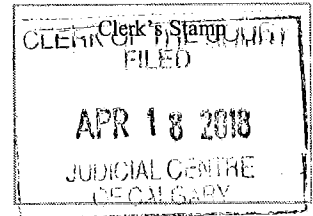


COURT FILE NUMBER 1701-08853  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
PLAINTIFF PARAGON CAPITAL CORPORATION LTD.  
(APPLICANT)  
DEFENDANT STARKE DOMINION LTD.  
(RESPONDENT)  
DOCUMENT **FIRST REPORT OF THE RECEIVER**



ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

**APRIL 18, 2018**

**RECEIVER**  
ALVAREZ & MARSAL CANADA INC.  
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Suite 1110, 250 – 6<sup>th</sup> Avenue SW  
Calgary, Alberta T2P 3H7  
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**COUNSEL TO RECEIVER**  
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File: 99766/10

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## INTRODUCTION

1. On January 26, 2018 (the “**Receivership Date**”), pursuant to an order of the Court of Queen’s Bench of Alberta (the “**Court**”) granted in these proceedings (the “**Receiver Manager Order**”), Alvarez & Marsal Canada Inc. (“**A&M**”) was appointed as the Receiver or Receiver and Manager (the “**Receiver**”), without security, of the lands and premises legally described as:

Plan A1  
Block 74  
LOTS 21 to 24 INCLUSIVE  
EXCEPT THEREOUT THE ROAD WIDENING ON PLAN 8211695  
EXCEPT THEREOUT ALL MINES AND MINERALS

and the undertaking, property and assets of the Debtor situated upon or relating thereto

(collectively, the “**Building**”) of Starke Dominion Ltd. (“**Starke**” or the “**Corporation**”) pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, (the “**BIA**”), sections 13(2) of the *Judicature Act*, RSA 2000, c J-2, and 49 of the *Law of Property Act*, RSA 2000, c L-3 (the “**Receivership Proceedings**”). A&M was not appointed Receiver over the Corporation, but just the Building commonly referred to as “Dominion Place”. The Receiver understands that the sole asset of Starke is the Building.

2. The Receiver Manager Order empowers and authorizes, but does not obligate, the Receiver to, among other things, manage, operate and carry on the business associated with Building, to take possession and exercise control over the Building and any or all proceeds, receipts and disbursements arising out of or from the Building, and to preserve and protect the Building.
3. On November 6, 2017, an Order was granted by Master J.L. Mason (the “**Consent Redemption Order**”), as amended by an Order granted by Master J.L. Mason on December 14, 2017 (the “**Amended Consent Redemption Order**”) providing that Starke or anyone else entitled to do so shall have until February 1, 2018 (the “**Redemption Date**”) to repay the indebtedness owed to Paragon Capital

- Corporation Ltd. (“**Paragon**”), as first mortgagor on the Building, failing which the Building shall be offered for sale in the manner described in the judicial listing agreement agreed to by the parties. In addition, the Amended Consent Redemption Order provided that the listing price of the Building be set at \$31 million or such higher value as the listing agent may recommend.
4. Shortly after the Amended Consent Redemption Order was granted, Starke became unable to pay its ongoing obligations in respect of the Building as they became due. As a result, a receivership application was brought forward by Paragon and A&M was appointed as Receiver over the Building.
  5. On February 8, 2018, Paragon filed an application for a final order of foreclosure (the “**Application for Final Order**”) on the Building. The Application for Final Order was contested by Multus Investment Corporation (“**Multus**”), as second mortgagor on the Building.
  6. On March 14, 2018, an order was granted by Master J.T. Prowse (the “**Final Order**”) declaring that the mortgage held by Paragon over the Building was valid and enforceable and that the Corporation was absolutely barred and foreclosed of and from all its estate, right, title, interest and equity of redemption in the Building. The Final Order directed the Registrar of Alberta Land Titles (the “**Registrar**”) to cancel the existing certificate of title for the Building and issue a new certificate of title in the name of Paragon or such other party as directed by Paragon. A copy of the Final Order is attached as Appendix A to this Report.
  7. Pursuant to the Final Order, a new certificate of title for the Building has been issued by the Register in the name of 2107209 Alberta Inc, (“**210**”). As a result of the transfer of title to the Building, the Receiver is completing its administration and seeking its discharge. 210 is the new owner of the Building and a copy of the new certificate of title evidencing 210's ownership is attached as Appendix B to this Report.

8. The purpose of this first report of the Receiver (the “**First Report**” or “**this Report**”) is to provide this Honourable Court with information in respect of the following:
  - a) an overview of the Building since the Receivership Date;
  - b) the activities, generally, of the Receiver since the Receivership Date;
  - c) the borrowings of the Receiver in the Receivership Proceedings;
  - d) approval of the final statement of receipts and disbursements of the Receiver (the “**Final Statement of Receipts and Disbursements**”) for the period from the Receivership Date to April 16, 2018 (the “**Reporting Period**”)
  - e) the Forecast Receipts and Payments (as defined below);
  - f) approval of the Receiver and its counsel’s fees and expenditures in the Receivership Proceedings and Forecast Fees and Costs;
  - g) approving the actions and conduct of the Receiver throughout the Receivership Proceedings and granting the discharge of the Receiver (the “**Receiver’s Discharge**”); and
  - h) authorizing the Receiver to destroy any and all documents, accounting records and other papers (the “**Records**”) if not required by the Receiver, Paragon, the Property Manager (defined below) or not collected by any of the current directors of Starke by May 18, 2018.
9. Capitalized words or terms not defined or ascribed a meaning in this Report are as defined in the Receiver Manager Order.
10. All references to dollars are in Canadian currency unless otherwise noted.

## TERMS OF REFERENCE

11. In preparing this Report, the Receiver has relied upon the representations of certain former management and employees of Paragon, employees of Group Three Property Management (the property manager of the Building herein referred to as the “**Property Manager**”) and financial and other information contained in the Building’s Records, which were produced and maintained by the Property Manager. The Receiver has not performed an audit, review or other verification of such information.

## BACKGROUND AND OVERVIEW

12. The Building is a 9-storey low-rise commercial building (and accompanying land), principally located at 906-12<sup>th</sup> Avenue SW, Calgary, Alberta. As at the Receivership Date the Building was occupied by twenty-four (24) tenants (the “**Tenants**”), out of the thirty-four (34) leasable units, or approximately 70% of the total leasable space. The monthly rent roll currently generates approximately \$240,000 in rental cash receipts per month, before taking into account certain rental inducements. The Building did not generate sufficient cash flow to cover operating costs and interest on the mortgage and the Receiver was required to borrow monies under Receiver’s Certificate No. 1 in the Receivership Proceedings, as discussed further below.

### Assets

13. The Receiver does not have in its possession a financial statement of the Corporation that provides the net book value of Starke’s assets and liabilities. However, the Receiver did obtain certain financial information pertaining to the Building, such as accounts receivable, from the Property Manager.
14. Based on this financial information, there was approximately \$152,000 in outstanding and uncollected Tenant accounts receivable pertaining to the Building as at the Receivership Date. The Receiver was advised by the Property Manager that approximately \$57,000 of the \$152,000 was considered “collectible

receivables” and the remaining \$95,000 was considered highly uncollectible due to tenants no longer leasing space in the Building. Since the Receivership Date, the Receiver has collected substantially all of the “collectible receivables”.

15. As the Receiver did not have the net book value of the Building at the time of appointment, the Receiver included in its Notice of Statement of Receiver dated February 5, 2018 a notional value of \$1. As discussed above, a Final Order was granted by the Court transferring title from Starke to Paragon and the foreclosure value assigned and identified on the new certificate of title shows a value of \$19 million, which is significantly less than Starke's unpaid mortgage obligation to Paragon approximately \$25.4 million.

#### Liabilities

16. As at the Receivership Date, the amounts owed in respect of the Building to various creditors was approximately \$38 million based on the financial information available to the Receiver. The Receiver understands that there were two secured creditors, Paragon and Multus, who provided first and second mortgages on the Building and, as at the Receivership Date, were owed approximately \$25.4 million and \$12 million, respectively. The unsecured creditors at the Receivership Date were owed approximately \$343,860 and are generally made up of trade creditors.
17. The unsecured creditors as at the Receivership Date were stayed as a result of the Receiver Manager Order and the Receiver has not paid these amounts in the Receivership Proceedings, other than certain key critical suppliers.
18. During the Receivership Proceedings, the Receiver was contacted by several Tenants concerned about the status of their security deposits originally provided to Starke when they entered into their respective lease agreements. The Receiver investigated these matters and, after discussions with the Property Manager and Starke’s President, Mr. Harrison, Mr. Harrison advised that there were no Tenant deposits received or transferred in the acquisition by Starke of the Building in December of 2011. Further, the Receiver was advised by the Property Manager

that, prior to the Receivership Date, the Tenant deposits were largely applied to leasing and brokerage fees. The Receiver was advised by the Property Manager and Mr. Harrison that, prior to the Receivership Date, the respective Tenant's leasing companies, or agents, would apply the security deposit towards their leasing fees as a result of the Corporation not having funds available to pay the leasing companies commissions. As a result, no Tenant security deposits are in the possession of the Receiver.

19. As a result of the Final Order, Paragon took ownership, possession and control of the Building and consequently there is no further need for the Receiver to administer the Property constituting the receivership estate (the "**Receivership Estate**"). The Receiver understands that the outstanding and unpaid obligations of Starke as at the Receivership Date remain an obligation of the Corporation and there are no funds available from the Receivership Estate to satisfy these obligations.
20. Further background on the Building and its operations is contained in the materials filed in support of the Receiver Manager Order, the Amended Consent Redemption Order and the Final Order. These documents and other relevant information have been posted by the Receiver and made publicly available on its website at: [www.alvarezandmarsal.com/starkedominion](http://www.alvarezandmarsal.com/starkedominion) (the "**Receiver's Website**").

## **ACTIVITIES OF THE RECEIVER**

### **Securing the Building and Administration**

21. Since the Receivership Date, the Receiver's activities have included the following:
  - a) physically attending and taking possession and control of the Building;
  - b) continuing the services of the existing Property Manager and the Property Manager's accompanying service providers (cleaning and maintenance, site supervisors and security guards, etc.) to ensure that



the Building was preserved, protected and operating in the normal course;

- c) obtaining the keys to the Building and restricting computer access and codes as appropriate and securing and safeguarding the Building;
- d) performing a thorough walk-through of the Building, alongside the Property Manager, to become knowledgeable of any required capital expenditures, repairs and maintenance in efforts to preserve the value of the Building;
- e) confirming all known corporate bank accounts of the Building principally managed by the Property Manager, and providing notices to remit net balances to the Receiver;
- f) receiving and collecting, with the assistance of the Property Manager, the Building's cash receipts;
- g) making cash disbursements to satisfy the obligations incurred with respect to the Building in the Receivership Proceedings;
- h) completing a compilation and analysis of accounts receivable sub-ledgers and reconciliation of the Building's post-Receivership Date accounts payable, with the assistance of the Property Manager;
- i) undertaking the day-to-day management of operations of the Building, including supervising the Property Manager, ongoing discussion with the Tenants in order to educate them on the receivership process, payment of trade creditors for services rendered and approved by the Receiver in the Receivership Proceedings;
- j) monitoring the cash flow of the Building on a regular basis and ensuring suppliers were paid on a timely basis for services rendered to the Receiver post-Receivership Date;

- k) attending meetings, hosting various phone calls and corresponding with Tenants, vendors and the Property Manager to explain the powers and duties of the Receiver, as its role as an officer of the Court, among other things;
- l) retaining and providing instructions to the Receiver's independent legal counsel, Blake, Cassels & Graydon LLP ("**Blakes**");
- m) notifying the Building's insurance provider of the Receivership Order and making arrangements for continuation of the corporate insurance policy (the "**Building Insurance Policy**") and adding the Receiver as a named insured (beneficiary) and loss payee;
- n) meetings and communications with Paragon and its legal counsel, as the first mortgagor of the Building with respect to operational and financial updates of the Building;
- o) communications with Multus and its legal counsel regarding the Receivership Proceedings, in general, and reviewing and explaining the Building's cash flow forecast and current receipts and disbursements in the Receivership Proceedings;
- p) making various communication with the Corporation's legal counsel, Burnet Duckworth Palmer LLP ("**BDP**"), with respect to the application for a charging Order sought by BDP for its outstanding fees; and
- q) attending multiple Court appearances with respect to ongoing litigation between Paragon and Multus, and to assist the parties and the Court with respect to understanding the cash flow forecasts of the Building.

### **Employees and Property Management**

22. As at the Receivership Date, the Building did not have any employees and the contract Property Manager was engaged to assist in managing the Building. As a

result, the Receiver determined that there were no individuals that were eligible for a claim under the *Wage Earner Protection Program Act*, SC 2005, c. 47, s. 1.

23. The Receiver continued the services of the Property Manager to assist with the accounting, operational and certain other duties required by the Receiver in the management of the Building.

### **Tenants and Vendors**

24. The Receiver, with the assistance of the Property Manager, communicated on multiple occasions with Tenants and creditors with respect to their questions and/or concerns over the Building's operations and the Receivership Proceedings, generally.
25. During the course of the Receivership Proceedings, the Receiver did not enter into any formal or informal contracts with any of the Tenants. The existing Tenants continued to pay their contractual commitments (i.e. rent, operating costs, etc.) as per their respective lease agreements. Rent payments previously made by the Tenants via cheque were re-directed from the Property Manager to the Receiver. For electronic fund transfers and automatic deposit/withdrawals previously setup to be deposited (or transferred) to the Property Manager, the related rental income was subsequently transferred to the Receiver on an ongoing and timely basis during the Receivership Proceedings.
26. The Receiver did not enter into any formal or informal contracts with Starke's vendors (the “**Vendors**”). However, the Receiver, where required by the Vendors, arranged to be invoiced directly, particularly with respect to utilities, insurance and security costs as opposed to having invoices submitted to the Property Manager. The Receiver is currently arranging to pay all remaining outstanding invoices it authorized and is responsible to pay since the Receivership Date.

### **Canada Revenue Agency (Priority Claims)**

27. The Receiver understands that an outstanding pre-receivership GST balance of approximately \$58,130 remains owing to the Canada Revenue Agency (“CRA”) and there is no balance outstanding with respect to source deductions, which is consistent with there being no employees of the Building or Starke. In accordance with the *Excise Tax Act*, RSC 1985, c E-15 the Receiver will arrange to pay this pre-receivership GST obligation to CRA from the funds held by the Receiver. The Receiver has advised the new owner, 210, of this payment.
28. Between the Receivership Date and April 16, 2018, the Building has an outstanding GST balance of approximately \$25,000, as a result of transactions that occurred during the Receivership Proceedings. The Receiver is finalizing its calculations and will arrange to pay this post-receivership GST obligation to CRA from the funds held by the Receiver.

### **Statutory Mailing by Receiver**

29. The Receiver mailed the notices required by sections 245 and 246 of the BIA to creditors with claims in respect of the Building and the Office of the Superintendent of Bankruptcy on February 5, 2018 (the “**Receiver’s Notice**”). A copy of the Receiver’s Notice can be found on the Receiver’s Website.

### **Building Insurance coverage**

30. The Building has a Building Insurance Policy in place with Aviva Insurance Company that expires on April 20, 2018, which consists of, as per the Statement of Values provided by their insurance broker: “*building (replacement cost of \$45 million), earthquake, flood, sewer back-up business interruption and equipment breakdown*]. The total premium of the existing policy is approximately \$28,000 and was fully paid prior to the Receivership Date. As previously discussed, the

Receiver is the beneficiary and the loss-payee of the existing Building Insurance Policy.

31. Paragon has been advised by the Receiver of the upcoming expiration of the Building Insurance Policy and that Paragon should arrange for appropriate insurance coverage as the new owner of the Building. The Receiver has also been advised by the new owner, 210, that a new insurance policy in place for the Building effective April 17, 2018.

### **Property Taxes**

32. On April 17, 2018, the Receiver held conversations with the City of Calgary and was advised that the Building currently has a credit (balance receivable from the City of Calgary) of approximately \$13,000 with respect to property taxes owing to the City of Calgary (the “**Property Taxes**”). The credit will be applied to the 2018 Property Taxes (estimated around \$650,000 similar to the prior year), which will become due and owing at the end of June 2018. The Receiver advised 210, Paragon and the Property Manager of their responsibility to pay the 2018 Property Taxes when they become due in June 2018.

### **RECEIVER’S BORROWINGS**

33. Pursuant to paragraph 19 of the Receiver Manager Order, the Receiver has been empowered to borrow up to \$250,000 (or such greater amount as the Court may further order).
34. On February 15, 2018, the Receiver issued Receiver’s Certificate No. 1 in the amount of \$150,000 to Paragon and received and utilized these funds in the Receivership Proceedings. Receiver’s Certificate No. 1 is attached as Appendix C to this Report. Funds currently held by the Receiver are forecast as being sufficient to repay to Paragon, in less than full, the Receiver’s borrowings under Receiver’s Certificate No. 1, however the interest which has accrued thereon will be paid in full.

35. The terms of Receiver's Certificate No. 1 included interest calculated and compounded monthly not in advance on the first day of each month at a notional rate of 5.7% per annum, which, in the Receiver's view, is commercially reasonable in the circumstances.
36. Pursuant to paragraph 19 of the Receiver Manager Order, Receiver's Certificate No. 1 has a charge over the whole of the Building by way of a fixed and specific charge as security for the payment of the monies borrowed, together with interest and charges, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, but subordinate in priority to the Receiver's Borrowings Charge (as defined in the Receiver Manager Order).

**FINAL STATEMENT OF RECEIPTS AND DISBURSMENTS – JANUARY 26,  
2018 TO APRIL 16, 2018**

37. The table below provides a summary of the actual cash flows during the Receivership Proceedings and contains the cash receipts and disbursements relating to the Building:

Starke Dominion Ltd. (the "Building") - In Receivership	
FINAL STATEMENT OF RECEIPTS AND DISBURSMENTS	
CAD\$, unaudited	
January 26, 2018 to April 16, 2018	
<b>Opening cash balance</b>	<b>\$ 39,300</b>
<b>Receipts</b>	
Receiver's Borrowings	150,000
Receipts ( <i>net of inducements and other</i> )	591,051
<b>Total receipts collected and opening cash</b>	<b>\$ 780,351</b>
<b>Disbursements</b>	
Mortgage interest	\$ 278,753
Property tax (building and parking)	3,697
Insurance	2,382
Property management fees	29,536
Subcontractor costs	7,944
Utilities	44,033
Repairs and maintenance	98,662
Miscellaneous expenses	5,185
GST remittance	-
Repayment of Receiver's Borrowings	-
Professional fees	81,210
<b>Total disbursements</b>	<b>\$ 551,401</b>
<b>Ending cash balance</b>	<b>\$ 228,950</b>

38. The above chart details the following receipts and disbursements reported in the Receivership:

- a) there was \$39,300 in opening cash available as at the Receivership Date;
- b) receipts during the Receivership Proceedings totalled approximately \$591,051;

- c) Receiver's borrowings of \$150,000 from Paragon to assist in funding the operations of the Building;
  - d) disbursements during the Receivership Proceedings totalled \$551,401, which primarily includes:
    - i. operational, management fees, repairs and maintenance and mortgage interest payments of \$450,983, and
    - ii. Receiver's fees and costs (and fees and costs of Receiver's counsel) of \$81,210 for professional services (including GST) provided to March 31, 2018;
39. The ending cash on hand as at April 16, 2018 is \$228,950.



## FORECAST RECEIPTS AND DISBURSEMENTS

40. The table below provides a summary of the remaining forecast receipts and disbursements to be collected and paid by the Receiver with respect to the Building:

<b>Starke Dominion Ltd. (the "Building") - In Receivership</b>	
<b>FORECAST RECEIPTS AND DISBURSEMENTS</b>	
CAD\$, unaudited	
April 17, 2018 to April 30, 2018	
<b>Opening cash balance</b>	<b>\$ 228,950</b>
<b>Forecast Receipts</b>	
Receiver's Borrowings	-
Receipts ( <i>net of inducements and other</i> )	23,249
<b>Total receipts collected and opening cash</b>	<b>\$ 252,199</b>
<b>Forecast Disbursements</b>	
Operating expenses	3,835
GST remittance ( <i>includes pre-filing balance</i> )	83,130
Holdback provision	70,000
Repayment of Receiver's Borrowings	63,454
Interest on Receiver's Borrowings	1,781
Professional fees	30,000
<b>Total forecast disbursements</b>	<b>\$ 252,199</b>
<b>Ending cash balance</b>	<b>\$ 0</b>

41. The above chart includes forecast rent receipts (assumed to be collected by the end of April, 2018) of \$23,249 for the month of April 2018 (the “**Forecast Receipts**”). The Receiver also anticipates making the following forecast disbursements of approximating \$252,199 (the “**Forecast Disbursements**”):

- a) GST to be paid to the CRA of approximately \$83,130, relating to pre- and post-Receivership Date (up to and including April 16, 2018) GST obligations;
- b) professional fees and costs of the Receiver and its counsel to conclude the Receivership Proceedings of approximately \$30,000 (as discussed further below);

- c) a holdback of \$70,000 (the "**Holdback**") as a result of potential other future costs including, but not limited to, GST amounts (pre and post filing), operating costs of the Building and other costs; and
- d) payment of the Receiver's borrowings to Paragon of \$63,454 plus interest owing of approximately \$2,000. The repayment of the Receiver's borrowings is contingent upon the collection of the Forecast Receipts. If there is a variance in the Forecast Receipts and Forecast Disbursements, this may result in the Receiver being unable to repay the Receiver's borrowings per the amount included above. The Receiver has communicated the partial or potential non-repayment of the Receiver Borrowings to Paragon and Paragon has advised the Receiver that this, under these circumstances, is acceptable.

#### **APPROVAL OF THE RECEIVER'S AND ITS COUNSEL'S FEES AND COSTS**

- 42. The Receiver seeks approval from this Honourable Court of its fees and disbursements, and those of its legal counsel, from the Receivership Date to March 31, 2018 (the "**2018 Billings**"), pursuant to paragraphs 16 to 18, inclusive, of the Receiver Manager Order.
- 43. A&M's 2018 Billings in its capacity as Receiver of the Building total \$77,067.50 (excluding GST). A summary of the Receiver's fees and disbursements are attached as Appendix D to this Report.
- 44. Blakes' 2018 Billings are minimal and total approximately \$272 (excluding GST).
- 45. The Receiver's and Blakes' fee accounts outline the date of the work completed, the description of the work completed, the length of time taken to complete the work and the name of the individual who completed the work. Copies of the invoices will be brought to the Receiver's application before this Honourable Court set for April 24, 2018 and made available to the Court, if requested.

46. The Receiver and its counsel's estimated fees and costs to complete this engagement are approximately \$30,000 (the "**Forecast Fees and Costs**"), which include fees and costs incurred (but not paid) from April 1, 2018 to date.
47. The Receiver is respectfully of the view that its and its counsel's fees and costs are fair and reasonable in the circumstances and respectfully requests that this Honourable Court approve the 2018 Billings of the Receiver and its counsel and the Forecast Fees and Costs.

## APPROVING CONDUCT AND DISCHARGE OF THE RECEIVER

48. The Receiver respectfully requests that this Honourable Court approve an Order (the "**Discharge Order**") which, among other things, and subject to the filing of a certificate (the "**Discharge Certificate**") confirming the Receiver has satisfied its obligations under the Receiver Manager Order, absolutely, forever and unconditionally discharges the Receiver from any claims against the Receiver arising from, relating to, or in connection with, the performance of the Receiver's duties and obligations as Receiver, save and except for claims based on gross negligence.
49. The Receiver's administration of the estate is substantially complete, subject to the payments and disbursements described herein. The Receiver is respectfully of the view that it has conducted itself appropriately during this receivership and respectfully requests that this Court approve the actions and conduct of the Receiver throughout the Receivership Proceedings.
50. Upon completion, the Receiver will file the Discharge Certificate with the Court. Upon filing the Discharge Certificate, the Receiver will be automatically discharged without further Order of the Court.
51. The Receiver will have some miscellaneous administrative items to attend to post-discharge, including the filing of GST returns with the CRA, receiving the Forecast Receipts and paying the Forecast Disbursements (as discussed above), final reconciliation of accounts with the Property Manager and arranging for the transfer of various information to Paragon, but these items are not material and should not prevent this Honourable Court from granting an unconditional discharge.
52. Further, the Receiver is in custody of certain Records relating to the Building. The Receiver is seeking authorization from this Honourable Court to allow the Receiver to destroy any and all such Records by May 18, 2018, if the Records are not required by the Receiver, or are not requested and collected by Paragon, the Property Manager or any of the current directors of Starke.

## RECOMMENDATION

53. The Receiver respectfully recommends that this Honourable Court grant an Order authorizing and approving the:
- a) Final Statement of Receipts and Disbursements;
  - b) Holdback;
  - c) activities, actions and conduct of the Receiver throughout the Receivership Proceedings;
  - d) Receiver's professional fees and costs and those of its independent legal counsel with respect to the 2018 Billings and the Forecast Fees and Costs;
  - e) destruction of any and all Records by May 18, 2018, if the Records are not required by the Receiver, or are not requested and collected by Paragon, the Property Manager or any of the current directors of Starke; and
  - f) discharge of the Receiver.

All of which is respectfully submitted this 18<sup>th</sup> day of April, 2018.

**ALVAREZ & MARSAL CANADA INC.,  
in its capacity as the court-appointed Receiver Manager of  
the Building, and not in its personal or corporate capacity**



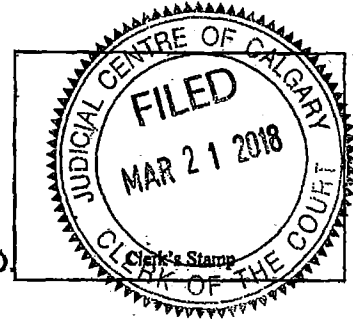
Orest Konowalchuk, CPA, CA, CIRP, LIT  
Senior Vice-President



Chad Artem, CPA, CA, CBV  
Senior Manager

# **APPENDIX A TO THE FIRST REPORT**

COURT FILE NUMBER 1701-08853  
 COURT QUEEN'S BENCH OF ALBERTA  
 JUDICIAL CENTRE CALGARY  
 PLAINTIFF PARAGON CAPITAL CORPORATION LTD.  
 DEFENDANT STARKE DOMINION LTD.  
 DOCUMENT FINAL ORDER  
 ADDRESS FOR SERVICE AND CONTACT Carscallen LLP  
 900, 332 6 Avenue SW  
 INFORMATION OF PARTY Calgary AB T2P 0B2  
 FILING THIS DOCUMENT Telephone: (403) 262-3775  
 Attention: Michael J. Whiting  
 File No.: 27064.005



I hereby certify this to be a true copy of  
 the original order

Dated this 21 day of March 2018  
Katie Lewis  
 for Clerk of the Court

DATE ON WHICH ORDER WAS PRONOUNCED:	MARCH 14, 2018
LOCATION WHERE ORDER WAS PRONOUNCED:	Calgary, Alberta
NAME OF MASTER WHO MADE THIS ORDER	J.T. PROUSE

UPON the application of the Plaintiff; AND UPON the Court determining that it is not necessary to attempt a public sale of the mortgaged lands; AND UPON noting the consent of counsel for the Defendant endorsed hereon;

AND UPON hearing counsel for the Plaintiff; AND UPON

no one appearing for the Defendant;

hearing from the Defendant;

hearing from counsel for the Defendant;

hearing from counsel for the 2<sup>nd</sup> mtgee

**IT IS HEREBY ORDERED AND DECLARED THAT:**

1. In this Order the mortgaged lands are the following:

PLAN A1  
 BLOCK 74  
 LOTS 21 TO 34 INCLUSIVE  
 EXCEPTING THEREOUT THE ROAD WIDENING ON PLAN 8211695  
 EXCEPTING THEREOUT ALL MINES AND MINERALS

(the "Mortgaged Lands").

2. The mortgage described in the Statement of Claim is a valid and enforceable mortgage over the Mortgaged Lands (the "Mortgage").
3. The Defendant stands absolutely debarred and foreclosed of and from all its estate, right, title, interest and equity of redemption in the Mortgaged Lands.
4. The Mortgaged Lands be and the same are hereby vested in the Plaintiff's name, for all the estate, right, title, interest and equity of redemption of the Defendant therein and thereto
5. Any interest in the Mortgaged Lands of the Defendant or anyone claiming through the Defendant or any other subordinate encumbrancer is hereby extinguished.
6. The Registrar of Land Titles shall cancel the existing Certificate of Title to the Mortgaged Lands and issue a new Certificate of Title in the name of Paragon Capital Corp. Inc., #1200, 1015 4<sup>th</sup> Street SW, Calgary, Alberta, T2R 1J4, or such other party as the Plaintiff may direct by way of written advice to the Registrar, free and clear from the Plaintiff's Mortgage registered as instrument 151 065 139, and all subsequent encumbrancers, which shall be discharged, but subject to all prior registered encumbrancers and the following, which shall remain:

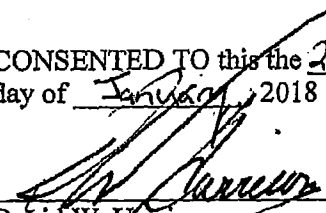
Instrument No.	Description
131 322 734	Caveat Re: Lease Interest
141 234 647	Caveat Re: Lease Interest

7. The requirement for service of documents prior to entry of this Order, set out in Rule 9.35 (1) (a) is hereby waived.
8. The Registrar of Land Titles shall comply with this Order forthwith notwithstanding Section 191(1) of the Land Titles Act.

✓ 9. This order is stayed until 12:00 noon on March 21, 2018

  
M.C.Q.B.A.

CONSENTED TO this the 24<sup>th</sup>  
day of January, 2018

  
David W. Harrison  
President - Starke Dominion Ltd.

  
Witness

CHLOE COLWILL

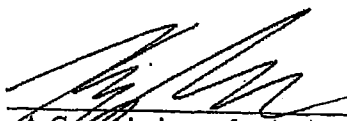


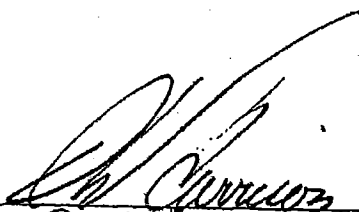
**AFFIDAVIT VERIFYING CORPORATE SIGNING AUTHORITY**

I, DAVID W. HARRISON, of the City of Calgary, in the Province of Alberta, MAKE OATH AND SAY THAT:

1. I am an officer or a director of STARKE DOMINION LTD., named in the within (or annexed) instrument.
2. I am authorized by STARKE DOMINION LTD. to execute the instrument without affixing a corporate seal.

SWORN BEFORE ME at the City of  
Calgary, in the Province of Alberta, this 24<sup>th</sup>  
day of January, 2018

  
A Commissioner for Oaths in and for the  
Province of Alberta.

  
Name: David Harrison  
Title: President - Starke Dominion Ltd.

**Kylan Shea Kidd**  
A Commissioner for Oaths/Notary Public  
in and for the Province of Alberta


**AFFIDAVIT OF EXECUTION**

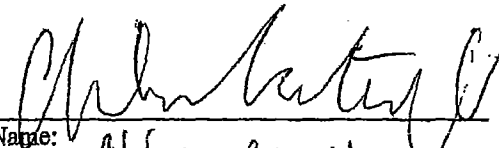
**CANADA  
PROVINCE OF ALBERTA  
TO WIT:**

) I, Chloe Colwill, of the City of  
) Calgary, in the Province of  
) Alberta, MAKE OATH AND SAY:

1. THAT I was personally present and did see DAVID W. HARRISON named in the within instrument, who is personally known to me to be the person named therein, duly sign and execute the same for the purpose named therein.
2. THAT the same was executed at the City of Calgary, in the Province of Alberta and that I am the subscribing witness thereto.
3. THAT I know the said DAVID W. HARRISON and he is in my belief of the full age of eighteen years.

SWORN BEFORE ME at the City of Calgary, in )  
the Province of Alberta, this 24<sup>th</sup> day of January, )  
2018 )

  
A Commissioner for Oaths in and for the Province )  
of Alberta )

  
Name: Chloe Colwill

**Kylan Shea Kidd**  
A Commissioner for Oaths/Notary Public  
in and for the Province of Alberta

# **APPENDIX B TO THE FIRST REPORT**



LAND TITLE CERTIFICATE

S  
LINC                      SHORT LEGAL                      TITLE NUMBER  
0017 788 621              SA1;74;21-34                      181 076 371

LEGAL DESCRIPTION

PLAN A1  
BLOCK 74  
LOTS 21 TO 34 INCLUSIVE  
EXCEPTING THEREOUT THE ROAD WIDENING ON PLAN 8211695  
EXCEPTING THEREOUT ALL MINES AND MINERALS

ATS REFERENCE: 5;1;24;16  
ESTATE: FEE SIMPLE

MUNICIPALITY: CITY OF CALGARY

REFERENCE NUMBER: 131 006 511

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REGISTERED OWNER(S)				
REGISTRATION	DATE (DMY)	DOCUMENT TYPE	VALUE	CONSIDERATION
181 076 371	16/04/2018	ORDER	\$19,000,000	FORECLOSURE

OWNERS

2107209 ALBERTA INC.  
OF 1200, 1015-4 ST SW  
CALGARY  
ALBERTA T2R 1J4

---

ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION	DATE (D/M/Y)	PARTICULARS
NUMBER		
791 165 770	04/10/1979	CAVEAT CAVEATOR - THE CITY OF CALGARY. "LOTS 21-24 INCLUSIVE AND LOTS 27-29 INCLUSIVE"
851 025 148	18/02/1985	CAVEAT RE : AGREEMENT UNDER PLANNING ACT CAVEATOR - THE CITY OF CALGARY.

( CONTINUED )

-----  
ENCUMBRANCES, LIENS & INTERESTS

PAGE 2

# 181 076 371

REGISTRATION

NUMBER      DATE (D/M/Y)      PARTICULARS

-----

CITY SOLICITOR, CITY HALL  
BOX 2100, STATION M  
CALGARY  
ALBERTA  
AGENT - RICHARD W VERDEC

941 247 907      23/09/1994 CAVEAT  
RE : LEASE  
CAVEATOR - THE ALBERTA BALLET COMPANY.  
C/O FIELD & FIELD PERRATON  
2000 OXFORD TOWER  
10235-101 STREET  
EDMONTON  
ALBERTA T5J3G1  
AGENT - BRAD K HAMDON

081 325 179      02/09/2008 CAVEAT  
RE : LEASE INTEREST  
CAVEATOR - GASCAN CORP.  
C/O GOWLING LAFLEUR HENDERSON LLP  
1600, 421 - 7 AVENUE SW  
CALGARY  
ALBERTA T2P4K9  
AGENT - MONICA L SMOLIK  
(DATA UPDATED BY: CHANGE OF ADDRESS 141203217)

111 073 504      28/03/2011 CAVEAT  
RE : LEASE INTEREST  
CAVEATOR - 1350045 ALBERTA LTD.  
SUITE 910, 906-12 AVE SW  
CALGARY  
ALBERTA T2R1K7  
AGENT - RYAN C ROBERTSON

131 322 734      16/12/2013 CAVEAT  
RE : LEASE INTEREST  
CAVEATOR - FRAMEWORK PARTNERS INC.  
C/O GOWLING LAFLEUR HENDERSON LLP  
1600, 421-7 AVE SW  
ATTN: LISA A BURIAK  
CALGARY  
ALBERTA T2P4K9  
AGENT - LISA A BURIAK

141 234 647      04/09/2014 CAVEAT  
RE : LEASE INTEREST  
CAVEATOR - GASCAN CORP.  
ATTN: LISA A. BURIAK  
C/O GOWLING LAFLEUR HENDERSON, 1600, 421 7 AVE SW

( CONTINUED )

ENCUMBRANCES, LIENS & INTERESTS

PAGE 3  
# 181 076 371

REGISTRATION

NUMBER DATE (D/M/Y) PARTICULARS

CALGARY  
ALBERTA T2P4K9  
AGENT - LISA A BURIAK

181 069 901 05/04/2018 ORDER  
ORDER CHARGING LANDS

181 076 372 16/04/2018 MORTGAGE  
MORTGAGEE - PARAGON CAPITAL CORP. INC.  
#1200, 1015 - 4TH STREET S.W.  
CALGARY  
ALBERTA T2R1J4  
ORIGINAL PRINCIPAL AMOUNT: \$25,500,000

181 076 373 16/04/2018 CAVEAT  
RE : ASSIGNMENT OF RENTS AND LEASES  
CAVEATOR - PARAGON CAPITAL CORP. INC.  
#1200, 1015 - 4TH STREET S.W.  
CALGARY  
ALBERTA T2R1J4  
AGENT - NIKOLAUS DEMIANTSCHUK

TOTAL INSTRUMENTS: 010

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN  
ACCURATE REPRODUCTION OF THE CERTIFICATE OF  
TITLE REPRESENTED HEREIN THIS 16 DAY OF APRIL,  
2018 AT 04:52 P.M.

ORDER NUMBER: 34916638

CUSTOMER FILE NUMBER: 19042001



\*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.

THE ABOVE PROVISIONS DO NOT PROHIBIT THE ORIGINAL PURCHASER FROM  
INCLUDING THIS UNMODIFIED PRODUCT IN ANY REPORT, OPINION,  
APPRAISAL OR OTHER ADVICE PREPARED BY THE ORIGINAL PURCHASER AS  
PART OF THE ORIGINAL PURCHASER APPLYING PROFESSIONAL, CONSULTING  
OR TECHNICAL EXPERTISE FOR THE BENEFIT OF CLIENT(S).

# **APPENDIX C TO THE FIRST REPORT**

## RECEIVER CERTIFICATE

CERTIFICATE NO. 1

AMOUNT \$150,000.00 CAD

1. THIS IS TO CERTIFY that Alvarez & Marsal Canada Inc., the Receiver Manager (the “Receiver”) of all of the lands and premises legally described as:

Plan A1  
Block 74  
Lots 21 to 24 Inclusive  
Excepting Thereout the Road Widening or Plan 8211695  
Excepting Thereout All Mines and Minerals

and the undertaking, property and assets of the Starke Dominion Ltd. situate upon or relating to the said lands (collectively, the “Property”) was appointed by Order of the Court of Queen’s Bench of Alberta (collectively, the “Court”) dated the 26<sup>th</sup> day of January, 2018 (the “Order”) made in action number 1701-08853, has received as such Receiver from the holder of this certificate (the “Lender”) the principal sum of \$150,000.00 CAD, being part of the total principal sum of \$250,000 CAD which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded monthly not in advance on the 1<sup>st</sup> day of each month after the date hereof at a notional rate of 5.7% per annum.
3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property (as defined in the Order), in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.



4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Calgary, Alberta:

Paragon Capital Corp. Inc.  
1200, 1015 Fourth Street S.W.  
Calgary, AB. T2R 1J4

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.
6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property (as defined in the Order) as authorized by the Order and as authorized by any further or other order of the Court.
7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the 15th day of February, 2018.

Alvarez & Marsal Canada Inc., solely in its capacity as Receiver of the Property (as defined in the Order), and not in its personal capacity



Per: \_\_\_\_\_

Name: Orest Konowalchuk, CPA, CA, CIRP, LIT

Title: Senior Vice President

Alvarez & Marsal Canada Inc.

# **APPENDIX D TO THE FIRST REPORT**

**Starke Dominion Ltd. (the "Building"). - In Receivership**  
Summary of Receiver's Fees and Disbursements ("2018 Billings")  
January 26, 2018 to March 31, 2018

**APPENDIX C**

<b>Inv. No.</b>	<b>Period</b>	<b>Fees</b>	<b>Disbursements</b>	<b>Total Fees &amp; Disbursements</b>	<b>GST</b>	<b>Total</b>
1	February 28, 2018	\$ 51,225.00	\$ -	\$ 51,225.00	\$ 2,561.25	\$ 53,786.25
2	March 31, 2018	25,550.00	292.50	25,842.50	1,292.13	27,134.63
<b>TOTAL</b>		<b>\$ 76,775.00</b>	<b>\$ 292.50</b>	<b>\$ 77,067.50</b>	<b>\$ 3,853.38</b>	<b>\$ 80,920.88</b>