

**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**

**APPLICATION OF MODULAR SPACE CORPORATION  
UNDER SECTION 46 OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C 36, AS AMENDED**

**AND IN THE MATTER OF CERTAIN PROCEEDINGS TAKEN IN THE UNITED  
STATES BANKRUPTCY COURT WITH RESPECT TO MODULAR SPACE  
INTERMEDIATE HOLDINGS, INC., MODULAR SPACE CORPORATION, RESUN  
MODSPACE, INC., MODSPACE GOVERNMENT FINANCIAL SERVICES, INC.,  
MODSPACE FINANCIAL SERVICES CANADA, LTD., RESUN CHIPPEWA, LLC AND  
MODULAR SPACE HOLDINGS, INC.  
(COLLECTIVELY, THE "CHAPTER 11 DEBTORS")**

**REPORT OF THE PROPOSED INFORMATION OFFICER**

**ALVAREZ & MARSAL CANADA INC.**

**DECEMBER 24, 2016**

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## INTRODUCTION

1. On December 21, 2016 (the “**Filing Date**”), Modular Space Holdings, Inc. (“**MSH**”) and its subsidiaries and affiliates (collectively, “**ModSpace**” or the “**Chapter 11 Debtors**”), commenced voluntary reorganization proceedings (the “**Chapter 11 Proceedings**”) in the United States Bankruptcy Court for the District of Delaware (the “**US Court**”) by each filing a voluntary petition for relief under Chapter 11 of Title 11 of the *United States Code*, 11 U.S.C. 101-1532 (the “**US Code**”). There are seven Chapter 11 Debtors, as follows:
  - Modular Space Holdings Inc.;
  - Modular Space Intermediate Holdings, Inc.;
  - Modular Space Corporation (“**MSC**” or the “**Foreign Representative**”);
  - Resun ModSpace, Inc.;
  - ModSpace Government Financial Services, Inc.;
  - ModSpace Financial Services Canada, Ltd. (the only Chapter 11 Debtor that is incorporated in Canada, “**ModSpace Canada**”); and
  - Resun Chippewa, LLC.
2. On the Filing Date, the Chapter 11 Debtors filed a number of motions for interim and/or final orders (the “**First Day Motions**”) in the Chapter 11 Proceedings to permit the Chapter 11 Debtors to continue to operate their business in the ordinary course and to advance their reorganization. The First Day Motions, which were heard by the US Court on December 22, 2016, included a motion for entry of an order (the “**Foreign Representative Order**”), authorizing MSC to act as foreign representative on behalf of the Chapter 11 Debtors’ estates.

3. On December 22, 2016, the US Court granted the Foreign Representative Order and a series of other orders with respect to the First Day Motions, as described below.
4. Also, on December 22, 2016, MSC commenced, by notice of application, an application before this Court (the “**Court**”) pursuant to Part IV of the *Companies’ Creditors Arrangement Act* (“**CCAA**”) (the “**CCAA Proceedings**”, and together with the Chapter 11 Proceedings, the “**Restructuring Proceedings**”) for:
  - (a) an initial recognition order (the “**Initial Recognition Order**”), among other things: (i) declaring that MSC is a “foreign representative” pursuant to section 45 of the CCAA; (ii) declaring that the Chapter 11 Proceedings are recognized as a “foreign main proceeding” under the CCAA; and (iii) granting a stay of proceedings against the Chapter 11 Debtors; and
  - (b) a supplemental order (the “**Supplemental Order**”) pursuant to section 49 of the CCAA, among other things: (i) recognizing in Canada and enforcing certain orders of the US Court made in the Chapter 11 Proceedings; (ii) appointing Alvarez & Marsal Canada Inc. (“**A&M Canada**” or the “**Proposed Information Officer**”) as the information officer in respect of the CCAA proceedings; (iii) staying any claims, rights, liens or proceedings against or in respect of the Chapter 11 Debtors, the business and property of the Chapter 11 Debtors, and the directors and officers of the Chapter 11 Debtors; (iv) restraining the right of any person or entity to, among other things, discontinue or terminate any supply of products or services to the Chapter 11 Debtors; (v) granting a super-priority charge up to maximum amount of \$300,000 over the Chapter 11 Debtors’ property, in favour of the Proposed Information Officer and its counsel, as

security for their professional fees and disbursements incurred in respect of these proceedings (the “**Administration Charge**”).

5. Other than these proceedings (the “**CCAA Recognition Proceedings**”) and the Chapter 11 Proceedings, there are currently no other foreign proceedings in respect of the Chapter 11 Debtors of which the Proposed Information Officer is aware.
6. ModSpace has reached an agreement with its primary secured creditors and equity holders for a pre-packaged restructuring plan (the “**Plan**”, as defined below) that has been filed in the United States. If confirmed by the US Court, recognized by this Court and successfully implemented, the Plan will recapitalize ModSpace’s balance sheet by converting approximately \$400 million of Secured Notes (as defined and described below) to equity, the existing ABL Facility (as defined and described below) will be amended to provide exit financing of approximately \$768 million and additional equity will be raised through a \$90 million Rights Offering (as defined and described below).
7. Under the Plan, creditors of ModSpace Canada that have valid claims will be unaffected and will receive payment in the ordinary course. To the extent such creditors are not repaid in full during the Restructuring Proceedings, their claims will be paid as and when due following implementation of the Plan. Disputed claims, in particular outstanding litigation claims, will not be paid in the ordinary course and will be stayed during the Restructuring Proceedings.
8. ModSpace currently anticipates that the Restructuring Proceedings will be completed in early March, 2017.

## TERMS OF REFERENCE AND DISCLAIMER

9. In preparing this Report of the Proposed Information Officer (the “**Pre-Filing Report**”), A&M Canada has relied solely on information and documents provided by the Foreign Representative, the other Chapter 11 Debtors and their Canadian legal counsel (collectively, the “**Information**”). Except as otherwise described in this Pre-Filing Report in respect of ModSpace’s cash flow forecast:
- (a) the Proposed Information Officer has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Information Officer 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 “**Handbook**”), and accordingly, the Proposed Information Officer 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 Pre-Filing Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the Handbook, has not been performed.
10. Future-oriented financial information referred to in this Pre-Filing Report was prepared based on estimates and assumptions made by ModSpace’s management. 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, and the variations could be significant.

11. This Pre-Filing Report should be read in conjunction with the Affidavit of David Orlofsky, Senior Managing Director of Zolfo Cooper LLP (“**Zolfo**”), financial advisor to the Chapter 11 Debtors, sworn on December 23, 2016 (the “**Orlofsky Affidavit**”).
12. Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars.

## **PURPOSE OF REPORT**

13. The purpose of this Pre-Filing Report is to assist the Court in considering the Foreign Representative’s request for the Initial Recognition Order and the Supplemental Order, and to provide the Court with certain background information concerning the Chapter 11 Debtors, including:
  - (a) the Chapter 11 Debtors’ business and operations, including its organizational structure and financing facilities;
  - (b) the Chapter 11 Debtors’ centre of main interest;
  - (c) the events leading up to the Restructuring Proceedings;
  - (d) the orders of the US Court that the Chapter 11 Debtors are seeking to be recognized and enforced pursuant to s. 46 of the CCAA, including the DIP Financing Order (as defined below); and
  - (e) the proposed initial activities of the Information Officer.

## **BACKGROUND**

### **Corporate Overview and Organizational Structure**

14. ModSpace is the largest US-owned provider of temporary and permanent modular buildings, and is among the largest suppliers in the United States and Canada of

temporary modular space and permanent modular construction. ModSpace operates out of over 140 locations and provides a full range of building and storage products, including office trailers, mobile offices, temporary classrooms, modular office complexes and portable storage units. ModSpace's clients, which include Fortune 500 companies, span across many industries, including commercial, construction, education, government, military, healthcare, industrial, energy, retail, and sports and entertainment. Approximately 90% of ModSpace's customers (by gross book value) are concentrated in the construction, commercial and energy industries.

15. MSC is ModSpace's main operating company in the United States. ModSpace Canada, the only Canadian-based debtor, is the operating entity for ModSpace in Canada.
16. ModSpace has two lines of business: (i) leasing and related services; and (ii) the sale of used and new modular units.
17. The leasing line of business focuses on leasing and related services for modular buildings (both standalone units and building complexes), in addition to ancillary products such as steps, decks and ramps. ModSpace also offers certain products and services such as furnishings, wall partitions and site services, which are contracted through a lease agreement and are fulfilled primarily by third-party service providers or contractors, and, in a minority of cases, with in-house resources. ModSpace currently has approximately 28,000 lease contracts. The leasing and servicing line of business accounted for approximately 80% of the ModSpace's gross revenue for the twelve months ended September 30, 2016.
18. ModSpace also generates revenue through the sale of used and new modular units and fees from delivery and installation of modular units. ModSpace partners with prominent



US and Canadian manufacturers to build its modular buildings. Sales of used and new units generated approximately 20% of ModSpace's gross revenue for the twelve months ended September 30, 2016.

19. ModSpace's corporate organization chart showing the ownership structure of the Chapter 11 Debtors and their non-debtor affiliates is attached as **Appendix A**, hereto. The Chapter 11 Debtor, MSH, directly or indirectly owns eight subsidiaries, the majority of which are located in the United States.
20. ModSpace Canada has its registered office in Calgary, Alberta. It is directly owned by MSC which, as noted above, is the principal operating subsidiary in the United States. ModSpace Canada's head office is located in Berwyn, Pennsylvania.
21. Other than ModSpace Canada, all of the Chapter 11 Debtors are incorporated in the state of Delaware in the United States.
22. Crystal Merger Sub., Inc. and Global Multi Services, S.A., subsidiaries created for special purposes, are not Chapter 11 Debtors.
23. The majority of ModSpace's day-to-day operations in the United States are conducted and managed by MSC. Specifically, MSC: (i) operates the various US branch locations; (ii) is party to all of ModSpace's US real property leases; (iii) owns a substantial portion of ModSpace's US-based certificated units<sup>1</sup>; and (iv) is the employer of all of ModSpace's US-based employees.
24. ModSpace's day-to-day operations in Canada are conducted by ModSpace Canada. ModSpace Canada: (i) owns the Canadian branch locations; (ii) owns ModSpace's

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<sup>1</sup> If a modular unit is certificated (i.e. a certificate of title was issued for the unit), it is owned by MSC or its subsidiary, Resun ModSpace, Inc. If a modular unit is not certificated, it is owned by the special purpose entity Resun Chippewa, LLC and leased to MSC under a master lease agreement, which is periodically updated.

Canadian-based units; (iii) is party to ModSpace's Canadian real property leases; (iv) owns ModSpace's modular units in Canada; and (v) is the employer for all employees based in Canada. For a more detailed discussion of the Chapter 11 Debtors' business, please refer to the Orlofsky Affidavit and exhibits, including Mr. Orlofsky's Declaration filed in the Chapter 11 Proceedings (the "**First Day Declaration**"), attached as Exhibit "B" to the Orlofsky Affidavit.

25. As of the Filing Date, the Chapter 11 Debtors employed approximately 639 people, 60 of which are employed by ModSpace Canada.

### **Capital Structure – Credit Facilities**

#### ***(a) Asset-Based Lending Facility***

26. On June 6, 2011, MSC, Resun ModSpace, Inc. and ModSpace Government Financial Services, Inc., together with certain of their subsidiaries and affiliates, as the US borrowers (the "**US Borrowers**") (and, as applicable, the "**US Guarantors**"), ModSpace Canada, as Canadian Borrower (the "**Canadian Borrower**") (and, as applicable, the "**Canadian Guarantors**"), entered into a secured asset-based revolving credit facility (the "**ABL Facility**") pursuant to the Third Amended and Restated Credit Agreement (as amended, amended and restated, modified, supplemented or restated and in effect from time to time, the "**ABL Credit Agreement**") among, *inter alia*, the US Borrowers, the US Guarantors, the Canadian Borrower, the Canadian Guarantors, Bank of America, N.A. as administrative Agent (the "**ABL Agent**"), and other lenders party thereto (collectively, the "**ABL Lenders**").

27. Under the ABL Facility, the amount that can be borrowed is limited to the lessor of: (a) \$600 million in the case of the US Borrowers and \$200 million in the case of the Canadian Borrower (with a borrower's option to increase the aggregate commitments by up to an additional \$250 million upon satisfaction of certain conditions); and (b) a borrowing base calculated through designated percentages of eligible accounts receivable, eligible progress billings, eligible insurance receivables, eligible rental equipment and eligible real estate of the respective borrowers and, as applicable, the Canadian Guarantors, less, in each case, customary reserves.
28. The US Borrowers' obligations under the ABL Credit Agreement are guaranteed by each of the US Borrowers' US subsidiaries<sup>2</sup> and not by ModSpace Canada. The US Borrowers' obligations are secured by a first priority security interest in substantially all of the assets of the US Borrowers and their US subsidiaries.<sup>3</sup>
29. ModSpace Canada's obligations under the ABL Credit Agreement are secured by a first priority security interest in substantially all of the assets of ModSpace Canada. Although ModSpace Canada has no subsidiaries, any subsequently formed or acquired subsidiaries would be required to guarantee the outstanding Canadian obligations.<sup>3</sup>
30. The ABL Facility matured on June 6, 2016. ModSpace, the ABL Lenders and the ABL Agent entered into a forbearance and extension agreement (the "**Forbearance Agreement**"), which has been amended and extended through and including to December 19, 2016.

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<sup>2</sup> Subject to certain customary exceptions with respect to, among other things, immaterial subsidiaries and foreign subsidiaries.

<sup>3</sup> Subject to certain customary exceptions and limitations.

31. As of the Filing Date, approximately \$609.2 million was outstanding under the ABL Facility, including \$3.2 million of funded letters of credit and accrued interest of \$2.3 million (\$549.1 million for the US Borrowers and \$60.1 million for ModSpace Canada<sup>4</sup>).

*(b) Secured Notes*

32. On February 25, 2014, MSC issued \$375 million aggregate principal amount of senior secured second lien notes (the “**Secured Notes**”). Under the terms of the governing indenture (as amended, amended and restated, modified, supplemented or restated and in effect from time to time, the “**Indenture**”), MSC is required to pay fixed-rate interest at a rate of 10.25% semi-annually on January 31 and July 31 of each year. The Secured Notes mature on January 31, 2019.
33. Each of MSC’s US subsidiaries guaranteed the outstanding obligations under the Secured Notes, but ModSpace Canada is not a guarantor of the Secured Notes. The Secured Notes are secured by a second priority security interest in substantially all of the assets of MSC and each of its US subsidiaries. The Secured Notes are also secured by a pledge of 65% of the shares of ModSpace Canada, which is an asset of MSH.
34. The security interests of the Secured Notes are subordinated to any security interests of the ABL Lenders pursuant to an Intercreditor Agreement dated February 25, 2014 (as amended, amended and restated, modified, supplemented or restated and in effect from time to time).

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<sup>4</sup> The interest rate applicable to amounts outstanding under the ABL Facility is, at the borrowers’ option, either: (a) LIBOR or Canadian BA Rate (each customarily defined with respect to each available currency) plus, in each case, a spread of 2.25% to 3.00%; or (b) Base Rate or Canadian Prime Rate (each customarily defined with respect to each available currency), plus a spread of 1.25% to 2.00%. The applicable spreads are based upon the average availability under the ABL Facility, together with the leverage ratio of the preceding fiscal quarter end.

35. As of the Filing Date, approximately \$410.4 million in principal and accrued interest was outstanding under the Secured Notes.

***(c) Intercompany Credit Agreement***

36. On June 20, 2008, MSC, as lender, entered into an intercompany credit agreement (the “**Intercompany Credit Agreement**”) providing a revolving credit facility in the maximum principal amount of CAD\$250 million to ModSpace Canada, as borrower. The Intercompany Credit Agreement expires on June 20, 2018. In August 2016, ModSpace Canada repaid in full the amount outstanding under this facility (approximately \$2.1 million) in order to provide liquidity to MSC and other Chapter 11 Debtors and there has been no amount owing since that time.

**Capital Structure – Stockholder’s Equity**

37. MSH is the ultimate parent of the ModSpace corporate group and is privately held. As described in the First Day Declaration, certain investment funds owned or managed by Calera Capital Advisors LP (“**Calera**”), including Calera Capital Partners II, LP, Calera VI, LLC, Calera XI, LLC, Calera Capital Offshore Partners II, LP, Calera Capital Partners III, LP, are the majority holders of the common stock of MSH.

**Overview of ModSpace Canada’s Business**

38. As indicated above, ModSpace Canada has its registered office in Calgary, Alberta. It is also extra-provincially registered to carry on business in nine other provinces; namely, Ontario, Quebec, Nova Scotia, New Brunswick, Newfoundland and Labrador, Prince Edward Island, Manitoba, Saskatchewan and British Columbia. MSC oversees the operations of ModSpace Canada and provides extensive direction and oversight.

39. For the twelve months ended September 30, 2016, ModSpace Canada represented approximately 14% of ModSpace's consolidated revenue and approximately 21% of ModSpace's total adjusted EBITDA.
40. ModSpace's consolidated revenue for the twelve month period ending September 30, 2015 (the period covered by ModSpace's most recent audited and consolidated financial statements), was approximately \$454 million, with ModSpace Canada representing approximately \$94 million or 21% of consolidated revenue.
41. As noted in the Orlofsky Affidavit, the assets of ModSpace Canada represented approximately 20% of ModSpace's total assets and 13% of ModSpace's total liabilities as of September 30, 2015.
42. ModSpace Canada operates 15 branch and service centre locations and five storage locations. Ten of the locations are owned and ten are leased. The services provided at the storage locations and a significant amount of the services provided at the service centres are outsourced.
43. ModSpace Canada has two directors, one of which is resident in Ontario in order to comply with the Canadian residency requirements of the applicable corporate statute.
44. ModSpace Canada has 60 non-union employees (59 salaried employees and one hourly employee). The Canadian employees are located throughout Canada at ModSpace Canada's branch and service centre locations in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia and Newfoundland. One of the employees, based in Brampton Ontario, is also a senior executive and part of the ModSpace management team. The remainder of the executive team for ModSpace Canada is located in Berwyn, Pennsylvania.

45. ModSpace Canada provides certain benefits to its employees and administers a registered defined contribution pension plan (“**DCPP**”) for the benefit of eligible Canadian employees. Contributions by ModSpace Canada to the DCPP are current. Additional information regarding the benefits, the DCPP and employee-related amounts owing as at Filing Date are provided in the Orlofsky Affidavit. Pursuant to the Wages Order (defined below), ModSpace received approval from the US Court to pay amounts outstanding as at the Filing Date and expects to do so in the ordinary course.
46. In addition to the ABL Lenders and the holders of Secured Notes, there are three parties that have registered security interests in certain provincial property registries related to certain equipment, namely, PHH Vehicle Management Services Inc. (“**PHH**”), Element Fleet Management Inc. (“**Element**”) and Pitney Bowes Global Financial Services (“**PBG**”). Amounts owing to PPH and Element have been paid in full. Discharges have not yet been filed by those parties to remove the registrations. PBG is owed a nominal amount of \$95 and will continue to be paid in the ordinary course.
47. ModSpace Canada has approximately 260 unsecured creditors that are owed approximately \$1.2 million. As described above, unsecured creditors with claims not disputed by ModSpace will continue to be paid in the ordinary course during the Restructuring Proceedings.
48. The Orlofsky Affidavit includes details of two litigation proceedings in Canada to which ModSpace Canada is a party. It further indicates that, while the orders sought would stay the litigation proceedings, it is not the intention of ModSpace to deal with such claims in the CCAA Recognition Proceedings.

## **Cash Management System**

49. ModSpace Canada is part of an integrated, centralized cash management system with MSH and certain affiliated entities to collect, manage, disburse and invest funds used in its operations (the “**ModSpace Cash Management System**”).
50. ModSpace Canada maintains several bank accounts in Canada denominated in both US and Canadian dollars. The majority of the disbursement accounts are “zero balance” accounts funded based on anticipated liquidity needs. As the ABL Lenders have triggered cash dominion under the ABL Facility, receipts have been swept on a daily basis to the collection account maintained by the ABL Agent. ModSpace Canada also maintains a bank account with Bank of America in Atlanta, Georgia. Further details regarding the ModSpace Cash Management System are provided in the Orlofsky Affidavit.

## **Intercompany Transactions**

51. MSC, as the main operating entity, makes a number of payments on behalf of the Chapter 11 Debtors that do not maintain bank accounts but perform intercompany transactions for the benefit of the Chapter 11 Debtors and affiliates that are not part of the US Proceedings.
52. ModSpace Canada benefits from services performed by MSC on its behalf and by MSC’s guarantee of the ABL Facility. ModSpace Canada pays MSC a monthly management fee and guarantor fee (collectively, the “**Management Fees**”) of approximately \$600,000, which is applied to the ABL Facility. ModSpace expects that such Management Fees will continue to be paid in the ordinary course during the Restructuring Proceedings.



## **CENTRE OF MAIN INTEREST**

53. The Chapter 11 Debtors, including ModSpace Canada, are managed in the United States as an integrated group from a corporate, strategic and management perspective. In particular:

- (a) corporate and other major decision-making occurs from the head office in Berwyn, Pennsylvania;
- (b) ModSpace Canada has one director resident in Canada in order to satisfy residency requirements for an Alberta corporation;
- (c) all of the senior executives of the Chapter 11 Debtors, including ModSpace Canada, are residents of the United States with the exception of a Senior Vice President of ModSpace Canada located in Brampton, Ontario;
- (d) the majority of the management of the Chapter 11 Debtors, including ModSpace Canada, is shared;
- (e) the human resources, legal, accounting, information technology, marketing and communications functions are primarily located in the United States;
- (f) ModSpace's accounts receivable (including collections) and accounts payable functions are managed from ModSpace's head office in Berwyn, Pennsylvania;
- (g) senior management located in the United States is responsible for final decisions regarding pricing, business development, treasury, asset management, capital expenditures and accounts receivable for all of the Chapter 11 Debtors; and
- (h) the Chapter 11 Debtors share a cash management system and an ABL Facility that is administered by employees located in the United States.

54. ModSpace Canada is wholly dependent on MSC and other members of the Chapter 11 Debtors located in the United States for all or substantially all of their funding requirements, as the determination for funding for ModSpace is made by the Controller of ModSpace based in Berwyn, Pennsylvania.
55. ModSpace Canada and other Chapter 11 Debtors have a major secured creditor in common given the global ABL Facility.
56. MSC has asserted that the preceding factors collectively rebut the presumption under the CCAA that ModSpace Canada's centre of main interest is the location of its registered office. Furthermore, MSC asserts that these factors indicate that the "mind and management", head office functions and senior management of the Chapter 11 Debtors, including ModSpace Canada, are located in the United States.
57. Based on the foregoing, the Proposed Information Officer concurs with MSC's assertions that the Chapter 11 Debtors' "centre of main interest" is in the United States – including with respect to ModSpace Canada - and that the Chapter 11 Proceedings are the "foreign main proceeding" as defined in s. 45 of the CCAA.

#### **EVENTS LEADING UP TO THE CHAPTER 11 PROCEEDINGS AND CCAA PROCEEDINGS**

58. The Orlofsky Declaration describes the events leading up to the Restructuring Proceedings, as summarized below:
- (a) the 2007 economic recession significantly affected ModSpace's business, with modular unit utilization levels falling from approximately 80% in mid-2007 to a low of approximately 61% in early 2012;
  - (b) the price per barrel of oil dropped from \$100 levels to sub-\$40 levels in 2014 and has not recovered relative to prior pricing highs;

- (c) in 2015, ModSpace began to explore refinancing options in light of the approaching ABL Facility maturity date in June 2016. It was unable to reach an agreement with its existing ABL Lenders and determined that a refinancing was potentially achievable through a merger transaction that ModSpace was simultaneously exploring;
- (d) in March 2016, ModSpace and other affiliates entered into an Agreement and Plan of Merger (the “**Merger Agreement**”) by, and among, MSH, MSC, Crystal Merger Sub, Inc., a Delaware corporation and a wholly-owned non-debtor subsidiary of MSC, and Williams Scotsman International, Inc. (“**William Scotsman**”) whereby it would acquire the North American modular operations of William Scotsman (the “**Merger Transaction**”). The Merger Transaction was expected to result in significant synergies, an opportunity to right-size capital structure and to provide liquidity;
- (e) in December, 2015, ModSpace, the ABL Lenders and the ABL Agent had entered into an Agreement Regarding Events of Default pursuant to which the ABL Lenders and the ABL Agent agreed to suspend the applicability of certain events of default relating to ModSpace’s failure to deliver certain audit opinion materials on time, as required under the ABL Credit Agreement. The parties subsequently entered into multiple amendments that, among other things, extended the suspension period, provided for certain merger and contingency planning milestones and triggered cash dominion for the US Borrowers and ModSpace Canada, as the Canadian Borrower under the ABL Facility, beginning on March 31, 2016;

- (f) the ABL Facility matured on June 6, 2016. ModSpace, the ABL Lenders and the ABL Agent entered into a Forbearance Agreement, which has been amended and extended through and including December 19, 2016. The Forbearance Agreement contained covenants requiring ModSpace to achieve milestones with respect to both the Merger Transaction and an alternative stand-alone restructuring effort;
- (g) in June 2016, shortly after the United Kingdom voted to exit the European Union, certain potential equity investors advised ModSpace that they would not be pursuing the Merger Transaction. ModSpace continued to work towards raising the needed capital to close the Merger Transaction, notwithstanding its failure to satisfy certain milestones;
- (h) in late July, 2016, ModSpace received two additional equity investment proposals, both of which were contingent on the satisfactory completion of significant additional due diligence;
- (i) on August 1, 2016, ModSpace did not make an interest payment of approximately \$19 million that became due to holders of the Secured Notes and entered into a 30-day grace period;
- (j) by August 2016, and following the execution of a confidentiality agreement, the Chapter 11 Debtors had engaged with certain restricted holders of the Secured Notes (the “**Ad Hoc Group of Noteholders**”). ModSpace held a meeting with the Ad Hoc Group of Noteholders and their advisors on August 4, 2016, seeking feedback on the two additional equity investment proposals it had received in July 2016 in connection with the Merger Transaction, both of which were contingent on the satisfactory completion of significant additional due diligence. Following

- such meeting, the Ad Hoc Group of Noteholders advised that the proposed economic terms of the two equity investment proposals were unacceptable, and that it would prefer to undertake a restructuring and recapitalization transaction;
- (k) on August 13, 2016, William Scotsman terminated the Merger Agreement and ModSpace directed its focus to a stand-alone restructuring;
  - (l) throughout August and September 2016, ModSpace, the Ad Hoc Group of Noteholders, the ABL Lenders and Calera exchanged recapitalization proposals and proposed alternative transaction structures;
  - (m) on November 3, 2016, ModSpace, the Ad Hoc Group of Noteholders, the ABL Lenders and Calera, the largest equity holder of MSH, entered into a term sheet contemplating a consensual restructuring that would be implemented by a plan of reorganization in accordance with the Plan; and
  - (n) on December 20, 2016, ModSpace, the ABL Lenders, the Adhoc Group of Noteholders and Calera entered into a restructuring support agreement (the “RSA”) for a consensual restructuring under Chapter 11 of the US Code.

## THE RESTRUCTURING PLAN

59. The key terms of the restructuring plan (the “**Plan**”) include the following:
- (a) the ABL Lenders will provide post-Petition financing for ModSpace’s operations during the Restructuring Proceedings;
  - (b) all general unsecured claims are to be reinstated to the extent they are not paid prior to the emergence of ModSpace from the Restructuring Proceedings;
  - (c) holders of claims arising under the Indenture in respect of the Secured Notes will receive:

- (i) a *pro rata* share of equity in a reorganized entity;
  - (ii) the right to participate in an offering of \$90 million of equity in the reorganized entity (the “**Rights Offering**”); and
  - (iii) in exchange for agreeing to back-stop the Rights Offering, certain members of the Ad Hoc Group of Noteholders will receive a commitment premium.
- (d) the remaining equity in the reorganized entity, after the *pro rata* distribution to holders of the Secured Notes and the Rights Offering will be distributed *pro rata* to ModSpace’s existing equity holders, along with certain warrants; and
- (e) the existing agreement between ModSpace and the ABL Lenders will be amended, restated, modified and assumed by the reorganized ModSpace pursuant to the exit financing.
60. Further information regarding the exit financing and the RSA are contained in the Orlofsky Declaration. Pursuant to the exit financing, ModSpace will obtain approximately \$719.5 million in revolving credit commitments and term loans under the modified facilities with the ABL Lenders. ModSpace Canada will obtain approximately \$149 million of these commitments, including a \$20 million sub-limit for letters of credit and a \$15 million sub-limit for swing-line loans.

#### **FIRST DAY ORDERS OF THE US COURT**

61. MSC is seeking recognition of several orders (the “**First Day Orders**”) that have been entered by the US Court in the Chapter 11 Proceedings, including:
- (a) an order recognizing MSC as the foreign representative of the Chapter 11 Debtors in Canada (the “**Foreign Representative Order**”);

- (b) an order permitting the joint administration of the Chapter 11 cases of ModSpace in the US Proceedings (the “**Joint Administration Order**”);
- (c) an order permitting ModSpace to pay pre-Filing Date wages, compensation and employee benefits (the “**Wages Order**”);
- (d) an interim order authorizing, but not directing, ModSpace to maintain their existing bank accounts, cash management system and authorizing the continuation of (and administrative expense priority status of) intercompany transactions (the “**Cash Management Order**”);
- (e) an interim order: (i) approving post-Filing Date financing; (ii) granting liens and super-priority administrative expense claim status to pre-Filing Date secured parties; (iii) modifying the automatic stay; and (iv) scheduling the final hearing (the “**DIP Financing Order**”);
- (f) an order authorizing ModSpace to retain Kurtzman Carson Consultants LLC (“**KCC**”) as Claims and Noticing Agent *nunc pro tunc* to the Filing Date (the “**KCC Order**”);
- (g) an order authorizing the payment of pre-Filing Date taxes and fees (the “**Taxes Order**”);
- (h) an interim order: (i) approving ModSpace’s form of adequate assurance of payment; (ii) establishing procedures to resolve objections by utility companies; and (iii) restraining utility companies from discontinuing, alternating and refusing service (the “**Utilities Order**”);
- (i) an order: (i) confirming the enforcement and applicability of the automatic stay pursuant to Section 362 of the Bankruptcy Code; and (ii) confirming ModSpace’s

authority with respect to post-Filing Date operations (the “**Automatic Stay Order**”);

- (j) an interim order establishing notification procedures and approving restrictions on certain transfers or claims for worthlessness with respect to MSH’s equity securities (the “**NOL Order**”);
- (k) an interim order authorizing ModSpace to pay its pre-Filing Date unsecured creditors in the ordinary course of business (the “**Unsecured Creditors Order**”);
- (l) an order establishing bar dates for filing proofs of claim, approving the form and manner for filing proofs of claim and the manner for notice of same (the “**Claims Order**”);
- (m) an order: (i) scheduling a combined disclosure statement approval and plan confirmation hearing; (ii) establishing a plan and disclosure statement objection date and related procedures; (iii) approving solicitation and related procedures; (iv) approving the notice procedures; (v) approving notice and objection procedures for the assumption, assignment and rejection of executory contracts and unexpired leases; and (vi) extending the time, and upon confirmation, waiving the requirements that statements and schedules be filed and a creditors’ meeting be convened (the “**Solicitation Procedures Order**”); and
- (n) an order approving procedures for the Rights Offering and related forms and authorizing ModSpace to conduct the Rights Offering in connection with ModSpace’s joint plan of reorganization pursuant to Chapter 11 of the Bankruptcy Code (the “**Rights Offering Order**”).



These First Day Orders are, for the most part, common in Chapter 11 proceedings and are based on model orders. Copies of the First Day Orders and other documents related to the Chapter 11 Proceedings are available at the web-site maintained by KCC, [www.kccllc.net/modspace](http://www.kccllc.net/modspace) . Certain of the First Day Orders that may be of particular relevance to Canadian stakeholders are discussed below.

*Foreign Representative Order*

62. The Foreign Representative Order authorizes MSC to act as the Foreign Representative on behalf of the Chapter 11 Debtors' estates in any judicial proceeding in a foreign country, including in these CCAA Proceedings, and grants MSC, in its capacity as the Foreign Representative, the power to act in any way permitted by applicable foreign law. In paragraph 3 of the Foreign Representative Order, the US Court requests the aid and assistance of this Court to recognize the Chapter 11 Proceedings as a "foreign main proceeding" and MSC as a "foreign representative" under the CCAA.

*Wages Order*

63. The Wages Order, among other things, authorizes ModSpace to: (a) pay pre-Filing Date wages, salaries, bonuses, commissions and employee benefits and other amounts owed to its employees; (b) to continue all benefit plans; and (c) to pay all employee withholdings as such obligations are due. It also authorizes and directs financial institutions to receive, process, honour, and pay all cheques and electronic requests made relating to the foregoing; and schedules a final hearing in the US to consider entry of a final order at 11:00 a.m. on January 19, 2017.

*Cash Management Order*

64. The Cash Management Order, among other things, authorizes ModSapce to continue to operate its cash management system (including maintaining existing bank accounts), to maintain their existing forms (such as cheques), and to continue to perform intercompany transactions consistent with past practice. It also schedules a final hearing to consider entry of a final order at 11:00 a.m. on January 19, 2017.

*DIP Financing Order*

65. The DIP Financing Order, among other things:
- (a) authorizes: (i) ModSpace (excluding ModSpace Canada) to borrow up to \$568 million pursuant to a US revolving loan, subject to a borrowing base and availability reserves (with up to \$55 million of this amount available prior to entry of the final DIP Financing Order); (ii) ModSpace Canada to borrow up to CAD\$200 million pursuant to a Canadian revolving loan, subject to a borrowing base and availability reserves (with up to \$6 million of this amount available prior to entry of the final DIP Financing Order); and (iii) ModSpace (excluding ModSpace Canada) to borrow in the amount of the unpaid principal balance under the Pre-Petition Date ABL Facility (as defined in the DIP Financing Order) pursuant to a US term loan in the amount of up to \$26,257,000 (with no funds available under this facility prior to the entry of the final DIP Financing Order), (collectively, the “**DIP Financing**”), on such terms and conditions set out in the applicable credit agreement and related documents (the “**DIP Financing Documents**”);

- (b) authorizes the US Borrowers to guarantee, on a joint and several basis, the US Borrowers' obligations and ModSpace Canada's obligations arising under the DIP Financing;
- (c) authorizes the Chapter 11 Debtors (except ModSpace Canada) to use advances under the DIP Facility to pay in full the amounts owed by ModSpace under the ABL Facility;
- (d) authorizes ModSpace Canada to use certain cash collateral, together with accounts receivable, intercompany claims and general intangibles and proceeds from the sale, lease or use of inventory or equipment (including all Non-Ordinary Course Proceeds, as defined in the DIP Financing Documents), to repay pre-Filing Date amounts owed by it. The DIP Financing Documents provide that proceeds of Accounts or Rental Equipment (as each is defined in the DIP Financing Documents) will first be applied as set out in the DIP Financing Order (as above) until all pre-Filing Date amounts owed by ModSpace Canada have been repaid, before being applied to the obligations of ModSpace under the DIP Financing;
- (e) orders that the DIP Financing be secured by security interests and liens in accordance with the Bankruptcy Code, and the amounts owed under the DIP Financing will constitute a super-priority to all other obligations and liabilities of ModSpace. The collateral to be provided pursuant to the DIP Financing is limited to the collateral already pledged to the lenders in their capacity as ABL Lenders; and

- (f) schedules a final hearing to consider entry of a final order at 11:00 a.m. on January 19, 2017.
66. The DIP lenders are part of a syndicate of lenders that provided ModSpace with its pre-Filing Date financing. ModSpace Canada has projected that, given its borrowing base and subject to the availability reserves in the DIP Financing Documents, it will have approximately \$8.5 million of availability as of the Filing Date.
67. The Orlofsky Affidavit outlines ModSpace's efforts to explore other sources of financing. It also includes the interest rates applicable to the DIP Financing and details why it was the best option available to ModSpace in the circumstances.
68. Pursuant to the DIP Financing Documents, ModSpace Canada's portion of the DIP Financing funded in Canadian dollars will incur interest on the unpaid principal, from the date made until paid in cash at the "Canadian Prime Rate" (or "Canadian BA rate" if selected by ModSpace Canada) plus 3.5% (or 4.5% if the "Canadian BA Rate" is selected). ModSpace Canada's portion of the DIP Financing funded in US dollars will incur interest on the unpaid principal from the date made until paid in cash at a rate per annum equal to the "Canadian Base Rate" (or the "LIBOR Rate", if selected by ModSpace Canada), plus 3.5% (or 4.5% if the "LIBOR Rate" is selected). If an "Event of Default" (as defined in the DIP Financing Documents) exists under the DIP Financing Documents, the interest rate is increased by 2% over the rate that would otherwise apply.
69. Pursuant to the DIP Financing Documents, a Closing Fee for the benefit of the DIP Financing lenders and an Administrative Agent Fee for the benefit of the administrative agent are also payable by ModSpace. The details of these two fees are considered to be confidential by ModSpace and the DIP Lenders and, as such, have been separately

documented in fee letters. Copies of the two letters were provided to the Proposed Information Officer on a confidential basis. The DIP Financing Documents also include a US Borrowers Unused Line Fee, a Canadian Borrowers Unused Line Fee and a Letter of Credit Fee. The aggregate amount of the foregoing fees is approximately \$2 million as reflected in the DIP Budget (consolidated, and also unconsolidated for the US Borrowers and for ModSpace Canada), attached hereto as **Appendix B**.

70. The Proposed Information Officer has considered the interest rates and other fees and costs arising in respect of the DIP Financing based on information provided by ModSpace Canada. The Proposed Information Officer is of the view that, with respect to the pricing structure, there are comparable precedents for arrangements in similar Restructuring Proceedings. Given the terms of the Plan, and assuming that the Plan is successful, creditors of ModSpace Canada will be paid in full in the ordinary course and the DIP Financing does not prejudice these creditors.
71. The DIP Facility contains two “roll up provisions” for the US Chapter 11 Debtors: one, a “creeping roll up” whereby the US Chapter 11 Debtors’ revenue is used to reduce the balance of those Chapter 11 Debtors’ pre-Petition debt under the ABL Facility and a second “roll-up” whereby, after entry of a subsequent order by the US Court, the DIP Facility will be used to fully refinance pre-Petition amounts under the ABL Facility. For ModSpace Canada, the DIP Facility will employ only a “creeping roll up” whereby the cash generated by ModSpace Canada’s business will be used to reduce the balance of the outstanding pre-Petition debt under the ABL Facility. Since pre-Petition amounts owing by ModSpace Canada are to be reduced only by the use of ModSpace Canada’s cash generated from its business, the DIP Financing Charge (as defined in the Orlofsky

Affidavit), is only securing advances made post-filing under the DIP Facility. The Proposed Information Officer notes that the “roll up provisions” might not be permissible in a plenary proceeding under the CCAA as a result of section 11.2 of the CCAA, which provides that a DIP charge may not secure an obligation that existed before the initial order is made. A “roll-up”, however, is permitted in the US and this is an ancillary proceeding. Section 49 of the CCAA provides that in recognizing an order of a foreign court, the Court may make any order that it considers appropriate, provided the Court is satisfied that it is necessary for the protection of the debtor company’s property or the interests of a creditor or creditors. The Proposed Information Officer is aware of other ancillary CCAA proceedings in which “roll ups” authorized by a foreign court were recognized in Canada. As described above, the “roll up” in the DIP Facility will apply only to the US Chapter 11 Debtors, and does not impact ModSpace Canada. The DIP Facility provides only for a “creeping roll up” for ModSpace Canada and is consistent with previous plenary and ancillary CCAA proceedings where “creeping roll ups” have been permitted by the Canadian courts. Thus, in the view of the Proposed Information Officer, given the present circumstances (including the lack of prejudice to creditors of ModSpace Canada pursuant to the terms of the Plan), the Interim DIP Financing Order is necessary for the protection of the Chapter 11 Debtors’ property and interests of the creditors, and is not objectionable.

#### *Unsecured Creditors Order*

72. The Unsecured Creditors Order authorizes, but does not direct, ModSpace to pay their general unsecured creditors for pre-Petition claims in the ordinary course of business. The unsecured creditors with undisputed claims are permitted to be paid in accordance

with their pre-existing payment terms and timelines (subject to the terms of the DIP Financing Order and the DIP financing agreement pursuant to that order). This is a key aspect of the restructuring as all creditors with valid claims are being treated as unaffected and paid in the ordinary course or reinstated upon emergence from ModSpace's reorganization proceedings.

#### *Utilities Order*

73. The Utilities Order approves the proposed form of adequate assurance of post-Petition payment for certain utility providers, establishes procedures for resolving any objections by utility companies related to the proposed adequate assurance and prohibits the utility companies from terminating service solely on the basis of the commencement of the Chapter 11 Proceedings. It also provides that ModSpace will create a segregated account for the benefit of all of the utilities providers listed at Schedule 1 to the Utilities Order which includes 39 Canadian utility providers.

#### *Taxes Order*

74. The Taxes Order provides ModSpace with the discretion to pay pre-Petition taxes and fees. Canadian taxation authorities and United States taxation authorities are treated consistently. A number of Canadian taxation authorities are listed in Appendix A to the Taxes Order, including the Canada Revenue Agency.

### **PROPOSED INITIAL ACTIVITIES OF THE INFORMATION OFFICER**

75. The draft Supplemental Order proposes that following its appointment, the initial activities of the Information Officer will include:

- (a) establishing a website at [www.alvarezandmarsal.com/modspace](http://www.alvarezandmarsal.com/modspace) to make available copies of the Orders granted in the CCAA Recognition Proceedings as well as other relevant motion materials and reports;
- (b) coordinating publication of a notice of the Chapter 11 Proceedings and CCAA Recognition Proceedings in *The Globe & Mail* newspaper, commencing within seven days from the date of the Initial Recognition Order, once a week for two consecutive weeks, as required of the Foreign Representative by s.53(b) of the CCAA;
- (c) responding to creditor inquiries regarding the Restructuring Proceedings;
- (d) providing such assistance to the Foreign Representative in the performance of its duties as the Foreign Representative may reasonably request;
- (e) providing the Court with periodic reports, at least once every three months, on the status of the Restructuring Proceedings, which reports may include information relating to the property and the business of the Chapter 11 Debtors or such other matters as may be relevant to these proceedings; and
- (f) engaging independent legal counsel in respect of the exercise of its powers and the performance of its obligations.

#### **A&M CANADA'S QUALIFICATION TO ACT AS INFORMATION OFFICER**

76. A&M Canada was engaged by MSH in December, 2016, for the purpose of preparing for the CCAA Recognition Proceedings and to act as the Proposed Information Officer. As such, the Proposed Information Officer is familiar with the business and operations of ModSpace, and the key issues and stakeholders in the proposed CCAA Recognition Proceedings. A&M is a trustee within the meaning of subsection 2(1) of the *Bankruptcy*



*and Insolvency Act* (Canada) has significant experience in connection with proceedings under the CCAA, including but not limited to acting as information officer in the CCAA recognition proceedings of LightSquared LP, Durabla Canada Ltd., TLC Vision Corporation and Chemtura Canada Co./Cie.

77. A&M Canada is related to Alvarez & Marsal Holdings, LLC. Alvarez & Marsal Holdings, LLC is an independent international professional services firm, providing, among other things, bankruptcy, insolvency and restructuring services. The senior A&M Canada professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Professional Accountants, Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees, and whom have acted in cross-border restructurings and CCAA matters of a similar nature in Canada.
78. A&M Canada has consented to act as Information Officer should this Court approve the requested Initial Recognition Order.

## **RECOMMENDATIONS**


79. A&M Canada has reviewed, together with its legal counsel, the terms of the Initial Recognition Order and the Supplemental Order, and believes that the relief sought by MSC, as set out in the form of orders submitted to the Court for approval, are fair and reasonable in the circumstances, having regard to the current status of ModSpace Canada and the other Chapter 11 Debtors. A&M Canada believes that the terms of the Supplemental Order relating to its role as information officer are fair and reasonable, and consistent with the terms of appointments of information officers in other recognition proceedings under the CCAA.

80. Based on the foregoing, the Proposed Information Officer respectfully recommends that this Court grant the relief requested by MSC in the Initial Recognition Order and Supplemental Order.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED** at Toronto, Ontario this 24<sup>th</sup> day  
of December, 2016.

**ALVAREZ & MARSAL CANADA INC.**

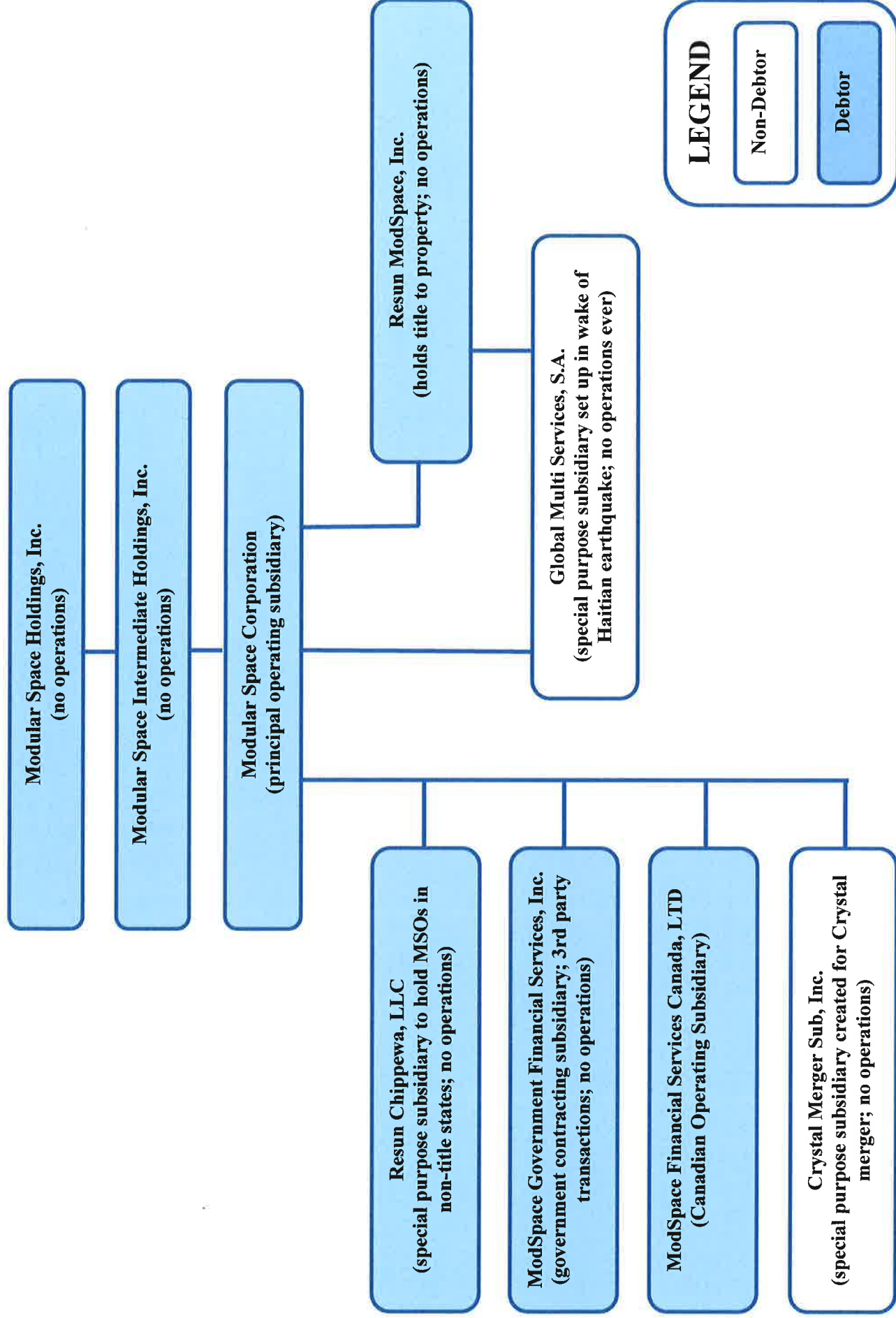
in its capacity as the Proposed Information Officer of  
Modular Space Corporation, et al and not in its personal or corporate capacity

Per:   
Alan J. Hutchens  
Senior Vice-President

## **APPENDIX A**

### **Corporate Organizational Chart**

# ModSpace Corporate Structure



**APPENDIX B**

**Debtor In Possession (“DIP”) Budget**

Consolidated DIP Budget (\$ in 000s)												Total
Receipts:												
Lease Related Revenue	\$6,859	6,859	6,834	6,819	6,815	6,815	6,815	6,728	6,698	6,690	6,687	67,805
Sale Related Revenue	1,134	1,340	1,350	1,739	2,029	1,984	1,973	1,973	1,955	1,932	1,835	17,270
<b>Total Receipts</b>	<b>\$7,993</b>	<b>8,199</b>	<b>8,184</b>	<b>8,558</b>	<b>8,845</b>	<b>8,799</b>	<b>8,701</b>	<b>8,654</b>	<b>8,622</b>	<b>8,522</b>	<b>8,522</b>	<b>85,076</b>
<b>Operating Disbursements:</b>												
Lease Related Costs	\$2,814	2,765	2,693	3,045	2,684	2,746	2,768	2,767	2,766	2,766	2,766	27,813
Sale Related Costs	991	984	967	1,105	967	967	944	944	944	944	944	9,757
Compensation & Benefits	150	1,916	197	2,658	197	1,961	199	4,936	199	199	1,968	14,379
Personnel Support	81	189	77	75	78	182	74	74	77	77	74	980
IT Expenses	161	56	117	61	106	130	70	32	30	30	119	880
Rent Expense	1,376	-	-	-	1,374	-	-	-	-	-	1,352	4,102
Utilities	160	37	37	37	37	37	37	37	37	37	37	492
Marketing, T&E, Yard Maint., Other	262	262	238	280	234	234	246	261	261	261	261	2,539
Income, Sales, Real Estate & PPT	1,828	828	125	125	2,096	1,586	145	145	145	1,685	163	8,724
<b>Disbursements - Operations</b>	<b>\$7,823</b>	<b>7,036</b>	<b>4,449</b>	<b>7,385</b>	<b>7,773</b>	<b>7,843</b>	<b>4,483</b>	<b>9,195</b>	<b>5,999</b>	<b>7,683</b>	<b>7,683</b>	<b>69,668</b>
<b>Net Operating Cash Flow</b>												
	\$170	1,164	3,734	1,172	1,072	956	4,218	(541)	2,623	840		15,408
Capital Expenditures	\$1,058	1,058	1,420	1,419	1,419	1,419	1,509	1,159	1,159	1,159		12,779
Interest Expense	-	-	2,820	-	-	-	2,864	-	-	-		5,684
GB Appraisal	-	-	185	-	-	-	-	-	-	-		185
Financing Fees	2,000	-	-	-	-	-	-	-	-	-		2,000
Professional Fees	-	-	150	-	618	-	2,755	1,235	-	5,094		9,851
<b>Disbursements - Non-Operations</b>	<b>\$3,058</b>	<b>1,058</b>	<b>4,575</b>	<b>1,419</b>	<b>2,036</b>	<b>1,419</b>	<b>7,129</b>	<b>2,394</b>	<b>1,159</b>	<b>6,253</b>		<b>30,500</b>
<b>Net Change in Cash</b>	<b>(\$2,887)</b>	<b>106</b>	<b>(841)</b>	<b>(247)</b>	<b>(964)</b>	<b>(462)</b>	<b>(2,911)</b>	<b>(2,935)</b>	<b>1,463</b>	<b>(5,414)</b>		<b>(15,092)</b>

<b>Consolidated Gross BB Availability</b>	\$706,489	706,489	704,938	704,938	704,938	704,938	703,132	703,132	703,132	703,132	703,132	
Less: Ending Revolver Balance	(611,446)	(611,340)	(612,181)	(612,428)	(613,392)	(613,855)	(616,765)	(619,700)	(618,237)	(618,237)	(623,651)	
Less: Reserves	(3,131)	(3,131)	(3,131)	(3,131)	(3,131)	(3,131)	(3,131)	(3,131)	(3,131)	(3,131)	(3,131)	
Less: Aggregate Availability Block	(80,000)	(80,000)	(80,000)	(75,000)	(75,000)	(75,000)	(70,000)	(70,000)	(70,000)	(70,000)	(65,000)	
<b>Consolidated Net Availability</b>	<b>\$11,911</b>	<b>12,018</b>	<b>9,626</b>	<b>14,379</b>	<b>13,415</b>	<b>12,952</b>	<b>13,236</b>	<b>10,300</b>	<b>11,764</b>	<b>11,350</b>	<b>11,350</b>	
Less: Outstanding Checks net of COH	(6,255)	(6,255)	(6,255)	(6,255)	(6,255)	(6,255)	(6,255)	(6,255)	(6,255)	(6,255)	(6,255)	
<b>Consolidated Net Availability</b>	<b>\$5,656</b>	<b>5,762</b>	<b>3,370</b>	<b>8,124</b>	<b>7,159</b>	<b>6,697</b>	<b>6,980</b>	<b>4,045</b>	<b>5,508</b>	<b>5,095</b>	<b>5,095</b>	
Prepetition ABL Balance	600,566	592,366	584,183	575,625	566,780	53,053	52,042	50,987	49,856	48,762		
Interim DIP Balance	10,881	18,974	27,998	36,803	46,612	-	-	-	-	-		
<b>Total Ending Revolver Balance</b>	<b>\$611,446</b>	<b>611,340</b>	<b>612,181</b>	<b>612,428</b>	<b>613,392</b>	<b>613,855</b>	<b>616,765</b>	<b>619,700</b>	<b>618,237</b>	<b>623,651</b>		

<b>Professional Fees Budget</b>	12/23	12/30	01/06	01/13	01/20	01/27	02/03	02/10	02/17	02/24	
ABL Advisors	-	-	-	-	223	-	-	445	-	334	
Non-ABL Advisors	-	-	150	-	395	-	2,755	790	-	4,760	
<b>Total Professional Fees</b>	<b>-</b>	<b>-</b>	<b>150</b>	<b>-</b>	<b>618</b>	<b>-</b>	<b>2,755</b>	<b>1,235</b>	<b>-</b>	<b>5,094</b>	

US DIP Budget (\$ in 000s)												Total
<b>Receipts:</b>												
Lease Related Revenue	\$5,976	5,976	5,991	5,975	5,964	5,964	5,869	5,824	5,818	5,816		59,174
Sale Related Revenue	1,028	1,181	1,191	1,560	1,836	1,827	1,822	1,774	1,673	1,612		15,504
<b>Total Receipts</b>	<b>\$7,004</b>	<b>7,157</b>	<b>7,182</b>	<b>7,535</b>	<b>7,800</b>	<b>7,791</b>	<b>7,691</b>	<b>7,598</b>	<b>7,491</b>	<b>7,428</b>		<b>74,678</b>
<b>Operating Disbursements:</b>												
Lease Related Costs	\$2,538	2,502	2,458	2,778	2,450	2,512	2,486	2,485	2,484	2,484		25,178
Sale Related Costs	954	923	846	967	846	846	752	752	752	752		8,390
Compensation & Benefits	139	1,758	185	2,453	185	1,812	188	4,725	188	1,818		13,452
Personnel Support	78	185	74	72	76	179	71	70	73	70		948
IT Expenses	161	56	117	61	106	130	70	32	30	119		880
Rent Expense	1,212	-	-	-	1,210	-	-	-	-	1,187		3,609
Utilities	157	34	34	34	34	34	34	34	34	34		466
Marketing, T&E, Yard Maint., Other	241	241	227	270	224	224	229	236	236	236		2,363
Income, Sales, Real Estate & PPT	1,686	480	68	68	1,994	1,190	86	86	1,605	86		7,349
<b>Disbursements - Operations</b>	<b>\$7,166</b>	<b>6,179</b>	<b>4,009</b>	<b>6,704</b>	<b>7,125</b>	<b>6,927</b>	<b>3,917</b>	<b>8,419</b>	<b>5,402</b>	<b>6,786</b>		<b>62,656</b>
<b>Net Operating Cash Flow</b>	<b>(\$162)</b>	<b>978</b>	<b>3,173</b>	<b>831</b>	<b>675</b>	<b>864</b>	<b>3,774</b>	<b>(821)</b>	<b>2,089</b>	<b>642</b>		<b>12,042</b>
Capital Expenditures	\$1,042	1,042	1,415	1,415	1,415	1,415	1,505	1,155	1,155	1,155		12,712
Interest Expense	-	-	2,569	-	-	-	2,614	-	-	-		5,183
GB Appraisal	-	-	185	-	-	-	-	-	-	-		185
Financing Fees	1,500	-	-	-	-	-	-	-	-	-		1,500
Reorganization Professional Fees	-	-	150	-	608	-	2,680	1,215	-	4,816		9,469
<b>Disbursements - Non-Operations</b>	<b>\$2,542</b>	<b>1,042</b>	<b>4,319</b>	<b>1,415</b>	<b>2,022</b>	<b>1,415</b>	<b>6,799</b>	<b>2,370</b>	<b>1,155</b>	<b>5,971</b>		<b>29,049</b>
<b>Net Change in Cash</b>	<b>(\$2,704)</b>	<b>(64)</b>	<b>(1,146)</b>	<b>(583)</b>	<b>(1,347)</b>	<b>(550)</b>	<b>(3,025)</b>	<b>(3,191)</b>	<b>934</b>	<b>(5,329)</b>		<b>(17,007)</b>
<b>Beginning Prepetition Revolver Balance</b>	<b>\$550,274</b>	<b>542,395</b>	<b>535,237</b>	<b>528,055</b>	<b>520,520</b>	<b>512,720</b>	-	-	-	-		-
Paydown	(7,880)	(7,157)	(7,182)	(7,535)	(7,800)	(512,720)	-	-	-	-		-
<b>Ending Prepetition Revolver Balance</b>	<b>\$542,395</b>	<b>535,237</b>	<b>528,055</b>	<b>520,520</b>	<b>512,720</b>	-	-	-	-	-		-
<b>Beginning DIP Balance</b>	<b>-</b>	<b>9,708</b>	<b>16,929</b>	<b>25,258</b>	<b>33,376</b>	<b>42,524</b>	<b>555,794</b>	<b>558,819</b>	<b>562,010</b>	<b>561,076</b>		-
Draw / (Repayment)	9,708	7,221	8,328	8,118	9,148	513,270	3,025	3,191	(934)	5,329		-
<b>Ending DIP Balance</b>	<b>\$9,708</b>	<b>16,929</b>	<b>25,258</b>	<b>33,376</b>	<b>42,524</b>	<b>555,794</b>	<b>558,819</b>	<b>562,010</b>	<b>561,076</b>	<b>566,406</b>		-
<b>Gross Borrowing Base Availability</b>	<b>\$593,206</b>	<b>593,206</b>	<b>591,944</b>	<b>591,944</b>	<b>591,944</b>	<b>591,944</b>	<b>591,138</b>	<b>591,138</b>	<b>591,138</b>	<b>591,138</b>		-
<b>Ending Prepetition Revolver Balance</b>	<b>(542,395)</b>	<b>(535,237)</b>	<b>(528,055)</b>	<b>(520,520)</b>	<b>(512,720)</b>	-	-	-	-	-		-
<b>Ending Interim DIP Balance</b>	<b>(9,708)</b>	<b>(16,929)</b>	<b>(25,258)</b>	<b>(33,376)</b>	<b>(42,524)</b>	-	-	-	-	-		-
<b>Ending Final DIP Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(555,794)</b>	<b>(558,819)</b>	<b>(562,010)</b>	<b>(561,076)</b>	<b>(566,406)</b>		-
<b>Total Ending Revolver Balance</b>	<b>(\$552,103)</b>	<b>(552,167)</b>	<b>(553,313)</b>	<b>(553,896)</b>	<b>(555,244)</b>	<b>(555,794)</b>	<b>(558,819)</b>	<b>(562,010)</b>	<b>(561,076)</b>	<b>(566,406)</b>		-
Less: Reserves	(2,637)	(2,637)	(2,637)	(2,637)	(2,637)	(2,637)	(2,637)	(2,637)	(2,637)	(2,637)		-
Less: U.S. Availability Block	(35,000)	(35,000)	(35,000)	(30,000)	(30,000)	(30,000)	(25,000)	(25,000)	(25,000)	(20,000)		-
<b>Net Availability</b>	<b>\$3,466</b>	<b>3,402</b>	<b>994</b>	<b>5,411</b>	<b>4,064</b>	<b>3,513</b>	<b>4,682</b>	<b>1,491</b>	<b>2,425</b>	<b>2,095</b>		-
Less: Outstanding Checks	(6,804)	(6,804)	(6,804)	(6,804)	(6,804)	(6,804)	(6,804)	(6,804)	(6,804)	(6,804)		-
Plus: Ending Cash Balance	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000		-
<b>Net Liquidity</b>	<b>(\$2,338)</b>	<b>(2,402)</b>	<b>(4,810)</b>	<b>(393)</b>	<b>(1,741)</b>	<b>(2,291)</b>	<b>(1,122)</b>	<b>(4,313)</b>	<b>(3,379)</b>	<b>(3,709)</b>		-



Canada DIP Budget (\$ in 000s)												Total
Receipts:												
Lease Related Revenue	\$883	883	843	851	851	859	874	872	871	871	871	8,632
Sale Related Revenue	106	159	159	194	157	151	181	259	223	223	223	1,766
<b>Total Receipts</b>	<b>\$989</b>	<b>1,042</b>	<b>1,001</b>	<b>1,023</b>	<b>1,045</b>	<b>1,010</b>	<b>1,056</b>	<b>1,130</b>	<b>1,094</b>	<b>1,094</b>	<b>1,094</b>	<b>10,398</b>
<b>Operating Disbursements:</b>												
Lease Related Costs	\$276	263	234	267	234	235	282	282	282	282	282	2,636
Sale Related Costs	37	61	121	138	121	121	192	192	192	192	192	1,367
Compensation & Benefits	11	158	11	205	11	149	211	11	11	150	928	928
Personnel Support	3	3	3	3	3	3	4	4	4	4	32	32
Rent Expense	165	-	-	-	165	-	-	-	-	165	494	494
Utilities	3	3	3	3	3	3	3	3	3	3	26	26
Marketing, T&E, Yard Maint., Other	21	21	12	10	10	10	25	25	25	25	175	175
Income, Sales, Real Estate & PPT	142	348	57	57	102	396	59	80	77	77	1,375	1,375
<b>Disbursements - Operations</b>	<b>\$657</b>	<b>856</b>	<b>440</b>	<b>682</b>	<b>648</b>	<b>916</b>	<b>775</b>	<b>597</b>	<b>896</b>	<b>896</b>	<b>7,032</b>	<b>7,032</b>
<b>Net Operating Cash Flow</b>	<b>\$332</b>	<b>186</b>	<b>561</b>	<b>341</b>	<b>397</b>	<b>92</b>	<b>281</b>	<b>534</b>	<b>198</b>	<b>198</b>	<b>3,366</b>	<b>3,366</b>
Capital Expenditures	\$16	16	6	4	4	4	4	4	4	4	67	67
Interest Expense	-	-	251	-	-	-	-	-	-	-	501	501
Financing Fees	500	-	-	-	-	-	-	-	-	-	500	500
Professional Fees	-	-	-	-	10	75	20	-	278	278	383	383
<b>Disbursements - Non-Operations</b>	<b>\$516</b>	<b>16</b>	<b>256</b>	<b>4</b>	<b>14</b>	<b>4</b>	<b>24</b>	<b>4</b>	<b>282</b>	<b>282</b>	<b>1,451</b>	<b>1,451</b>
<b>Net Change in Cash</b>	<b>(\$183)</b>	<b>170</b>	<b>305</b>	<b>337</b>	<b>383</b>	<b>88</b>	<b>256</b>	<b>529</b>	<b>(84)</b>	<b>(84)</b>	<b>1,915</b>	<b>1,915</b>
<b>Beginning Prepetition Revolver Balance</b>	<b>\$51,848</b>	<b>58,171</b>	<b>57,129</b>	<b>56,128</b>	<b>55,105</b>	<b>54,060</b>	<b>52,042</b>	<b>50,987</b>	<b>49,856</b>	<b>49,856</b>	<b>49,856</b>	<b>49,856</b>
Paydown	(3,677)	(1,042)	(1,001)	(1,023)	(1,045)	(1,008)	(1,056)	(1,130)	(1,094)	(1,094)	(1,094)	(1,094)
<b>Ending Prepetition Revolver Balance</b>	<b>\$58,171</b>	<b>57,129</b>	<b>56,128</b>	<b>55,105</b>	<b>54,060</b>	<b>53,053</b>	<b>52,042</b>	<b>50,987</b>	<b>49,856</b>	<b>49,856</b>	<b>48,762</b>	<b>48,762</b>
<b>Beginning DIP Balance</b>	<b>\$0</b>	<b>1,172</b>	<b>2,044</b>	<b>2,741</b>	<b>3,426</b>	<b>4,088</b>	<b>5,904</b>	<b>6,704</b>	<b>7,305</b>	<b>7,305</b>	<b>7,305</b>	<b>7,305</b>
Draw / (Repayment)	1,172	872	696	686	662	920	800	601	601	601	1,178	1,178
<b>Ending DIP Balance</b>	<b>\$1,172</b>	<b>2,044</b>	<b>2,741</b>	<b>3,426</b>	<b>4,088</b>	<b>5,008</b>	<b>6,704</b>	<b>7,305</b>	<b>8,483</b>	<b>8,483</b>	<b>8,483</b>	<b>8,483</b>
<b>Gross Borrowing Base Availability</b>	<b>\$113,283</b>	<b>113,283</b>	<b>112,994</b>	<b>112,994</b>	<b>112,994</b>	<b>112,994</b>	<b>111,994</b>	<b>111,994</b>	<b>111,994</b>	<b>111,994</b>	<b>111,994</b>	<b>111,994</b>
Ending Prepetition Revolver Balance	(58,171)	(57,129)	(56,128)	(55,105)	(54,060)	(53,053)	(52,042)	(50,987)	(49,856)	(49,856)	(48,762)	(48,762)
Ending Interim DIP Balance	(1,172)	(2,044)	(2,741)	(3,426)	(4,088)	-	-	-	-	-	-	-
Ending Final DIP Balance	-	-	-	-	-	(5,008)	(6,704)	(7,305)	(8,483)	(8,483)	(8,483)	(8,483)
<b>Total Ending Revolver Balance</b>	<b>(\$59,344)</b>	<b>(59,173)</b>	<b>(58,868)</b>	<b>(58,532)</b>	<b>(58,148)</b>	<b>(58,060)</b>	<b>(57,946)</b>	<b>(57,690)</b>	<b>(57,161)</b>	<b>(57,161)</b>	<b>(57,245)</b>	<b>(57,245)</b>
Less: Reserves	(494)	(494)	(494)	(494)	(494)	(494)	(494)	(494)	(494)	(494)	(494)	(494)
Less: Canadian Availability Block	(45,000)	(45,000)	(45,000)	(45,000)	(45,000)	(45,000)	(45,000)	(45,000)	(45,000)	(45,000)	(45,000)	(45,000)
<b>Net Availability</b>	<b>\$8,445</b>	<b>8,616</b>	<b>8,631</b>	<b>8,968</b>	<b>9,351</b>	<b>9,439</b>	<b>8,554</b>	<b>8,810</b>	<b>9,339</b>	<b>9,339</b>	<b>9,255</b>	<b>9,255</b>
Less: Outstanding Checks	(951)	(951)	(951)	(951)	(951)	(951)	(951)	(951)	(951)	(951)	(951)	(951)
Plus: Ending Cash Balance	500	500	500	500	500	500	500	500	500	500	500	500
<b>Net Liquidity</b>	<b>\$7,994</b>	<b>8,164</b>	<b>8,180</b>	<b>8,517</b>	<b>8,900</b>	<b>8,988</b>	<b>8,102</b>	<b>8,358</b>	<b>8,888</b>	<b>8,888</b>	<b>8,804</b>	<b>8,804</b>