy Building**") and Duffy Holdings Ltd. ("**Duffy Holdings**").
  - (a) Chris Mechanical is the operating entity for the Company. At the Date of Appointment Chris Mechanical had 18 employees; 4 engineers, 4 machinists, 1 quality control inspector, 3 accountants, 1 director of communications, 1 IT expert, 1 receptionist and 1 French translator. Chris Mechanical owns all of the CMS Group's assets except the real estate;
  - (b) Duffy Building owns the real estate as described below and has no employees; and
  - (c) Duffy Holding has no assets, no liabilities and no employees.

## Assets

13. The following provides a summary of CMS Group's assets:
- (a) Real estate - industrial machine shop (12,089 sq. ft.), office space (5,820 sq. ft.) and fenced yard on 2 acres of land ("**CMS Building**");
  - (b) Chris Mechanical owns equipment and inventory consisting of several pieces of heavy oil field service equipment (two coil-tubing units, two flush-by units), a number of partially built injector units, machine shop equipment and various shop tools, parts and supplies (collectively "**Chris Mechanical Equipment**");
  - (c) At the Date of Appointment Chris Mechanical had reported outstanding accounts receivable of \$1,150,000 ("**AR**"); and
  - (d) Potential scientific research and experimental development claims ("**SR&ED Claims**").

## Liabilities

14. The following provides a high level summary of Chris Mechanical's major liabilities:
- (a) Century - \$5,633,099 million loan as of November 30, 2015 plus accruing interest ("**Century Loan**"). The Century Loan is secured by:
    - General Security Agreement (the "**GSA**") executed by Chris Mechanical;
    - Promissory note ("**Promissory Note**") issued by Chris Mechanical;

- Guarantees from Duffy Holdings and Duffy Building ;
- General Security Agreements executed by Duffy Building and Duffy Holdings;
- Collateral Mortgage in the principal amount of \$5,543,500 over the CMS Building granted by Duffy Building ;

(collectively the “**Century Security**”)

- (b) 1784761 Alberta Ltd. (“**178 AB**”) - \$873,773 owing related to an AR factoring facility between Chris Mechanical and 178 AB. 178 AB and Century have an inter-creditor agreement which gives 178 AB a first priority charge over Chris Mechanical’s AR (the “**Inter-Creditor Agreement**”).
- (c) Unsecured Creditors – approximately \$6.1 million owing to unsecured creditors of which approximately \$2.3 million is owing to directors or related parties.

## **RECEIVER’S ACTIVITIES**

### **Custody and Control**

15. The Receiver advises that the Company’s operations occur at the CMS Building located at 10403 – 50<sup>th</sup> St. SE Calgary, AB.

16. On the Date of Appointment, a Friday afternoon, the Receiver travelled to the CMS Building to inform employees of the Receivership. However, by the time the Receiver was able to get to the CMS Building all employees had left for the weekend. The Receiver did a walk around of the CMS Building to ensure all doors were locked and there was no way to gain access to the CMS Building. The Receiver also noted the presence of exterior security cameras as an added security measure.
17. On Monday December 21, 2015, the Receiver returned to the CMS Building first thing in the morning hold meetings with Chris Mechanical management. The purpose of these meetings was to present a copy of the Receivership Order, explain the Receivership Proceedings and discuss the status of operations to determine which employees would be necessary through the Receivership Proceedings.
18. On December 21, 2015, in accordance with the Receivership Order, the Receiver froze the Company's bank accounts and transferred the remaining funds to the Receiver's trust account at Scotia Bank.

## **WEBSITE AND RECEIVER CONTACTS**

19. The Receiver has established a website respecting the Receivership Proceedings at <http://cfcanada.fticonsulting.com/chrismechanicalservices>, on which the Receiver will post periodic updates on the progress of the Receivership Proceedings, together with copies of court orders, motion materials and reports filed in the Receivership. The Receiver posted its Calgary office contact information including its phone number 403-454-6035, for which creditors, employees, interested parties and other stakeholders can use to contact the Receiver.



## ACCOUNTS RECEIVABLE

20. Since the Date of Appointment, the Receiver has made attempts to collect the AR. According to the Company's records Chris Mechanical had approximately \$1.15 million of AR on the Date of Appointment. Neither Duffy Holdings, nor Duffy Building had any receivables, owing on the Date of Appointment.
21. The Receiver reviewed the list of AR and discussed it with former management and noted that several receivables were not collectible as the services had never been performed and therefore should not have been recorded in the AR list.
22. After discussions with management the Receiver identified certain receivables it believed may be collectible and sent out letters ("**Collection Letters**") to demand payment of these amounts to Chris Mechanical. Additionally, to date the Receiver has received various responses to the Collection Letters and from other customers which indicate that approximately \$640,000 of the AR is uncollectable as Chris Mechanical did not complete or deliver the work related to the receivables. To date the Receiver has collected \$55,665. The Receiver is continuing to follow up on the AR list.

## EMPLOYEES

23. The Receiver met with all employees of Chris Mechanical on December 21, 2015 at the CMS Building. All employees were notified that effective immediately their employment was terminated with Chris Mechanical. All employees were given a termination letter which provided them with the Receiver's website, their rights with respect to the Wage Earner Protection Program Act ("**WEPPA**") and the Receiver's contact details.

24. At the Date of Appointment the Receiver determined 4 employees were necessary to assist with the completion of Chris Mechanical's 2015 tax filings, SR&ED Claim and collecting outstanding AR during the Receivership Proceedings (the "**Unfinished Business**"). Accordingly, these employees (the "**Re-Hired Employees**") were hired back by the Receiver to assist on an hourly, as needed basis.
25. The Receiver has since terminated the Re-Hired Employees after they had completed the Unfinished Business.

## **INSURANCE**

26. The Receiver contacted CMS Group's insurance provider, Rigby Insurance, to amend the Company's existing insurance policies to reflect the Receiver's interest in the Property, to review the adequacy of the insurance and to discuss the current status of the insurance coverage.
27. The Receiver has continued the Company's commercial insurance policy until September 2016 and extended its vehicle policy until February 2017.

## **CLAIMS UNDER SECTION 81.1 OF THE BIA ("30-DAY GOODS CLAIMS")**

28. The Receiver received two small 30-day good claims pursuant to section 81.1 of the BIA. One of these was disallowed by the Receiver and the disallowance was not appealed. The other is determined by the Receiver to be a valid claim and the items have previously been returned to the owner.

## STATUTORY COMPLIANCE

29. On December 22, 2015, the Receiver mailed its notice and statement of affairs in accordance with subsection 245(1) and 246(1) of the Bankruptcy and Insolvency Act to the Superintendent of Bankruptcy and to all known creditors of the Company.
30. The Receiver notified Canada Revenue Agency (“CRA”) of the Receiver’s appointment and established new remittance accounts for the goods and sales tax and employee source deduction obligations arising subsequent to the Date of Appointment.
31. The Receiver notified the Workers Compensation Board (“WCB”) of the Receiver’s appointment and established new accounts for obligations arising subsequent to the Date of Appointment.

## WEPPA

32. In accordance with WEPPA, the Receiver provided the required WEPPA information to individuals on January 5, 2016.
33. The Receiver also posted information pertaining to WEPPA on its website.

34. Since the Date of Appointment, the Receiver administered WEPPA applications for the former Chris Mechanical employees. The Receiver received claims from 21 former Chris Mechanical employees totaling \$213,724 (“**Employee Claims**”). The Employee Claims related to unpaid wages, vacation pay and severance/termination pay. By January 13, 2016 the Receiver had completed all WEPPA applications for former employees who had made a valid claim and who were eligible to make a claim under WEPPA. In total the Receiver entered 20 WEPPA claims with Service Canada. Certain Employee Claims were greater than the maximum payout limit of \$3,548 (after Service Canada deductions) (“**WEPPA Limit**”) therefore Service Canada pays the former employees the lesser of the employee’s total claim or the WEPPA Limit. To date Service Canada has notified the Receiver that 17 of the Employee Claims have been paid totaling \$56,494.

## **SR&ED CLAIMS**

35. Shortly after the Date of Appointment, the Receiver met with Catalyst Group (“**Catalyst**”), who was Chris Mechanical’s external accountant, and Business Improvement Group (“**BIG**”) to discuss Chris Mechanical’s eligibility for filing SR&ED Claims. It was determined that Chris Mechanical was likely eligible for SR&ED reimbursements for the years 2014 and 2015. Chris Mechanical had not completed its financial statements or filed corporate taxes for 2014 or 2015, both of which would be required in order to make the SR&ED Claims. To apply for the SR&ED Claims the Receiver retained Catalyst and BIG to assist in compiling, completing and filing the SR&ED Claims for 2014 and 2015.
36. The Receiver, with the assistance of Catalyst and BIG, is in the process of finalizing the SR&ED Claims.
37. The Receiver will report back to this Honourable Court with a further update with respect to the SR&ED Claims in a subsequent report.

## SUMMARY OF RECEIPTS AND DISBURSEMENT

38. Receipts and Disbursements from the Date of Appointment to March 4, 2016 are summarized as follows:

<b>Schedule of Receipts and Disbursements</b>	
As of March 4, 2016	
Receipts	
Receiver's Certificate	50,000
Opening Cash	8,446
AR Collections	53,305
GST Collected	2,360
Other Receipts	28
<b>Total - Receipts</b>	<b>114,139</b>
Disbursements	
Operating Costs	(2,789)
Employee Costs	(45,233)
Utilities	(3,024)
Insurance	(9,970)
Other Disbursements	(196)
<b>Total - Disbursements</b>	<b>(61,211)</b>
<b>Net Cash on Hand</b>	<b>52,928</b>

- (a) Receiver Certificate – amounts borrowed in accordance with the terms of the Receivership Order;
- (b) Opening Cash – funds available in Chris Mechanical's bank accounts at the Date of Appointment. The Receiver froze these accounts and transferred the funds to the Receiver's bank account in accordance with the terms of the Receivership Order;
- (c) AR Collections – amounts received as a result of the Collection Letters;
- (d) GST Collected – on AR collections;

- (e) Operating Costs – costs incurred relating to general operations of the Company (ie. Copier rentals, necessary office supplies);
  - (f) Employees Costs – costs relating to Re-Hired Employees’ salaries, government remittances and payroll service charges;
  - (g) Utilities – costs incurred relating to the operating costs of the CMS Building;
  - (h) Insurance – costs incurred relating to the CMS commercial insurance and employee benefits; and
  - (i) Other Disbursements – miscellaneous costs relating to the Receivership Proceedings (ie. fees to the Official Receiver, bank charges and taxes paid).
39. As at March 4, 2016 the Receiver holds \$52,928 in cash on hand (the “**Cash in Hand**”).

#### **SALE OF CHRIS MECHANICAL EQUIPMENT**

40. Given the nature of the Chris Mechanical Equipment, the Receiver concluded that the most efficient and effective way of realizing on the Chris Mechanical Equipment was through a liquidation auction conducted by a professional liquidator as agent for the Receiver. This will ensure full exposure to the market.
41. To that end, the Receiver contacted 5 liquidators and requested that they submit proposals for the liquidation of the Chris Mechanical Equipment by no later than February 12, 2016. One liquidator declined to participate and another observed the Chris Mechanical Equipment however declined to put in a proposal. Three proposals were received by the deadline (the “**Proposals**”).

42. A summary of the Proposals has been prepared by the Receiver and has been designated as confidential Appendix A to this report. The Receiver is of the view that disclosure of the financial terms of the Proposals may be detrimental to the realization process and is therefore seeking a Sealing Order in respect of Appendix A. Accordingly, Appendix A has not been attached hereto, pending the Court's decision on the Receiver's request.
43. The Receiver assessed the three Proposals based on their terms and projected recovery to the Receiver under various assumptions of gross proceeds of realization. The Proposals were comparable in terms of potential recoveries, but the proposal submitted by Hilco provided the highest net minimum guarantee which would protect the downside risk to the auction while leaving the potential for upside. Accordingly, the Receiver proceeded to negotiate the Auction Agreement with Hilco which is conditional on approval by this Honourable Court. The Auction Agreement, a copy of which is attached hereto as Appendix B with the financial terms redacted, was executed on February 26, 2016. The Receiver is of the view that disclosure of the financial terms of the Auction Agreement may be detrimental to the realization process and is therefore seeking a Sealing Order in respect of the un-redacted Auction Agreement.
44. The Receiver is of the view that approval and implementation of the Auction Agreement will provide for the most efficient and effective method of realizing on the Chris Mechanical Equipment. Accordingly, the Receiver seeks approval of this Honourable Court to sell the Chris Mechanical Equipment by way of public auction in accordance with the terms of the Auction Agreement. The Order sought by the Receiver approving the Auction Agreement also vests the Chris Mechanical Equipment in their purchaser(s) free and clear of any claims or encumbrances.

## SECURED AND PRIORITY CLAIMS

45. 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.

### CENTURY SECURITY

46. Subsequent to the Date of Appointment, 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 pursuant to an acknowledgement agreement dated December 21, 2015.
47. The Century Security has been reviewed by the Receiver's counsel who has advised that the security creates a valid security interest in favour of Century in the right, title and interest of the Company in its real and personal property.
48. In consultation with the Receiver's counsel, based upon the foregoing security review and a review of Personal Property Registry searches respecting the Company and the Inter-Creditor Agreement, the Receiver is seeking court approval to make an interim distribution ("**Century Interim Distribution**") of the proceeds from the sale of the Chris Mechanical Equipment, net of standard deductions relating to the sale, to Century less an amount to be held back by the Receiver, in its sole discretion, in order to complete remaining administrative tasks in the Receivership Proceedings. The Century Interim Distribution shall not exceed the total debt owed to Century.



### **WEPPA CLAIMS**

49. As described above the Receiver coordinated the filing of WEPPA claims on behalf of the former employees of Chris Mechanical. A certain portion of the WEPPA claims paid out by Service Canada are granted a Super Priority charge of up to \$2,000 per employee over current assets pursuant to section 81.3(1) of the *Bankruptcy and Insolvency Act*. With the WEPPA claims paid out the Receiver calculates that this claim will likely be approximately \$33,274 (“**Super Priority WEPPA Claim**”) would fall under section 81.3 (1). However the Receiver has not yet received an official claim finalizing this amount. The Receiver is awaiting further documentation from WEPPA to establish its claim and has served Service Canada with this First Report. The receiver holds sufficient assets, including the Cash in Hand, to satisfy the potential Super Priority WEPPA Claim.

### **178 AB**

50. 178 AB has security over the AR however this would rank subordinate to the Super Priority WEPPA Claim. The Receiver is not contemplating a distribution to 178 AB at this time as its counsel has not yet reviewed the validity and enforceability of 178 AB’s security. The Receiver will continue its efforts to collect receivables and report back to this Honourable Court with a further update related to AR collections and 178 AB.


### **RECEIVER’S RECOMMENDATIONS**

51. The Receiver respectfully requests that this Honourable Court grant an Order:


- (a) Approving the Hilco Auction Agreement;
- (b) Approving the sale of the Chris Mechanical Equipment by way of public auction; and
- (c) Approving the Century Interim Distribution.

All of which is respectfully submitted this 8<sup>th</sup> day of March, 2016.

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

# Confidential Appendix A

## Summary of Auction Proposals

# Appendix B

Redacted Auction Agreement

**OFFER-GUARANTEE NMG  
CHRIS MECHANICAL SERVICES LTD.  
(IN RECEIVERSHIP)  
(REFERRED TO AS THE "COMPANY" OR  
CHRIS MECHANICAL SERVICES LTD.)**

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To: FTI Consulting Canada Inc. Canada Inc. in its capacity as Receiver of CHRIS MECHANICAL SERVICES LTD. and not in its personal capacity (the "Receiver")  
Suite 720, 440 2nd Ave S.W  
Calgary, Alberta T2P 5E9

Attention: Jamie Engen

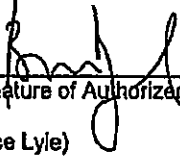
1. Hilco Acquisitions Canada, ULC (the "Offeror")
  2. 770 Brown's Line, Unit #102, Toronto, Ontario M8W 3W2 (Address of Offeror)
  3. 416. 252. 1955 (Phone number)                      Blyle@hilcoglobal.com                      416. 251.1955 (Fax number or email address)
  4. Bruce Lyle (Person to be contacted)
  5. The Offeror hereby offers (the "Offer") to conduct an auction of the assets of Chris Mechanical Services Ltd. based upon the following compensation structure:
    - a. the amount of [REDACTED] (the "Net Minimum Return") shall be payable to the Receiver by the Offeror even if the proceeds from the auction are less than the Net Minimum Return, and payment of the Net Minimum Return will be satisfied as follows:
      - i. on the Auction Closing Date, the amount [REDACTED] representing the Net Minimum Return less the Deposit, shall be paid by the Offeror to the Receiver by certified cheque made payable to the Receiver or by wire transfer to an account specified, in writing, by the Receiver; and
    - b. on the Auction Closing Date, any portion of the proceeds from the auction which is:
      - i. greater than [REDACTED] and less than [REDACTED] shall be retained by the Offeror; and
      - ii. any portion of the proceed from the auction which is greater than CAD [REDACTED] shall be paid as follows: (A) 85% of any such proceeds shall be paid the Receiver and 15% of such proceeds shall be paid to the Offeror,
- and any Goods and Services Tax ("GST") or Provincial Sales Tax ("PST") payable on the proceeds from the auction of Chris Mechanical Services Ltd. will be collected and submitted by the Offeror to the appropriate tax authorities.
6. The Offeror hereby acknowledges and agrees that the Definitions and the Terms and Conditions attached hereto as Schedule I and Schedule II are incorporated by reference and made a part of the Offer and made a part of any Agreement constituted by the acceptance of this Offer.

Hilco Acquisitions Canada, ULC

7. The Offeror shall be entitled to charge and retain an industry standard Buyer's Premium of 15% on-site and 18% on-line in connection with the sale of any Assets. For purposes of clarification, the Buyer's Premium is a fee charged on the sale price of the Assets;

DATED at Calgary this 26<sup>th</sup> day of February, 2016.

HILCO ACQUISITIONS CANADA, ULC

Per:   
(Signature of Authorized Representative of Offeror)  
(Bruce Lyle)

Agreed to and accepted this 26<sup>th</sup> day of February, 2016 by:

FTI Consulting Canada Inc. in its capacity as Receiver of CHRIS MECHANICAL SERVICES LTD.  
and not in its personal capacity (the "Receiver")

Per:   
(Signature of Authorized Representative of Receiver)

Hilco Acquisitions Canada, ULC

**SCHEDULE I  
DEFINITIONS OF OFFER**

FTI Consulting Canada Inc. in its capacity as Receiver of CHRIS MECHANICAL SERVICES LTD. and not  
in its personal capacity (the "Receiver")

In this Offer and in the Agreement constituted by acceptance hereof, including the Terms and Conditions of this Offer contained in Schedule II hereof, the following words and phrases shall have the following meanings:

"**Agreement**" means the agreement constituted by the acceptance of the Offer;

"**Chris Mechanical**" or the "**Company**" means Chris Mechanical Services Ltd.;

"**Chris Mechanical Assets**" means those assets listed on the attached Schedule II to this Offer;

"**Auction Closing Date**" means the next day following the date of the last Future Sale of the Assets and in any event, no later than April 31, 2016;

"**Encumbrances**" means any and all liens, security interests of any nature, encumbrances, adverse rights, trusts, and claims, rights of distraint, reclamation claims, mortgages, deeds of trust, pledges, covenants, restrictions, hypothecations, charges, indentures, loan agreements, instruments, contracts, leases, licenses, options, rights of first refusal, rights of offset, recoupment, rights of recovery, judgments, orders and decrees of any court or foreign or domestic governmental entity, claims for reimbursement, contribution, indemnity or exoneration, assignment, debts, charges, suits, rights of recovery, interests, products liability, alter-ego, environmental, successor liability, tax and other liabilities (including probate liabilities), causes of action and claims, to the fullest extent of the law, in each case whether secured or unsecured, choate or inchoate, filed or unfiled, scheduled or unscheduled, noticed or unnoticed, recorded or unrecorded, perfected or unperfected, allowed or disallowed, contingent or non-contingent, liquidated or unliquidated, matured or unmatured, material or non-material, disputed or undisputed, or known or unknown, whether imposed by agreement, understanding, law, equity or otherwise, or any other interest of any nature whatsoever of, on or with respect to any property or property interest;

"**Facility**" means the Chris Mechanical premises located at 10403- 50th St SE, Calgary, Alberta;

"**License Term**" has the meaning set out in paragraph 19 of Schedule II to the Offer;

"**Offer Closing Date**" means the date on which the Offer is executed by both the Offeror and the Receiver;

"**Transaction**" means the transactions contemplated by the Agreement; and

"**Receiver**" means FTI Consulting Canada Inc. acting in its capacity as Receiver of the Company and not in its personal capacity.

**SCHEDULE II  
TERMS AND CONDITIONS OF OFFER**

FTI Consulting Canada Inc. in its capacity as Receiver of CHRIS MECHANICAL SERVICES LTD. and not in its personal capacity (the "Receiver")

1. The Offeror acknowledges and agrees that acceptance of the Offer by the Receiver is made by the Receiver solely in its capacity as Receiver in bankruptcy of Chris Mechanical and not in its personal capacity, and that the Receiver and its respective directors, officers, employees, servants and agents shall have no liability whatsoever with respect to any matter(s) relating to or arising out of the Offer, the Agreement or the Transaction. Any suit, claim, demand or cause of action in any way arising out of or related to the Offer, the Agreement or the Transaction, shall be the sole responsibility of the Offeror.
2. Nothing herein shall be construed as a warranty, agreement or representation that the Receiver is the owner of the Chris Mechanical Assets or that there are or will be no Encumbrances against the Chris Mechanical Assets.
3. The Receiver, in its sole discretion, may waive any or all of the Terms and Conditions of the Agreement which are for the benefit of the Receiver, provided however that any waiver shall only be effective if in writing and any such waiver shall not apply to waive any other provisions unless expressly stated in writing.
4. The Receiver has specified certain details respecting the Chris Mechanical Assets. The descriptions herein contained are not warranted to be complete or accurate, and the Offeror has had full opportunity to and has conducted such tests, examinations, inspections, and investigations as it deems necessary or advisable to fully acquaint itself with the Chris Mechanical Assets, their title, fitness for particular purpose, location, existence, condition, quality, quantity, merchantability, suitability for intended purpose and with any other attributes which the Offeror considers relevant.
5. The Chris Mechanical Assets are being sold on an "as is and where is" without recourse basis.
6. The Offeror acknowledges that it was entitled to and had the opportunity to consult with its own independent legal counsel prior to making the Offer.
7. The Offeror does not and shall not be deemed to assume any obligations and/or liabilities of Chris Mechanical.
8. The Offeror acknowledges that the Receiver is not obligated to accept this Offer. Any offer accepted by the Receiver is subject to the Receiver obtaining approval of the courts to sell the Chris Mechanical Assets.
9. If the Offer is accepted, then notification of such acceptance shall be made effective upon delivery of such notification in writing to the address of the Offeror set forth in the Offer and shall be deemed to have been received by the Offeror on the day on which such delivery is made.
10. Time shall be of the essence of this Offer.
11. This Offer and the Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the Offeror irrevocably attorns to the jurisdiction of the Courts of the Province of Alberta, Judicial District of Calgary.
12. In the event of any damage occurring to any of the Chris Mechanical Assets on or before the Auction Closing Date, the Offeror shall not have the right to rescind, but, rather, shall have all of the rights of the insured party under the terms of the insurance policy under which the Chris Mechanical Assets are insured. The Offeror shall arrange for its own insurance as at and from the Auction Closing Date.

Hilco Acquisitions Canada, ULC



13. The Receiver shall provide to the Offeror, on or before the Offer Closing Date, proof of approval of the sale of the Chris Mechanical Assets by the Inspectors.
14. There are no representations, warranties, collateral agreements, or conditions whatsoever by the Receiver and the Offeror, having been afforded all reasonable opportunity to examine the Chris Mechanical Assets and all documents and information pertaining to or affecting the Chris Mechanical Assets insofar as such documents and information are in the possession of the Receiver acknowledges and agrees that there are no representations, collateral agreements, conditions or warranties, expressed or implied, by statute, custom or otherwise, on the part of the Receiver or its respective directors, officers, employees, servants and agents, affecting the rights of the Offeror hereunder, and that, without restricting the generality of the foregoing, there are no representations regarding the Chris Mechanical Assets as to title, location, existence, fitness for particular purpose, condition, quality, quantity, merchantability or suitability for intended purpose, or as to any other attributes which the Offeror considers relevant. The Offeror further acknowledges and agrees that it is not relying upon any representations made by the Receiver or its respective directors, officers, employees, servants and agents and that the Agreement is and shall be the entire agreement between the parties.
15. The Offeror represents and warrants to the Receiver that as of the date hereof, to and including the Auction Closing Date:
  - A. the Offeror is and will be a corporation duly incorporated, validly subsisting and in good standing under the laws of the Province of Alberta or is and will be a corporation duly incorporated, validly subsisting and in good standing under the laws of the jurisdiction of its Incorporation and duly qualified and registered in the province of Alberta, and the Offeror has the full legal right, power, capacity and authority to complete the Transaction;
  - B. the Offeror has and had at the time of execution, all requisite corporate power, authority and capacity to execute and deliver the Offer to the Receiver, and to make and fully observe and perform all terms, covenants, conditions, agreements, representations and warranties contained in the Offer;
  - C. the execution and delivery of the Offer has been duly authorized by all necessary corporate action of the Offeror and all necessary resolutions have been taken or passed by the Offeror and its shareholders, directors and officers in order to authorize the execution and delivery of the Offer and the carrying out of the transaction contemplated hereunder, and the Offer together with the acceptance thereof shall constitute a legal, valid and binding agreement for sale enforceable against the Offeror in accordance with its terms, with respect to those obligations of the Offeror set forth herein;
  - D. the Offeror has duly executed and delivered the Offer and the execution, delivery and performance by the Offeror of the Offer does not and will not violate or conflict with the constituting documents and by-laws (if any) of the Offeror, nor any resolution of the directors or shareholders of the Offeror nor with any agreements, instruments, injunctions, judgments, decrees or writs to which the Offeror is a party or is bound, nor result in a violation of any law, statute, regulation, ordinance or rule to which the Offeror is subject;
  - E. no registration with, giving of notice to, or consent or approval of, any governmental or public bodies or authorities, or any other parties, is necessary for the execution and delivery by the Offeror of the Offer or for the performance by the Offeror of the terms and conditions contained herein; and
  - F. the Offeror is not a non-resident of Canada as defined in the *Income Tax Act* (Canada).

16. Immediately upon the Offer Closing Date, the Offeror may, in the Offeror's sole and absolute discretion, make preparations for and conduct one or more private or public sales (including, but not limited to, one or more public auction sales) of the Chris Mechanical Assets at the Facility (each a "Future Sale" and collectively, the "Future Sales").
17. In consideration of these premises, effective as of the Offer Closing Date and ending on the Auction Closing Date (such period, the "License Term"), the Receiver hereby grants the Offeror a license to use the Facility for the sole purposes of conducting the Future Sales, removing the Chris Mechanical Assets from the Facility, and all other actions that are related thereto.
18. Prior to the Auction Closing Date and during the License Term, the Receiver shall permit the Offeror, its agents and subcontractors and subsequent buyers of the Chris Mechanical Assets reasonable access to the Facility and the Chris Mechanical Assets. All access will be conducted at reasonable times on a 24/7 basis agreed upon in advance by the Receiver and the Offeror.
19. During the License Term, the Receiver shall provide quiet enjoyment to the Offeror, shall not interfere with or cause any delay to Future Sales, and the Offeror shall be permitted to use the Facility free of all rents, security costs, utility costs, trash removal, taxes, and other costs, charges, and expenses associated with the Facility, all of which the Receiver hereby covenants to pay prior to and during the License Term.
20. Any of the Chris Mechanical Assets sold by the Offeror shall be removed in a professional, workmanlike manner to minimize injury to the Facility. The Offeror shall be responsible for repairing any damage arising from the removal of the Chris Mechanical Assets from the Facility on or before the Auction Closing Date.
21. The Offeror indemnifies and holds harmless the Receiver and its respective directors, officers, employees, servants and agents from any and all damages and injuries arising from the Transaction including, without limitation, the conduct of any Future Sales, the removal of any of the Chris Mechanical Assets with respect thereto by the Offeror, or its agents or invitees, up to and including the Auction Closing Date.
22. On the Auction Closing Date, the Offeror shall have the right to abandon any unsold Chris Mechanical Assets at or not removed from the Facility.
23. The Offeror shall be permitted to implement an advertising and marketing plan with respect to the Future Sales, including without limitation advertising the sale of the Chris Mechanical Assets through print media (including major newspapers, color brochures and direct mail flyers), web site promotion and electronic mail. During the License Term, the Offeror is hereby granted a non-exclusive royalty free license to use the name "Chris Mechanical Services Ltd. as awarded by the Receiver FTI Consulting Canada Inc." and similar derivations thereof in all of its advertising and promotional activities related to this Agreement and the Future Sales.
24. The Offer is not subject to financing or a financing condition.
25. No amendment or variation of the Agreement shall be of any force or effect unless the same is reduced to writing and duly executed by the Receiver and the Offeror.
26. The Offeror and the Receiver mutually agree to do all such further acts and execute all such further documents and instruments as may reasonably be necessary or convenient to give full effect to the Agreement and the transactions contemplated thereby.
27. This Agreement shall endure to the benefit of and be binding upon the Offeror and Receiver and their respective successors and assigns.

28. There shall be no sales commission payable by the Receiver to any realtor or other agent as a result of the sale pursuant to the Offer. Any such commissions which are payable shall be paid by the Offeror independent of this Agreement.

**SCHEDULE III**

FTI Consulting Canada Inc. in its capacity as Receiver of CHRIS MECHANICAL SERVICES LTD. and not  
in its personal capacity (the "Receiver")

<b>Ref #</b>	<b>Unit #</b>	<b>Description</b>
1		Pallet racking , parts 40' storage container
2		Assorted plywood boxes, pallets , container
3		(2) Steel storage racks c/w steel on the ground, reel
4		2007 Mack model 688S tandem axle coil tubing rig, tilt cab, twin steer, vin: 1M2K197C87M036298 c/w single or double reel capacity, crane, tank, control panel, 40k injector, quick connect hydraulics, hydraulic tool changer, P2 style pumping system, knuckle boom
5		2005 Mack model 688S tandem axle coil tubing rig, tilt cab, twin steer, vin: 1M2K197CX5M027731 c/w single or double reel capacity, Hlab model 0331crane, Hurricane model 908-85 compressor, tank, control panel, 40k injector, quick connect hydraulics, hydraulic tool changer, P2 style pumping system, knuckle boom
6	C-4	2006 Peterbuilt model 378 tri-axle tractor, 18 speed transmission, 18 speed transmission, Vin: 1XP-FDBOX-7-N675721
7	C-5	2006 Peerless tri-axle goose neck coil tubing trailer c/w hydraulically lifted control cab, 80,000 lbs coiled tubing injector, double reel s/n 2PLCO47357BF12840  2006 Peterbuilt model 378 tandem axle tractor, 18 speed transmission, Vin: 1NP-FXBEX-4-7D686482

- C-2 2006 Peerless tri-axle goose neck coil tubing trailer c/w National model 647E hydraulic powered crane & related support equipment, s/n 2PLC046397BF13197
- 8 (5) Lista Parts cabinets, job site tool storage box, shelving c/w contents
- 9 SE039 Caterpillar electric powered forklift, three stage mast, cushion tires,
- 10 ME012 Hyd-Mech model S-20A horizontal metal cutting bandsaw, s/n 8B0109016
- 11 Fume exhauster, (3) Miller 350P welder, (3) Miller welder, Lincoln welder, floor type drill press, steel table,
- 12 Coiled tubing injector CoCo Series
- 13 SE039 Clark propane powered forklift, enclosed cab, two stage mast
- 14 CoCo Goose neck unit
- 15 SE008 Sandblasting cabinet
- 16 SE006 Hotsy pressure washer
- 17 Coiled tubing injector CoCo Series
- 18 Chainfalls, steel, ladders, tables
- 19 SE011 Enclosed Parts Cleaning chamber
- 20 SE048 GMC 3500 pick-up
- 21 Grey shelving & assorted tools, bins & parts
- 22 SE015 Heavy duty shop press c/w electric powered hydraulic power pack

- 23                    Coiled tubing injector CoCo Series
- 24                    Assorted control gauges etc
- 25    SE073    **GBC model UNI 70B hydraulic tube bender on cart**
- 26                    Arbour press c/w stand
- 27                    **Lista nine drawer storage cabinet c/w solvent cleaning tank**
- 28    ME015    **Whacheon FMT 12" x 40" c.c. engine lathe, s/n 0-0007-74**
- 29    ME016    **Andrychow Dalimpex 12" x 72" c.c. engine lathe, s/n n/a**
- 30    ME017    **Tos model SN 500N engine lathe, 16" x 72" c.c., Newall two axis DRO controller, s/n n/a**
- 31    ME013    **Summit 20" x 120" c.c. engine lathe, 4.5" spindle bore, two axis DRO controller**
- 32                    Coiled tubing injector CoCo Series
- 33    SE070    **(3) Burr King tumbler sanders**
- 34    ME002    **Jones Shipman surface grinder, drill press, drill bit grinder & tooling on carts**
- 35    ME001    **1978 Tos model FNK25 milling machine c/w dro controller & vise, s/n 24011**
- 36    ME010    **First milling machine, s/n 80101416**
- 37                    **Trak model DPM CNC milling machine, s/n 012BF12203**
- 38    ME009    **EL 9 Engraver c/w cart**
- 39    SE046    **Snowblower & lawnmower**

- 40                   (7) shop tool carts & (3) Lista storage cabinets
  
- 41    ME003   2005 Haas model SL-20TARL vertical machining center, 3/60/208/230 volts, 8" chuck, ten station turret, tailstock, chip conveyor c/w APL auto parts loader,            s/n 69923
  
- 42    ME004   2008 Haas model SL-30T turning center, 12 station turret, live tooling, tailstock, 12" chuck, 3/60/208/230 volts, s/n 3081663
  
- 43    ME006   2005 Haas model Minimill vertical machining center, 3/60/208/240 volts, s/n 41539
  
- 44    ME005   2004 Haas model TL-2 turning center, 3/60/208/240 volts, s/n 67644
  
- 45    ME046   2008 Haas model VF-4B vertical machining center, 20 hp, TSC system, 1000 IPM, (24) station tool changer, 3/60/208/240 volts, s/n 1067276
  
- 46    ME007   2012 Haas model VF-4 vertical machining center, 20 hp, TSC system, 1000 IPM, (24) station tool changer, 40 taper tooling, 3/60/195/260 volts, s/n 1093904
  
- ME041   Haas 4th axis rotary table
  
- 47    ME008   2012 Haas model VF-7/50 vertical machining center, (24) station tool changer, 3/60/195/260 volts, s/n 1094720
  
- ME042   2012 Haas 4th axis rotary head
  
- 48    ME014   2012 Haas model ST40 turning center, 3/60/195/260 volts, s/n 3092967
  
- 49                   Office furnishings

- 50            **Rofin Starmark laser unit**
- 51            **Barbecue**
- 52            **Grey shelving c/w assorted parts**
- 53            **Intimus unit**
- 54            **Ricoh wide format printer**
- 55            **Assorted office equipment**
- 56            **Ricoh model MP CW 2200 SP copier**
- 57            **Server rack c/w contents**
- 58            **Hotsy pressure washer**
- 59            **Paint booth / Mudu blast booth**
- 60            **MJ 5060G Oven**
- 61    SE012   **Porn hydraulic testing unit**
- 63    SE001   **(2) Shop floor vice's**
- 64            **(2) Roller stand**
- 65            **(12) Extension cords**
- 66            **(14) Welding screens**
- 67            **(2) Mobile scaffolding**
- 68    SE018   **Hydraulic test bench for high pressure**
- 69    SE019   **Swivel test bench**
- 70    SE020   **Hydraulic test bench for low pressure**
- 71            **Transfer pump**
- 72            **(20) Blue shop carts**
- 73            **O/A set c/w cart**



- 74 (24) Fire extinguishers
- 75 Chain assembly press
- 76 Assorted vices, dollies, banding carts, pallet jack,
- 77 Forklift man cage
- 78 Delta chop saw
- 79 Tablesaw
- 80 Battery charger
- 81 Ridgid bandsaw
- 82 Belt sander
- 83 SE049 Tandem axle 20' long bed flat deck trailer
- 84 SE050 Tandem axle 12' long dump trailer
- 85 SE052 Gantry A-frame on castors
- 86 Bench grinder, drill bit sharpner, water tank, pressure washer, bottle cage, gas cans, ladders, battery charger,
- 87 Shrink fast heat gun
- 88 Welding table
- 89 Time clock, barrel lifter, tester units