

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS
AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE
OR ARRANGEMENT OF H.B. WHITE CANADA
CORP.**

**FIRST REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.**

JULY 28, 2016

TABLE OF CONTENTS

1.0	INTRODUCTION	1
2.0	TERMS OF REFERENCE AND DISCLAIMER	4
3.0	CASH FLOW RESULTS RELATIVE TO FORECAST.....	5
4.0	UPDATED CASH FLOW FORECAST	7
5.0	DEBTOR IN POSSESSION FINANCING.....	9
6.0	UPDATED INFORMATION.....	9
7.0	EXTENSION OF THE STAY PERIOD	13
8.0	MONITOR’S ACTIVITIES TO DATE	14
9.0	MONITOR’S RECOMMENDATION.....	15

INDEX TO APPENDICES

Appendix A – Cash Flow Forecast for the 19-Week Period Ending December 2, 2016

1.0 INTRODUCTION

- 1.1 On July 7, 2016 (the “**Filing Date**”), H.B. White Canada Corp. (“**HBW**”, the “**Company**” or the “**Applicant**”) applied for and was granted protection by the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Pursuant to an Order of this Court dated July 7, 2016 (the “**Initial Order**”), Alvarez & Marsal Canada Inc. (“**A&M**” or the “**Monitor**”) was appointed Monitor of HBW in the CCAA proceedings (the “**CCAA Proceedings**”).
- 1.2 Also on July 7, 2016, the Court granted an order (the “**Claims Procedure Order**”) approving a process for the filing and determination of certain claims against the Applicant for voting and distribution purposes (the “**Claims Process**”) in connection with a plan of compromise and arrangement, to be filed. The Claims Procedure Order provides that persons asserting claims against HBW or its directors and/or officers must file a proof of claim in the prescribed form with the Monitor on or before 5:00 p.m. (Toronto time) on August 22, 2016 (the “**Claims Bar Date**”).
- 1.3 In connection with HBW’s application for protection under the CCAA, A&M provided this Court a pre-filing report (the “**Pre-Filing Report**”) dated July 6, 2016 in its capacity as Proposed Monitor. The Pre-Filing Report, Initial Order, Claims Procedure Order and other Court-filed documents and notices in these CCAA Proceedings are available on the Monitor’s website at www.alvarezandmarsal.com/HBWhite (the “**Monitor’s Website**”).
- 1.4 The Initial Order, among other things:

- (a) granted a stay of proceedings (the “**Stay**”) up to and including August 6, 2016 (the “**Stay Period**”) in favour of HBW and in respect of actions against warranty bonds in connection with any of HBW’s projects;
- (b) approved the engagement of Ankura Consulting Group, LLC (“**Ankura**”) to act as Chief Restructuring Organization (“**CRO**”) in respect of HBW;
- (c) authorized and empowered HBW to enter into and borrow under the DIP Facility;
- (d) provided HBW with the ability, but not the requirement, to pay, among other things, the following expenses whether incurred prior to, on or after the Initial Order to the extent that such expenses are incurred and payable by HBW:
 - (i) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of the Initial Order, in each case incurred in the ordinary course of business and consistent with HBW’s existing compensation policies and arrangements;
 - (ii) the fees and disbursements of any Assistants retained or employed by HBW at their standard rates and charges; and
 - (iii) with the consent of the Monitor, amounts owing for goods or services supplied to HBW prior to the date of the Initial Order up to a maximum aggregate amount of \$800,000, if they are determined to be necessary to the continued operation of the Business or preservation of the Property; and

- (e) approved the Administration Charge, the DIP Lender's Charge and the Directors' Charge in the amounts and relative priority as set out in the Pre-Filing Report.

1.5 Since the granting of the Initial Order, the Monitor has worked closely with HBW to stabilize its business and operations, including communications with suppliers, critical service providers, customers and employees, and responding to creditor and other stakeholder inquiries and requests received through the Monitor's Website, email address and the Monitor's telephone hotline established pursuant to the Initial Order. The Monitor has worked with the Company to ensure that inquiries are addressed in as timely a manner as possible.

1.6 The purpose of this First Report of the Monitor (the "**First Report**") is to provide this Court with:

- (1) information regarding the following:
 - (a) the receipts and disbursements of HBW from July 7, 2016 through July 22, 2016;
 - (b) the updated and extended cash flow forecast for the 19-week period to December 2, 2016 (the "**Cash Flow Forecast**");
 - (c) the status of the DIP Facility;
 - (d) updated information with respect to the following:
 - (i) operations and employees;
 - (ii) payments of pre-filing amounts to certain critical service providers;
 - (iii) creditor notifications; and

- (iv) Claims Procedure Order notifications;
 - (e) the Monitor's activities since the granting of the Initial Order;
 - (f) the Applicant's motion to seek extension of the Stay Period to November 30, 2016; and
- (2) the Monitor's conclusions and recommendations in connection with the foregoing.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this Report, the Monitor, has been provided with, and has relied upon unaudited financial information and the books and records prepared by HBW, the IEA Group and the CRO (the "**Parties**") and has held discussions with management of HBW and the IEA Group, and each entities' respective legal counsel, and the CRO (collectively, the "**Information**"). Except as otherwise described in this Report in respect of HBW's cash flow forecast:

- (a) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CASs**") pursuant to the *Chartered Professional Accountants Canada Handbook* (the "**CPA Handbook**") and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and

(b) some of the information referred to in this First Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

2.2 Future oriented financial information referred to in this First Report was prepared based on the Parties' estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

2.3 This Report should be read in conjunction with the Affidavit of Philip J. Gund, a Senior Managing Director of Ankura Consulting Group LLC, acting as CRO of HBW, sworn July 28, 2016 (the "**Gund Affidavit**").

2.4 Capitalized terms not otherwise defined in this First Report are as defined in the Pre-Filing Report, Initial Order and Gund Affidavit, as applicable.

2.5 Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars.

3.0 CASH FLOW RESULTS RELATIVE TO FORECAST

3.1 Receipts and disbursements for the period July 7, 2016 to July 22 2016 (the "**Reporting Period**"), as compared to the Cash Flow Forecast, are summarized in the table below.

Cash Flow Results for the Reporting Period			\$000's
	<u>Actual</u>	<u>Forecast</u>	<u>Variance</u>
Receipts	1,099	-	1,099
Disbursements:			
Payroll & related costs	(158)	(279)	121
Project related costs	(742)	(824)	82
Restructuring professional fees	(148)	(221)	73
Total disbursements	(1,048)	(1,324)	276
Net cash flow	51	(1,324)	1,375
Beginning cash balance	2,109	2,210	(101)
Beginning DIP obligation	-	-	-
DIP advances	-	-	-
DIP interest	-	-	-
Ending DIP obligation	-	-	-
Ending cash balance	2,160	885	1,275

3.2 During the Reporting Period, HBW experienced the following:

- (a) total receipts were approximately \$1.1 million greater than projected in the Cash Flow Forecast. Management attributes this to timing differences in collections and expects the variance to reverse in future weeks; and
- (b) total disbursements were approximately \$276,000 less than projected in the Cash Flow Forecast. Management attributes this primarily to timing differences with respect to: (i) work performed on certain projects and receipt of vendor invoices; and (ii) professional fees. Management expects these variances to reverse in future weeks.

- 3.3 Overall, during the Reporting Period, HBW experienced a positive net cash flow variance of approximately \$1.4 million relative to the Cash Flow Forecast. As noted above, it is anticipated that this variance will decline as the CCAA Proceedings progress.
- 3.4 The closing cash balance as at July 22, 2016 was approximately \$2.2 million, as compared to the projected cash balance of \$885,000. The variance was due primarily to the positive variance in net cash flow as described above.
- 3.5 The Initial Order entitled HBW to continue to utilize its existing Cash Management System, as described in the Pre-Filing Report. The Cash Management System continues to operate in the same manner as it had prior to the commencement of the CCAA Proceedings.

4.0 UPDATED CASH FLOW FORECAST

- 4.1 The Company, with the assistance of the Monitor, has prepared an updated cash flow forecast (the “**Cash Flow Forecast**”) for the period July 23 to December 2, 2016 (the “**Forecast Period**”). A copy of the Cash Flow Forecast, together with Notes and Summary of Assumptions is attached to this First Report as **Appendix “A”**. A summary of the Cash Flow Forecast is set out in the following table.

Cash Flow Forecast	\$000's
Receipts	1,225
Disbursements:	
Payroll & related costs	(1,460)
Project related costs	(3,407)
Restructuring professional fees	(3,423)
Total disbursements	(8,290)
Net cash flow	(7,065)
Beginning cash balance	2,160
Beginning DIP obligation	-
DIP advances	5,000
DIP interest	31
Ending DIP obligation	5,031
Ending cash balance	95

4.2 The Monitor notes the following with respect to the CCAA Cash Flow Forecast:

- (a) over the course of the Forecast Period, the Company forecasts net operating cash flow of approximately negative \$7.1 million (before interest), an ending DIP Facility balance of approximately \$5.0 million and an ending cash balance of approximately \$95,000;
- (b) receipts during the Forecast Period represent anticipated collections of accounts receivable on ongoing projects;
- (c) payroll & related costs and project related costs represent anticipated disbursements for the completion of ongoing projects and ongoing warranty/repair services;
- (d) restructuring professional fees include those of the Company's legal counsel, the CRO, the Monitor and the Monitor's legal counsel; and

- (e) the availability under the DIP Facility is sufficient to meet the Company's forecast cash requirements during the Forecast Period.

5.0 DEBTOR IN POSSESSION FINANCING

5.1 The Initial Order authorized HBW to borrow under the terms of a commitment letter from Infrastructure and Energy Alternatives, LLC (a member of the IEA Group) (the "**DIP Lender**") in order to finance the Company's cash flow and to allow it to make such other payments as permitted under the Initial Order (the "**DIP Facility**"). A summary of key DIP Facility terms was included in the Pre-Filing Report. In accordance with the Initial Order and subject to the terms of the DIP Facility, HBW has access to borrowings under the DIP Facility up to a maximum amount of US\$5 million¹.

5.2 As of the date of this Report, the Company has not yet drawn on the DIP Facility, however, it is anticipated that the first draw under the DIP Facility will occur during the week ending September 2, 2016.

6.0 UPDATED INFORMATION

Operations and employees

6.1 HBW continues to service its remaining projects in the ordinary course and without disruption, including the completion of ongoing warranty and repair services for its customers.

6.2 All of the Company's employees are project management and field personnel. As the Company's projects are completed, or near final completion, HBW reduces its employee

¹ The DIP Facility is funded in USD and converted into CAD at prevailing market rates.

count in the ordinary course. As at the date of this report, the Company has delivered notices of termination to one non-unionized employee and two unionized employees since the Filing Date.

Disclaimed Contracts

- 6.3 On July 27, 2016, HBW, with the consent of the Monitor, provided East Lake St. Clair Wind Inc. (“**East Lake**”) with notice of its intention to disclaim or resiliate the Engineering, Procurement and Construction Contract, in effect December 1, 2011, between HBW and East Lake and any amendments, additions, ancillary documents or agreements related thereto (collectively, the “**East Lake Agreement**”).
- 6.4 Pursuant to the Claims Procedure Order, any right or claim of East Lake arising out of the disclaiming of the East Lake Agreement could be filed as Restructuring Period Claim, as defined in the Claims Procedure Order.

Critical Service Providers

- 6.5 Since the date of the Initial Order, the Company, with assistance of the Monitor, has been working to stabilize the business, including minimizing disruption to services essential to the completion of remaining projects and warranty/repair services, and address customer and critical service provider concerns. As authorized by the Initial Order, this has included the payment of certain pre-filing amounts to certain critical service providers to maintain an adequate level of service and otherwise facilitate the Company’s completion of ongoing projects and warranty/repair services. Pursuant to the Initial Order and with

the consent of the Monitor, the Company is entitled to pay such pre-filing amounts up to a maximum aggregate amount of \$800,000.

- 6.6 As discussed in the Gund Affidavit, HBW has identified a number of suppliers that it views as critical to the ongoing operation of its business. HBW has advised that aggregate amounts owing to these critical service providers are in excess of its initial estimate of \$800,000 reflected in the Initial Order, and that any interruption of supply or service by these suppliers could have an immediate material adverse impact on HBW's business, operations and cash flow, and could jeopardize its ability to collect outstanding accounts receivable and ultimately implement the contemplated plan of compromise or arrangement and continue as a going concern.
- 6.7 The Applicant is seeking authorization from the Court to increase the maximum aggregate amount it is permitted to pay for such critical pre-filing amounts by \$500,000, from \$800,000 to \$1.3 million. This change has been reflected in the Company's Budget (as defined in the DIP Facility commitment letter) and approved by the DIP Lender. The Monitor supports this request.

Creditor Notifications

- 6.8 Pursuant to the Initial Order, the Monitor was required to: (i) without delay, publish in the *Daily Commercial News* and *The Globe and Mail* (National Edition), a notice containing the information prescribed under the CCAA; (ii) within five days after the date of the Initial Order, (A) make the Initial Order publicly available in the manner prescribed under the CCAA, (B) send or cause to be sent, in the prescribed manner, a notice to every known creditor who has a claim against HBW of more than \$1,000, and

(C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with section 23(1)(a) of the CCAA and the regulations made thereunder, provided that the Monitor not make the claims, names and addresses of individuals who are creditors publicly available.

- 6.9 A notice containing the information prescribed under the CCAA was published in: (i) the *Daily Commercial News* on July 13 and 19, 2016; and (ii) *The Globe and Mail* (National Edition) on July 12 and 19, 2016.
- 6.10 On the Filing Date, the Monitor activated the Monitor's Website and posted a copy of the entered Initial Order to the website. On July 8, 2016, the Monitor prepared and posted to the Monitor's Website a list showing the names and addresses of every known creditor who may have a claim against the Company of more than \$1,000, excluding the claims, names and addresses of individuals who may be creditors. On July 11, 2016, a notice was mailed by the Monitor to every known creditor who may have a claim against the Company of more than \$1,000.

Claims Procedure Order Notifications

- 6.11 Pursuant to the Claims Procedure Order, by no later than 5:00 p.m. Toronto Time on July 14, 2016, the Monitor was required to: (i) post a copy of the Notice to Claimants and the Claims Package on the Monitor's Website; (ii) cause the Notice to Claimants to be published for at least one Business Day in *The Globe and Mail* (National Edition) and for at least two Business Days in the *Daily Commercial News*; (iii) cause the Employee Letter to be sent to all Employees; and (iv) cause a Claims Package to be sent to each

party that appears on the Service List or has requested a Claims Package, and all known Claimants or their counsel. In addition, the Monitor is required to provide a Claims Package to any Claimant that requests documents or information relating to the Claims Process prior to the Claims Bar Date, or if HBW or the Monitor become aware of any further Claims, the Monitor shall take the steps that are considered appropriate to provide such Claimant with a Claims Package.

- 6.12 On July 7, 2016, the Monitor posted a copy of the Notice to Claimants and the Claims Package to the Monitor's Website.
- 6.13 The Notice to Claimants was published in: (i) *The Globe and Mail* (National Edition) on July 12, 2016; and (ii) the *Daily Commercial News* on July 13 and 14, 2016.
- 6.14 On July 11, 2016, the Notice to Creditors and a Claims Package was mailed to each party on the Service List and all known Claimants and/or their counsel. Subsequent to this date, the Monitor has provided Claims Packages to a number of additional parties who have requested such documents and to those claimants who it has otherwise become aware of.
- 6.15 On July 12, 2016, the Employee Letter was mailed by the Monitor to each of the Company's employees.

7.0 EXTENSION OF THE STAY PERIOD

- 7.1 Pursuant to the Initial Order, the Stay Period is to expire on August 6, 2016. The Applicant is seeking an extension of the Stay Period to November 30, 2016.

7.2 The Monitor supports the Applicant's motion to extend the Stay Period to November 30, 2016 for the following reasons:

- (a) the stay is required to provide the necessary stability and certainty to enable HBW to complete its ongoing projects and warranty work in the ordinary course;
- (b) the stay will permit HBW to continue the Claims Process and implement the Settlement and Support Agreements;
- (c) the DIP Facility remains available to HBW and is projected to provide sufficient liquidity through the remainder of the CCAA Proceedings; and
- (d) the Applicant continues to act in good faith and with due diligence.

8.0 MONITOR'S ACTIVITIES TO DATE

8.1 In addition to those described above, the activities of the Monitor from the date of the Pre-Filing Report have included the following:

- (a) assisting the Company with communications with employees, suppliers, critical service providers, customers and other parties;
- (b) discussions with the Company and legal counsel to the Company regarding various supplier issues, including with respect to critical supplier status and anticipated payments;
- (c) responding to inquiries from stakeholders, including addressing questions or concerns of parties who contacted the Monitor on the hotline number or email account established by the Monitor for these CCAA Proceedings;

- (d) assisting the Company in implementing an appropriate accounting cut-off to ensure proper determination of pre and post-filing obligations and liabilities;
- (e) monitoring the receipts, disbursements and purchase commitments with certain suppliers and creditors of the Company, including the review of any payments made to critical service providers;
- (f) posting non-confidential materials filed with the Court to the Monitor's Website;
- (g) completing: (a) the general noticing required under the CCAA and the noticing required under the Claims Procedure Order, each as described above; and (b) the statutory filings pursuant to Section 23 of the CCAA and filing requisite forms with the Office of the Superintendent of Bankruptcy (Canada); and
- (h) reviewing claims filed to date in connection with the Claims Process set out in the Claims Procedure Order, including numerous discussions with claimants, and the vetting committee convened in connection with lien claims registered against the Cochrane project.

9.0 MONITOR'S RECOMMENDATION

- 9.1 For the reasons set out in this First Report, the Monitor is of the view that the relief requested by the Applicants is reasonable and respectfully recommends that this Court make the Order granting the relief requested by the Applicants.

All of which is respectfully submitted to this Court this 28th day of July, 2016.

**Alvarez & Marsal Canada Inc., in its capacity
as Court-appointed Monitor of H.B. White
Canada Corp.**

Per: 
Name: Alan J. Hutchens
Title: Senior Vice-President

APPENDIX A
CASH FLOW FORECAST
FOR THE 19-WEEK PERIOD ENDING DECEMBER 2, 2016

6594892

H.B. White Canada Corp.
19-Week Cash Flow Forecast

(\$ in 000's CAD)

	Wk-1	Wk-2	Wk-3	Wk-4	Wk-5	Wk-6	Wk-7	Wk-8	Wk-9	Wk-10
	29-Jul	05-Aug	12-Aug	19-Aug	26-Aug	02-Sep	09-Sep	16-Sep	23-Sep	30-Sep
RECEIPTS	-	250	-	-	-	-	-	-	-	-
DISBURSEMENTS										
Employee Payments	93	82	82	170	72	58	58	140	58	67
Project Related Costs	120	209	289	151	128	97	97	97	97	173
Restructuring Professional Fees	28	77	51	568	69	60	64	100	553	71
Total Disbursements	241	368	422	889	270	215	219	337	709	311
NET CASH FLOW BEFORE DEBT SERVICE	(241)	(118)	(422)	(889)	(270)	(215)	(219)	(337)	(709)	(311)
Opening Cash Balance	2,160	1,919	1,800	1,378	489	220	130	110	123	115
Net Cash Flow	(241)	(118)	(422)	(889)	(270)	(215)	(219)	(337)	(709)	(311)
DIP Facility Advance/(Repayment)	-	-	-	-	-	125	200	350	700	300
Ending Cash Balance	1,919	1,800	1,378	489	220	130	110	123	115	104
Opening DIP Facility Balance	-	-	-	-	-	-	125	325	676	1,377
DIP Facility Advance/(Repayment)	-	-	-	-	-	125	200	350	700	300
DIP Facility Interest	-	-	-	-	-	0	0	1	1	2
Ending DIP Facility Balance	-	-	-	-	-	125	325	676	1,377	1,679

Continued on next page

H.B. White Canada Corp.
19-Week Cash Flow Forecast

(\$ in 000's CAD)

	Wk-11 07-Oct	Wk-12 14-Oct	Wk-13 21-Oct	Wk-14 28-Oct	Wk-15 04-Nov	Wk-16 11-Nov	Wk-17 18-Nov	Wk-18 25-Nov	Wk-19 02-Dec	19-Week Total
RECEIPTS	975	-	-	-	-	-	-	-	-	1,225
DISBURSEMENTS										
Employee Payments	53	53	102	67	53	53	77	67	53	1,460
Project Related Costs	87	301	301	376	176	176	176	176	176	3,407
Restructuring Professional Fees	71	71	547	61	46	58	64	277	587	3,423
Total Disbursements	211	425	950	505	276	288	317	521	817	8,290
NET CASH FLOW BEFORE DEBT SERVICE	764	(425)	(950)	(505)	(276)	(288)	(317)	(521)	(817)	(7,065)
Opening Cash Balance	104	868	443	118	138	112	125	108	112	2,160
Net Cash Flow	764	(425)	(950)	(505)	(276)	(288)	(317)	(521)	(817)	(7,065)
DIP Facility Advance/(Repayment)	-	-	625	525	250	300	300	525	800	5,000
Ending Cash Balance	868	443	118	138	112	125	108	112	95	95
Opening DIP Facility Balance	1,679	1,681	1,682	2,309	2,837	3,090	3,393	3,697	4,226	-
DIP Facility Advance/(Repayment)	-	-	625	525	250	300	300	525	800	5,000
DIP Facility Interest	2	2	2	3	3	3	4	4	5	31
Ending DIP Facility Balance	1,681	1,682	2,309	2,837	3,090	3,393	3,697	4,226	5,031	5,031

**In the Matter of the CCAA Proceedings of H.B. White Canada Corp. (“HBW” or the “Company”)
Notes to the Cash Flow Forecast for the 19-Week Period Ending December 2, 2016**

Disclaimer:

In preparing this cash flow forecast (the “Forecast”), HBW has relied upon unaudited financial information and HBW has not attempted to further verify the accuracy or completeness of such information. The Forecast includes estimates concerning the completion of ongoing projects and additional assumptions discussed below with respect to the requirements and impact of a filing under the *Companies’ Creditors Arrangement Act* (“CCAA”). Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Forecast period will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty of other assurance that any of the estimates, forecasts or projections will be realized.

Overview:

The Forecast reflects cash flows from the Company’s operations. HBW, with the assistance of the Monitor, has prepared the Forecast based primarily on historical results and HBW’s current expectations. The Forecast is presented in thousands of Canadian dollars.

Assumptions:

1. Beginning Balance

This is the actual opening balance as at July 23, 2016.

2. Receipts

Forecast receipts represent collections from ongoing projects only. Timing of receipts assumes projects are completed on time and customers pay according to schedule.

3. Payroll & Related Costs

Disbursements include payroll, payroll taxes, employee benefits and union dues, paid weekly, one week in arrears.

4. Project Related Costs

These disbursements include normal course project costs, warranty costs, taxes (HST payments and refunds) and other operating expenditures.

5. Restructuring Professional Fees

These disbursements include payments to HBW’s legal counsel, the CRO, the Monitor and its counsel and other consultants and advisors as required.

6. DIP Interest

The DIP Facility accrues interest at a rate of 5%.