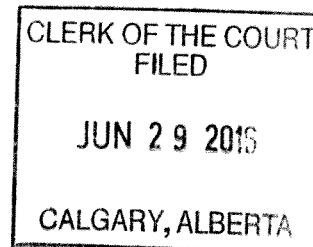


Clerk's Stamp



Estate FILE NUMBER 1601-04493  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
PLAINTIFF PILLAR CAPITAL CORP.  
DEFENDANTS ACTION RESTORATION LTD., ACTION RESTORATION RD LTD., ACTION ASSET CORPORATION and STEP ABOVE EXTERIORS LTD.

DOCUMENT **FIRST REPORT OF THE RECEIVER  
HARDIE & KELLY INC.  
JUNE 29, 2016**

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FIRST REPORT OF THE RECEIVER  
HARDIE & KELLY INC.  
JUNE 29, 2016

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A P P E N D I X

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## INTRODUCTION

1. On April 15, 2016, Pillar Capital Corp. (“Pillar”) sought and obtained an Order (the “Receivership Order”) of this Honourable Court appointing Hardie & Kelly Inc. (the “Receiver”) as Receiver of the assets, undertakings and properties (“Property” or the “Properties”) of Action Restoration Ltd. (“Action Restoration”), Action Restoration RD Ltd. (“Action Restoration Red Deer”), Step Above Exteriors Ltd. (“Step Above”) and Action Asset Corporation (“Action Asset”), collectively, (the “Action Group” or the “Debtors”).
2. The Receivership Order authorized the Receiver, among other things, to market any or all of the Property and to sell any Property, or parts thereof, with the approval of the Court in the event that a single transaction exceeds \$150,000 or the aggregate consideration for all such transactions would exceed \$300,000.
3. While the Receiver has provided certain background information concerning the Action Group for contextual purposes, the Receiver is filing this report (the “First Report”) with this Honourable Court for the sole purpose of seeking this Honourable Court’s approval of the sale of a residential real estate property bearing the civic address of 3 Templemont Road, NE, Calgary, Alberta. It is the Receiver’s intention to file a more fulsome report on its administration of the remaining estate of the Action Group and its individual entities in due course when it is pertinent to the relief being sought.
4. Capitalized terms not defined in this First Report are as defined in the Receivership Order or the Affidavit of Steve Dizep (the “Dizep Affidavit”) sworn on April 4, 2016 and filed in these proceedings.
5. All references to currency are in Canadian dollars unless otherwise noted.

## TERMS OF REFERENCE

6. In preparing this First Report, the Receiver has relied upon unaudited financial information contained in the books and records of the Action Group. The Receiver has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information and accordingly, the Receiver expresses no opinion or other form of assurance in respect of such information contained in this report.

## BACKGROUND

### *Operations*

7. A brief overview of the Debtors, as provided in the Affidavit of Mike Goudreau sworn on April 4, 2016 and filed in these proceedings (the “Initial Goudreau Affidavit”) is as follows:
  - (a) Action Restoration and Action Restoration Red Deer were corporations that carried on the business of disaster restoration services primarily in the Cities of Calgary, Red Deer and Lethbridge;
  - (b) Step Above was a corporation that carried out disaster restoration services involving the exterior of buildings, such as removing and installing siding and cladding; and
  - (c) Action Asset was a corporation that was formed to hold various assets required for Action Restoration and Action Restoration Red Deer to carry on business.
8. The Receiver has not continued the business operations of any member of the Action Group.

### *Assets*

9. In addition to the restoration equipment and vehicles required for the day to day operations of Action Restoration and Action Restoration Red Deer, Action Asset owned a residential real estate property bearing the civic address of 3 Templemont Road NE, Calgary, Alberta (the “Templemont Property”) which is subject to a potential sale, conditional on the receipt of Court approval, as discussed herein. A copy of the Land Titles Search for the Templemont Property is attached as Appendix A.

### *Creditors*

10. The Receiver reiterates that this First Report was prepared solely with respect to seeking court approval for the proposed sale of the Templemont Property, but the Receiver advises that several secured creditors have security interests encompassing most, if not all, members of the Action Group. A brief overview of the Receiver’s understanding of such creditors’ claims, as it relates to Action Asset or the Templemont Property, is provided below:

- (a) Toronto Dominion Bank (“TD”) - The Receiver understands that TD claims to hold a mortgage against the Templemont Property and the approximate amount of the mortgage is \$178,962;
  - (b) Pillar – The Receiver understands that in addition to specific security interests over specific assets and the general security agreement that Pillar claims to hold over all present and after-acquired property of the individual members of the Action Group, that Pillar also claims to hold mortgage security over the Templemont Property. The Receiver understands that the approximate amount outstanding on the Pillar indebtedness is estimated to approximate \$516,000 as of July 5, 2016;
  - (c) Business Development Bank of Canada (“BDC”) – The Receiver understands that BDC claims to hold specific security interests over specific assets as well as a general security agreement over all present and after-acquired property of the individual members of the Action Group and that the estimated amount of such indebtedness as per the books and records of the Action Group was approximately \$438,000;
  - (d) Fundthrough Inc. (“Fundthrough”) – The Receiver understands that Fundthrough claims to hold a security interest over all present and future indebtedness of Action Restoration and Action Restoration Red Deer to Action Asset. The Receiver understands that the estimated amount of the indebtedness as per the books and records of the Action group was approximately \$320,052; and
  - (e) Addison Leasing, Shaw GMC Chevrolet Buick Ltd., Jim Pattison Industries Ltd., and Summit Acceptance Corp. (collectively, the “Secured Vehicle Parties”) – The Receiver understands that the Secured Vehicle Parties held specific security against several leased vehicles for which such vehicles were either returned prior to the date of the Receivership Order, or for which the Receiver made arrangements to acquire such secured interest for inclusion in an estate auction as previously approved by this Honourable Court to monetize the equity inherent in the leased vehicles.
11. The books and records of Action Asset as of the date of Receivership contain one trade creditor in the approximate amount of \$2,285 plus a potential claim of Canada Revenue Agency in the approximate amount of \$14,013 with respect to outstanding G.S.T.

## MARKETING AND PROPOSED SALE OF THE TEMPLEMONT PROPERTY

12. Upon its appointment, the Receiver discussed the marketability of the Templemont Property with former management of the Action Group (“Management” or the “Guarantors”) who the Receiver understands are also personal guarantors of the Pillar and BDC indebtedness. The Receiver also discussed the Templemont Property with representatives of Pillar, who had previously expressed interest in potentially acquiring the Templemont Property through a form of credit bid for a portion of their debt. Lastly, representatives of the Receiver also toured the Templemont Property.
13. Following these discussions, the Receiver sought the services of a Realtor (the “Realtor”) to propose a list price for the marketing of the Templemont Property. The Realtor responded with a suggested list price of \$264,500.
14. Upon receiving the Realtor’s suggested list price, the Receiver discussed such suggested list price with the Guarantors, Pillar, BDC and TD prior to signing a listing agreement and the Receiver advises that no objections were raised to such list price prior to formally listing the property on May 24, 2016.
15. The Receiver received five offers for the Templemont Property arising from the marketing, subsequent to which, the Receiver entered into an agreement of purchase and sale (the “Templemont PSA”), conditional only on the receipt of this Honourable Court’s approval.
16. The Templemont PSA, details of the various offers received and an overall analysis of the offers will be contained in the Receiver’s Confidential Supplemental Report (the “Confidential Supplement to the First Report”). The Receiver is concerned that in the event the Templemont PSA does not close for any reason, that the disclosure of the terms of the Templemont PSA or the respective details of the various other offers may affect the Receiver’s efforts to remarket the Templemont Property. As a result, the Receiver will be seeking the Court’s approval to have the Confidential Supplement to the First Report sealed until the completion of the Templemont PSA, should this court respectfully grant the approval for such transaction.
17. The Receiver can advise that it has corresponded with Pillar, BDC and the Guarantors with respect to the quantum of the transaction subject to the Templemont PSA and no objections were raised.

**RECOMMENDATIONS**

18. The Receiver respectfully recommends that this Honourable Court:

- (a) approve the sale of the Templemont Property upon the terms substantially contained in the Templemont PSA as described in the Confidential Supplement to the First Report; and
- (b) order the Confidential Supplement to the First Report to be sealed until the completion of the Templemont PSA.

All of which is respectfully submitted this 29<sup>th</sup> day of June, 2016.

**Hardie & Kelly Inc.**

In its capacity as Receiver of Action Asset Corp., Action Restoration Ltd., Action Restoration RD Ltd. and Step Above Exteriors Ltd. and not in its personal or corporate capacity.

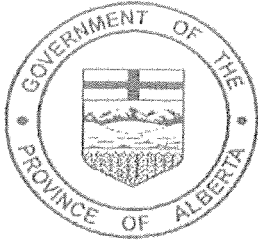
Per:



Kevin Meyler, CA•CIRP  
Senior Vice President

# APPENDIX A





LAND TITLE CERTIFICATE

S  
LINC                      SHORT LEGAL                      TITLE NUMBER  
0015 266 760          7910737;44;83                      101 224 198

LEGAL DESCRIPTION

PLAN TEMPLE PROPERTIES CALGARY 7910737  
BLOCK FORTY FOUR (44)  
THE SOUTHWEST SEVEN AND SIX HUNDRED AND  
TWENTY THOUSANDTHS (7.620) METRES OF  
LOT EIGHTY THREE (83) IN PERPENDICULAR  
WIDTH THROUGHOUT  
EXCEPTING THEREOUT ALL MINES AND MINERALS

ATS REFERENCE: 4;29;24;35;N  
ESTATE: FEE SIMPLE

MUNICIPALITY: CITY OF CALGARY

REFERENCE NUMBER: 051 377 854

		REGISTERED OWNER(S)		
REGISTRATION	DATE (DMY)	DOCUMENT TYPE	VALUE	CONSIDERATION
101 224 198	28/07/2010	TRANSFER OF LAND	\$244,500	\$244,500

OWNERS

ACTION ASSET CORPORATION.  
OF C/O 845 WEST CHESTERMERE DRIVE  
CHESTERMERE  
ALBERTA T1X 1E6

ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION	DATE (D/M/Y)	PARTICULARS
791 092 493	13/06/1979	CAVEAT RE : DEVELOPMENT AGREEMENT CAVEATOR - THE CITY OF CALGARY.
811 053 229	26/03/1981	PARTY WALL AGREEMENT

( CONTINUED )

ENCUMBRANCES, LIENS & INTERESTS

PAGE 2

# 101 224 198

REGISTRATION

NUMBER	DATE (D/M/Y)	PARTICULARS
101 224 199	28/07/2010	MORTGAGE MORTGAGEE - THE TORONTO DOMINION BANK. 500 EDMONTON CITY CENTRE EAST EDMONTON ALBERTA T5J5E8 ORIGINAL PRINCIPAL AMOUNT: \$195,600
151 209 731	19/08/2015	MORTGAGE MORTGAGEE - PILLAR CAPITAL CORP. SUITE 1600, 421-7 AVE SW CALGARY ALBERTA T2P4K9 ORIGINAL PRINCIPAL AMOUNT: \$500,000
161 091 386	18/04/2016	CAVEAT RE : AGREEMENT CHARGING LAND CAVEATOR - BUSINESS DEVELOPMENT BANK OF CANADA. C/O MILLER THOMSON LLP 3000, 700-9 AVE SW CALGARY ALBERTA T2P3V4 AGENT - MICHAEL J MORCOM

TOTAL INSTRUMENTS: 005

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN  
ACCURATE REPRODUCTION OF THE CERTIFICATE OF  
TITLE REPRESENTED HEREIN THIS 19 DAY OF MAY,  
2016 AT 04:25 P.M.

ORDER NUMBER: 30702988

CUSTOMER FILE NUMBER:



\*END OF CERTIFICATE\*

THIS ELECTRONICALLY TRANSMITTED LAND TITLES PRODUCT IS INTENDED  
FOR THE SOLE USE OF THE ORIGINAL PURCHASER, AND NONE OTHER,  
SUBJECT TO WHAT IS SET OUT IN THE PARAGRAPH BELOW.

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APPRAISAL OR OTHER ADVICE PREPARED BY THE ORIGINAL PURCHASER AS  
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