

COURT FILE NUMBER	1801 - 02453
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PLAINTIFF	ROYAL BANK OF CANADA
DEFENDANTS	WESTRIDGE ELECTRIC LTD., GAP ELECTRIC LTD. AND 1880489 ALBERTA LTD.
DOCUMENT	FIRST REPORT OF THE RECEIVER, MNP LTD., DATED JUNE 4, 2018
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	McLennan Ross LLP Attn: Stephen Livingstone 600 McLennan Ross Building 12220 Stony Plain Road Edmonton, AB T5N 3Y4 Phone (780) 482-9242 Fax (780) 733-9719 Solicitors for the Receiver, MNP Ltd.

Introduction and Purpose of the Report

1. MNP Ltd. was appointed Receiver of Westridge Electric Ltd. ("Westridge"), GAP Electric Ltd. ("GAP") and 1880489 Alberta Ltd. ("188") (collectively referred to herein as the "Company") pursuant to a May 17, 2018 Court of Queen's Bench of Alberta (the "Court") Order (the "May 17 Order").
2. The Company operated as an electrical contractor located in Yellowknife, NT and previously in Okotoks, AB. The Okotoks, AB location operated as Westridge and had ceased operations prior to the May 17 Order.
3. The principal Shareholders and Directors of the Company are Philip Rogers and Angela Rogers. 188 operated as a holding company for the shares of Westridge.
4. This is the Receiver's First Report to Court (the "First Report") and its purpose is to advise the Court with respect to the following:
 - Initial Activities of the Receiver;
 - Assets of the Company;
 - Creditors;
 - Status of Refinancing;
 - Proposal for Court Approval;
 - Receiver's Interim Statement of Receipts and Disbursements; and
 - Discharge of the Receiver
5. In preparing the First Report and making comments herein, the Receiver has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information of the

Company, the Company's books and records, and information from other third-party sources (collectively, the "Information"). The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with generally accepted assurance standards or other standards established by the Chartered Professional Accountants of Canada.

Initial Activities of the Receiver

6. On May 17, 2018 the Receiver attended to the Company premises in Yellowknife, NT and Okotoks, AB to take possession and secure the assets.
7. Upon attending to the Okotoks, AB location the Receiver confirmed that the operations of Westridge had ceased and Westridge had vacated the leased premises prior to the May 17 Order.
8. On May 18, 2018 the Receiver met with the employees of GAP to explain the Receivership appointment and administration of the Wage Earner's Protection Program Act ("WEPPA") in the event that pre-receivership wages were not paid.
9. The Receiver proceeded to change the locks to the GAP Yellowknife, NT premises. The Shareholders reside in a residential property located at the same location as the GAP premises, the Receiver did not change the locks to the residential premises.
10. During the process of taking possession of the property of the Company the Receiver has also:
 - Ensured continuity of utilities;
 - Secured internal accounting information;
 - Collected relevant books and records;
 - Recorded an inventory of the assets; and
 - Contacted the financial institution to secure control of bank accounts.
11. The Receiver has confirmed that the current insurance policy of the Company provided for adequate insurance coverage and that the premiums were current.
12. On May 25, 2018 the Receiver issued the Notice and Statement of Receiver to the known creditors of the Company. Attached as **Schedule A** is a copy of the Notice and Statement.
13. The books and records containing the listing of unsecured creditors for Westridge were not available to the Receiver until May 28, 2018. The Notice and Statement of Receiver was sent to the unsecured creditors of Westridge upon receipt of the books and records.

Assets of the Company

14. The remaining assets of Westridge are comprised of Accounts Receivable ("AR") and 3 Sea Cans containing miscellaneous tools and inventory.
15. The Receiver has sought out two (2) proposals for the liquidation of the Sea Cans and contents from Century Auctions and Regal Auctions. Based upon the 2 proposals the estimated net realization value would be approximately \$2,000 - \$5,000 (the Sea Cans would need to be transported to Calgary to be auctioned).

16. The book value of the Westridge AR is approximately \$233,000, however, based upon a review of the detailed AR approximately \$61,000 is considered uncollectable resulting in an estimated realizable value of approximately \$172,000 (\$233,000 - \$61,000).
17. The estimated total net realization value of the assets of Westridge (before Receiver's costs and disbursements) is \$175,000 - \$177,000.
18. The assets of GAP include AR, equipment, inventory and Real Property.
19. A March 28, 2018 appraisal by Stewart, Weir, MacDonald Ltd. of the lands located at 143 Kam Lake Road, Yellowknife, NT (the "GAP Property") (the "March 28 Appraisal") provides for an appraised value of approximately \$1.205 million. A summary version of the March 28 Appraisal is attached as **Schedule B**. The Receiver will make available to the creditors a full copy of the March 28 Appraisal if requested.
20. The Receiver has estimated a net realization value of 80% of appraised value for the purposes of determining a net realizable value for the GAP Property. The 20% discount is to account for holding costs, realtor commissions and potential price reduction related to a receivership sale. Accounting for the 20% reduction provides for a net realizable value of \$903,750.
21. The book value of the GAP AR is approximately \$336,000 with approximately \$212,000 being aged over 90 days. Based upon information from management approximately \$38,000 of the \$212,000 is considered collectable with the remaining balance of \$174,000 uncertain. The Receiver's estimated realization value of the GAP AR is approximately \$163,000 (comprised of the AR aged less than 90 days of \$125,000 and the \$38,000 aged over 90 days considered collectable).
22. The Receiver has not obtained an appraised value of the equipment and inventory, however, the net book value of the equipment is listed at approximately \$46,000. The equipment is comprised predominately of 10 service vehicles with the newest vehicles being 6 years old. A listing of the service vehicles is attached as **Schedule C**.
23. The Receiver has estimated a net realizable value of \$90,000 for the service vehicles (approximately 2x the net book value) for the purposes of estimating a net realizable value for the GAP assets.
24. The estimated total net realization value of the assets of GAP is approximately \$1,156,750 (\$903,750 + \$163,000 + \$90,000).
25. 188 is a holding company for the shares of Westridge and the Receiver is not aware of any assets of realizable value in this entity.

Creditors

26. GAP was current with all Canada Revenue Agency ("CRA") filings as at the date of Receivership. On May 17 GAP had submitted its most recent payroll source deduction payment in the amount of \$23,646.71 that had not yet cleared the GAP bank account. The Receiver has authorized this payment to clear GAP bank account due to the debts priority status and available funds in the account.
27. The payroll accruals for the amounts owed to employees of GAP pre-receivership were reviewed and, based on the Receiver's analysis, the amounts owed to all but 3 of the employees were less than the priority claim of \$2,000 per employee in accordance with

section 81.4 of the *Bankruptcy and Insolvency Act* ("BIA"). Based upon the Receiver's analysis it was determined that payment of the outstanding pre-receivership accrued wages would be more cost effective than administering WEPPA. The Receiver, on notice to RBC as the primary secured creditor, remitted payment to all current employees for pre-receivership wages. With the payment of the accrued payroll liabilities there are no Service Canada priority claims anticipated.

28. Royal Bank of Canada ("RBC") holds various security agreements over Westridge, GAP and 188 including a General Security Agreement ("GSA") and security registered in relation to the GAP Property. As of May 18, 2018 RBC was owed approximately \$835,151 comprised of the following:
 - \$661,150 payable from 188;
 - \$112,221 payable from Westridge;
 - \$30,189 payable from GAP; and
 - Professional fees
29. Westridge, 188 and GAP have provided cross guarantees to RBC for the loans for each entity.
30. Counsel for the Receiver has reviewed RBC's security and determined it to be valid and enforceable.
31. National Leasing Group Inc ("National") has registered a secured interest at the Personal Property Registry associated with solar panels attached to the GAP Property. Based upon GAP's books and records National is owed approximately \$45,103 as of May 28, 2018. The Receiver has not viewed security documents of National.
32. The Receiver's accrued costs to date total approximately \$30,000 and the Receiver anticipates further costs of approximately \$30,000 to complete the administration for a total of \$60,000 (the "Administration Cost").
33. The financing conditions require that the Corporate Income Tax debt of GAP be paid in full in the amount of \$30,240.
34. GAP's books and records indicate unsecured creditors totalling approximately \$56,000 where \$34,000 of the total is comprised of 2 creditors.
35. Westridge's books and records indicate unsecured creditors totalling approximately \$121,000.

Status of Refinancing

36. Prior to the appointment of the Receiver GAP had been seeking alternative financing to payout the guarantee obligations to RBC of Westridge and 188.
37. The Receiver met with management of GAP and corresponded directly with Pillar Capital Ltd. ("Pillar") and Scotia Bank ("Scotia") as the two entities GAP had continued its applications for financing with.
38. Based upon the Receiver's analysis of GAP's ongoing operations and information from Pillar and Scotia on May 18, 2018 the Receiver authorized GAP to continue limited operations while the financing applications were processed.

39. On May 25, 2018 GAP provided the Receiver with a commitment letter from Pillar in the amount of \$700,000 (the "Pillar Financing"). In addition to standard conditions the Pillar Financing is conditional upon payment of \$30,240 of Corporate Income Taxes and payment of \$6,954.21 in personal income taxes for one of the shareholders. A copy of the Pillar Term Sheet is attached as **Schedule D**.
40. On May 30, 2018 the Shareholders of GAP provided confirmation that payment for the outstanding Corporate Income Taxes of GAP was issued to CRA.
41. On May 31, 2018 GAP provided the Receiver with confirmation of unconditional financing in the amount of \$783,250 (the "Scotia Financing"). A copy of the confirmation of unconditional financing is attached as **Schedule E**.
42. The Shareholder has provided the Receiver with confirmation of access to personal resources in the sum of approximately \$300,000 to be paid in addition to the Pillar Financing or Scotia Financing for a total of approximately \$1.0 million (\$700,000 (or more) in financing and \$300,000 in equity) available to satisfy the secured and priority creditors of the Company.

Proposal for Court Approval

43. GAP has secured capital (financing and equity) of approximately \$1.0 million.
44. The total secured and priority claims of the Company are approximately \$895,000, comprised of the RBC secured claim of \$835,000 (plus additional accrued interest and professional fees) and Administrative Cost of \$60,000. GAP is proposing to pay the existing secured and priority claims in full.
45. A total of approximately \$895,000 would need to be advanced by GAP to satisfy the terms of the financing and payout the secured and priority claims.
46. The Receiver recommends a total payment of \$950,000 (equity and financing) be advanced to ensure all secured and priority claims will be addressed in accordance with the Proposal. Any surplus funds can be returned to GAP and/or the Shareholders.
47. Upon payment of the secured and priority claims the Receiver would be discharged as against GAP, lifting the Stay of Proceeding in accordance with the May 17 Order. GAP would remain liable for the GAP unsecured creditor liabilities accrued prior to the May 17 Order.
48. The net effect to the unsecured creditors of GAP would be the inability to initiate collection activity during the period of time the Stay of Proceedings from the May 17 Order was in effect.
49. GAP's payment under the guarantees to Westridge and 188 would include the purchase of the remaining assets in both entities. The estimated net realization value for the assets in Westridge and 188 is approximately \$177,000 which is significantly less than the primary secured creditor (RBC) indebtedness of approximately \$773,380 (the direct debt of 188 and Westridge to RBC and not including amounts owed by GAP directly to RBC).
50. A liquidation of the assets of Westridge and 188 would result in a shortfall of approximately \$596,380 (\$773,380 - \$177,000) to the first position secured creditor (before consideration to the GAP guarantee). The unsecured creditors of 188 and Westridge would not receive a distribution based upon the net realizable value of the assets of Westridge and 188.

Interim Statement of Receipts and Disbursements

51. Attached as **Schedule F** is the Receiver's Interim Statement of Receipts and Disbursements dated June 4, 2018

Conclusion

52. The insolvency of the Company is directly related to the acquisition of Westridge by GAP. Management ceased the operations of Westridge, however, was unable to source refinancing to payout the primary secured lender to Westridge (RBC) prior to the appointment of the Receiver.
53. GAP (a solvent entity in the absence of the guarantees to 188 and Westridge) has sourced financing and equity sufficient to payout the secured and priority claims of the 188 and Westridge. A timely completion of the refinancing and discharge of the Receiver as against the property of GAP will allow GAP to continue its operations and service the pre-receivership unsecured debt accrued.
54. The proposed refinancing would not result in a distribution to the unsecured creditors of 188 and Westridge, however, the estimated net realization value of the assets of 188 and Westridge (in the absence of the GAP guarantee) would not provide for a distribution to the unsecureds. Currently the value of the assets in 188 and Westridge do not offer any realization value to the creditors in priority behind RBC.
55. The Receiver submits this First Report in support of an Order authorizing the following:
- Approval of the Receiver's activities as described in the First Report;
 - Authorization for GAP to complete the refinancing with either Pillar or Scotia pledging the assets of GAP as security;
 - Authorization for refinancing and equity funds in the amount of \$950,000 to be disbursed to pay the RBC indebtedness in full and the Administration Costs paid to the Receiver; and
 - Discharge of the Receiver as against the property of GAP (and lifting of the Stay of Proceedings as against all creditors of GAP) upon the distribution of the refinancing and equity proceeds.


Respectfully submitted this 4th day of June, 2018.

MNP Ltd.

In its capacity as Receiver of

Westridge Electric Ltd., GAP Electric Ltd. and 1880489 Alberta Ltd.

And not in its personal capacity


Per: Eric Sirrs, CIRP, Licensed Insolvency Trustee
Senior Vice President

NOTICE AND STATEMENT OF THE RECEIVER
(Subsection 245(1) and 246(1) of the Bankruptcy and Insolvency Act)

IN THE MATTER OF THE RECEIVERSHIP OF
WESTRIDGE ELECTRIC LTD., GAP ELECTRIC LTD. AND 1880489 ALBERTA LTD.

THE RECEIVER GIVES NOTICE AND DECLARES THAT:

1. On May 17, 2018 the undersigned, MNP Ltd., became the Receiver in respect of the assets and undertakings of Westridge Electric Ltd., GAP Electric Ltd. and 1880489 Alberta Ltd. ("hereinafter referred to collectively as the "Company") an insolvent corporation, that is described below:

Property	\$
Accounts Receivable ⁽¹⁾	336,970
Equipment and Machinery ⁽²⁾	46,356
Real Property ⁽²⁾	565,705
Total (approximation)	<u><u>949,031</u></u>

- (1) Values have been obtained from the internal financial statements of the Company and are not necessarily representative of liquidation or sale values. Collectability of the accounts receivable has not yet been determined;
- (2) Values have been obtained from the internal financial statements of the Company and may not necessarily represent liquidation or sale values.

2. The undersigned became a Receiver in respect of the property described above by way of a Court of Queen's Bench of Alberta Order May 17, 2018.
3. The undersigned took possession and control of the property described above on May 17, 2018.
4. The following information relates to the Receivership:
 - a. Address of insolvent: 4109 Stockton Point #1, Okotoks, AB and 143 Kam Lake Road, Yellowknife, NT.
 - b. Principal line of business: Electrical Contractor
 - c. Location of business: Okotoks, AB (office closed) and Yellowknife, NT.
 - d. Estimated amounts owed by the insolvent corporation to each creditor who holds a security interest in the property described above:

RBC Royal Bank	\$835,150
National Leasing Group Inc.	\$1.00
Total (Approximation) ⁽¹⁾	<u><u>\$835,150</u></u>

- (1) Where values are listed for \$1.00 the values are unknown and the Receiver will be working with the various secured creditors to obtain current balances owing.

The list of other creditors of the Company and the amount owed to each creditor and the total amount due by the insolvent corporation is as follows:

- Please see attached Exhibit 'A'

- e. The Receiver continues to investigate the options available to maximize realization on the

property described above. The Company has applied for financing to restructure its secured obligations and exit receivership.

- f. Contact person for the Receiver:

Reina Ainsworth
MNP Ltd.
Suite 1300, 10235 - 101 Street
Edmonton, AB T5J 3G1
Phone: (780) 455-1155
Fax: (780) 409-5415
Email: reina.ainsworth@mnp.ca

- g. Further information with respect to the Receivership proceedings will be posted to the Receiver's website (www.mnpdebt.ca/en/corporate) under the "Corporate Engagements" heading as it becomes available. Should creditors not have access to the internet, copies of other materials can be requested by contacting the Receiver's office at 780.455.1155.
- h. Please take notice that the Receiver is providing this document to all known creditors for **informational purposes only**. As a creditor, you are **not required to submit paperwork supporting the amounts owing to you at this time**. If a claims process is undertaken in the future, you will be contacted.

Dated at Edmonton Alberta on May 24, 2018.

MNP Ltd.

in its capacity as Receiver of
**Westridge Electric Ltd., GAP Electric Ltd. and
1880489 Alberta Ltd.**

and not in its personal or corporate capacity



Per: Eric Sirrs, CIRP, LIT
Senior Vice President

**In the matter of the receivership of
Westridge Electric Ltd, GAP Electric Ltd. and 1880489 Alberta Ltd.
of the City of Calgary, in the Province of Alberta**

Insolvency Date: 17-May-2018

<i>Creditor Name</i>	<i>Outstanding Amount</i>
Unsecured creditors	
1 469 (Rebuilt)	343.74
2 Alberta Finance and Enterprise	1.00
3 Avery, Cooper & Co.	630.00
4 Bartle & Gibson	178.95
5 Bumber to Bumper	700.56
6 Corothers Home Building Centre	292.79
7 CRA	1.00
8 Eecol Electric Ltd	26,588.35
9 Frontier Power Products Ltd.	7,904.16
10 Frontline Medics Inc.	483.00
11 Global Storm IT Corporation	3,639.11
12 Gregs Carpentry	756.00
13 Guillevin International Co	22,933.61
14 Heritage Food Service	35.05
15 JGR Contracting	4,026.76
16 Miramichi Builders	3,331.65
17 National Leasing Group Inc.	1,321.82
18 Norland Agencies	354.01
19 Northern Industrial Sales	118.49
20 Polar Tech Recreation - 2012	708.75
21 Polar Tech Rentals - 2012	78.75
22 Precision North Recycling	11.55
23 Purolator Courier	78.86
24 Ron's Auto Service	32.16
25 Roy's Audiologic	0.58
26 Staples Business Depot	730.44
27 Westburne Electric Supply Alberta	124.43
28 WSCC	16,744.00
29 Yellow Pages	67.57
Total	92,217.14

**APPRAISAL OF
AN INDUSTRIAL PROPERTY**

AT:

**143 KAM LAKE ROAD
YELLOWKNIFE, NORTHWEST TERRITORIES**

FOR:

PHILIP ROGERS

BY:

**Stewart, Weir, MacDonald Ltd.
Gardiner McCarthy, AACI, P. App.**

March 28, 2018

File No.: 36160





Real Estate Appraisal and Consulting
STEWART, WEIR, MacDONALD Ltd.

3004 - 50th Avenue
P.O. Box 1397
Yellowknife, NT X1A 2P2
Tel: (867) 920-4888
Fax: (867) 873-5324

April 16, 2018

Mr. Philip Rogers
President
Gap Electric Ltd.
Box 20055
Yellowknife, NT X1A 3X8

Dear Mr. Rogers:

**RE: Appraisal of an Industrial Property Located at 143 Kam Lake Road
Legally Described as Lot 35, Block 503, Plan 1578
City of Yellowknife, Northwest Territories**

In accordance with your request for an appraisal of the property described above, the following report has been prepared.

It should be noted that this report has been prepared at the request of Philip Rogers on behalf of Gap Electric Ltd., to estimate the current market value for first mortgage refinancing purposes. It is not intended for use by any other party, and any liability in this regard is strictly denied.

The subject property consists of a parcel of I - Industrial zoned land providing a total site area of 6,650 square metres, or 71,580 square feet, more or less. The site is improved with a 3,476 square foot industrial building, a 720 square foot garage and a 2,900 square foot residence.

The property rights appraised are those of the owner's interest in the fee simple estate as though unencumbered. The subject property was inspected on March 28, 2018, and the effective date of this report is March 28, 2018.

.../2

Mr. Philip Rogers
President
Gap Electric Ltd.
April 16, 2018
Page Two

This appraisal report has been prepared in accordance with accepted professional standards. The report describes the method of approach leading to the final estimate of market value, and contains data gathered in my investigation which, to the best of my knowledge is correct, subject to the Contingent and Limiting Conditions herein set out.

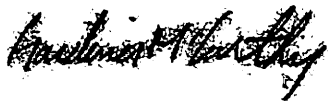
It should be noted that it is not within the appraiser's realm of expertise to comment on environmentally-impacted soil. It should also be noted that any structural components that were not exposed or readily accessible were not inspected unless otherwise noted. This value estimate assumes that the subject site is free of contaminants and the existing structural components are in acceptable condition, thereby not adversely affecting the market value.

I have personally inspected the property and analyzed all available information considered pertinent to its valuation. Based on this inspection and analysis, it is my professional opinion that the subject property has an estimated market value as at March 28, 2018, of **ONE MILLION TWO HUNDRED FIVE THOUSAND (\$1,205,000) DOLLARS.**

The data, analysis and conclusions upon which this value estimate is based, are contained in the following report to which your attention is directed.

Respectfully submitted,

STEWART, WEIR, MacDONALD LTD.

A handwritten signature in black ink, appearing to read "Gardiner McCarthy". The signature is written in a cursive, somewhat stylized font.

Gardiner McCarthy, AACI, P. App.
Appraiser

GM/cm

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SUMMARY OF SALIENT FACTS AND IMPORTANT CONCLUSIONS

TYPE OF PROPERTY:	Industrial
ADDRESS OF PROPERTY:	143 Kam Lake Road Yellowknife, NT
LEGAL DESCRIPTION:	Lot 35, Block 503, Plan 1578
EFFECTIVE DATE OF APPRAISAL:	March 28, 2018
SIZE OF LAND:	±71,580 Square Feet Shape - Irregular
SIZE OF BUILDING:	Shop: 2,828 SF Office: 648 SF Garage: 720 SF Residence: 2,900 SF
PROPERTY ASSESSMENT:	Land \$278,540 Improvements <u>697,160</u> Total <u>\$975,700</u>
2017 TAXES:	\$15,884.40
ZONING:	I - Industrial
HIGHEST AND BEST USE (as vacant):	Industrial use in keeping with the current Zoning Bylaw
HIGHEST AND BEST USE (as improved):	A continuation of the existing industrial utilization
ESTIMATE OF LAND VALUE (as if vacant):	\$395,000
ESTIMATE OF VALUE BY COST APPROACH:	\$1,525,000
ESTIMATE OF VALUE BY DIRECT COMPARISON APPROACH:	\$1,205,000
ESTIMATE OF VALUE BY INCOME APPROACH:	\$935,000
FINAL ESTIMATE OF VALUE:	\$1,205,000

Year	Make/Model	Serial Number	KM
1990	Ford L8000 Bucket Truck	1FDYR82A3LVA30903	144,245
2000	GMC Sierra Diesel Truck	1GTHK33F5YF458530	140,792
2003	Ford F150 Truck	1FTRW08LX3KA83644	115,443
2006	Ford E150 Van	1FTRE14W76DB02488	143,865
2008	Ford E250 Long Van	1FTNS24W98DA03624	99,554
2011	Ford Econoline E250 Van	1FTNE2EW0BDB10719	86,000
2012	Ford E250 Long Van	1FTN52ELXCDB32520	36,113
2008	Ford E250 Long Van	1FTN524W9EDB44354	148,059
2012	Ford E150 Van	1FTNE1EW9CDA46207	32,019
2012	F350 SD	1FT8W3BTOCEA74469	65,023



May 25, 2018

GAP Electric Ltd.
 143 Kam Lake Road
 Yellowknife, NT
 X1A 0G3

Attention: Philip Rogers

Re: Commitment Letter – Credit Facility of CDN \$700,000 for GAP Electric Ltd.

This Commitment Letter will provide you with the terms and conditions of a Credit Facility that Pillar Capital Corp. (the "Lender") will provide, subject to satisfactory completion of our due diligence, credit committee approval and the execution of the appropriate legal documentation.

BORROWER: GAP Electric Ltd. (the "Borrower")

GUARANTOR: Philip Rogers (the "Guarantor")

PURPOSE OF FINANCING: Bridge financing to refinance existing creditors.

PROPOSED FINANCING: Demand loan in the maximum amount of **CDN \$700,000** (the "Credit Facility"). The Credit Facility will not exceed 75% of the forced liquidation value as determined by an appraiser acceptable to the Lender of the Borrower's assets.

INTEREST: 1.75% per month on daily balance outstanding under the Term Facility. The default rate of interest will be 2.5% per month.

TERM: 12 month facility with a minimum term of 3 months. Open facility after 3 months.

PAYMENT: Monthly blended principal and interest payments of \$14,500 with a balloon payment end of term.

DOCUMENTATION AND SECURITY: The Borrower shall provide or cause to be provided, the security and agreements listed below, in form and substance satisfactory to the Lender, including, but not limited to:

- a. Loan Agreement;
- b. Promissory Note;
- c. General Security Agreement, including specific serial number registrations against owned equipment, registered in 1st position;
- d. Collateral Mortgage in the amount of \$700,000 against the property located 143 Kam Lake Road, Yellowknife, NT registered in 1st position;
- e. Guarantee and postponement of claims from the Guarantor and other shareholders in the full amount of the Credit Facility, supported by General Security Agreements;

- f. Pre-authorized debit agreement;
- g. Assignment of insurance with 1st loss payable against the assets of the borrower and guarantor as applicable; and
- h. Such further security and other documentation that the Lender and its solicitor may reasonably require.

ASSIGNMENTS: The Lender may assign or transfer or grant participations in its rights or obligations in whole or in part at any time without notice to or consent of the Borrower.

ONGOING REPORTING: The Borrower and Guarantor will provide such financial and other information as the Lender may reasonably request, from time to time, including, but not limited to:

- i. Monthly bank statements;
- ii. Monthly internally prepared financial statements;
- iii. Monthly Accounts Receivable and Accounts Payable listings;
- iv. Evidence of payment of all government priority payables within 15 days of their respective due dates; and
- v. Monthly equipment locations;

ONGOING COVENANTS: The Borrower and Guarantor shall pay when due all statutory liens, trust and other Crown claims including employee source deductions, GST, PST, EHT, WEPPA, property taxes and WSIB premiums.

CONDITIONS: Availability of any borrowings is conditional upon, but not limited to:

- a. Acceptance by the Borrower of this Commitment Letter and receipt of the Legal Deposit;
- b. Borrower to pay the balance of the non-refundable due diligence /appraisal fee in the amount of \$2,500;
- c. Canada Revenue Agency to be paid \$30,240 plus interest or any such greater amount that may be owing to CRA by GAP Electric Ltd. for corporate tax;
- d. Canada Revenue Agency to be paid \$6,954.21 plus interest or any such greater amount that may be owing to CRA by Philip Rogers for personal income tax;
- e. Guarantor to provide a recent credit report through Equifax online;
- f. Completion of satisfactory legal diligence;
- g. Delivery and registration of the Security in a form acceptable to the Lender; and
- h. The Borrower having paid statutory liens, trust and other Crown Claims including employee source deductions, GST, PST, EHT, amounts due under Wage Earner Protection Plan Act ("WEPPA) and Workplace Safety and Insurance Board ("WSIB") premiums.

FACILITY FEE: 3% of the approved Credit Facility to be deducted from the proposed advance upon closing. In addition to the Facility Fee, a monthly monitoring fee of \$1,000 is due and payable on the last business day of each calendar month.

LEGAL FEES: The Borrower will be responsible for all of the Lender's legal fees incurred in respect of the Credit Facility. Borrower shall pay a legal deposit of \$7,500 upon acceptance of this Commitment Letter.

ACCEPTANCE: This Commitment Letter must be accepted by the Borrower by no later than 5pm MST on Wednesday, May 30, 2018, after which the offer will expire.

Yours truly,



Rick Lutz
Pillar Capital Corp.

On behalf of **GAP Electric Ltd.**, I agree with the terms and conditions as stated above:

Per:

Date: ____, 2018

Eric Sirrs

From: Walker, Richard <richard.walker@scotiabank.com>
Sent: May 31, 2018 2:09 PM
To: Philip Rogers
Cc: Eric Sirrs; Julie Kennedy
Subject: Credit Approval

Hello Philip,

Further to our recent phone conversation this morning, I confirm that the Bank has now provided me with an unconditional credit approval for \$783,250 to assist with paying out the credit facilities of Westridge Electric Ltd held at the RBC.

As discussed, I have already instructed, by email, your Lawyer Mr. Nishimura of Field Law to start the Collateral Mortgage registration process on behalf of the Bank. I have also requested the credit documents to be prepared that I will need you to sign to accept the term loan credit facility.

You may want to check with Mr. Nishimura to find out the time line to complete the legal work.

We should be able to fund shortly after the legal work has been completed.

I'll contact you again to have the credit documents signed as soon as I have received them.

Take care,

Richard Walker | Small Business Advisor and Mutual Funds Representative*

Scotiabank

27-5102 50th Avenue, Yellowknife, NT, Canada X1A 3S8

T 1.867.669.6007 Ext. 4300 F 1.867.669.6049

richard.walker@scotiabank.com

scotiabank.com

Scotiabank is a business name used by The Bank of Nova Scotia

*Mutual Funds Representatives with Scotia Securities Inc. distribute mutual funds at Scotiabank branches.

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GAP Electric Ltd.
Interim Statement of Receipts and Disbursements
For the Period of May 17, 2018 to June 4, 2018

	May 17/18 to Jun 4/18
	(\$)
RECEIPTS:	
Cash on Hand	54,277.39
Accounts Receivable Collected	59,524.91
TOTAL RECEIPTS:	<u>113,802.30</u>
DISBURSEMENTS:	
Wages and Benefits (includin pre receivership) (1)	28,361.99
Payroll Source Deduction (1)	23,646.71
Operating Expenses	25,625.40
Bank Charges	48.50
Property Taxes	1,323.70
WSCC	4,884.00
Insurance	2,290.60
TOTAL DISBURSEMENTS:	<u>86,180.90</u>
Excess of Receipts over Disbursements	<u>\$ 27,621.40</u>

NOTES

(1) Includes accruals where payment has been remitted but not yet cleared account.