

Province: British Columbia
Division No. 03 - Vancouver
Court No. B-220235
Estate No. 11-2831082



**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
DRAKE TOWING (2018) LTD.
OF THE CITY OF VANCOUVER, PROVINCE OF BRITISH COLUMBIA**

CROWE MACKAY & COMPANY LTD., PROPOSAL TRUSTEE

SECOND REPORT TO COURT

July 21, 2022

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I. **PURPOSE OF THE REPORT**

1. On May 17, 2022, Drake Towing (2018) Ltd. (the "**Company**") filed a Notice of Intention ("**NOI**") to Make a Proposal (the "**Proposal**") pursuant to subsection 50.4(1) of the *Bankruptcy and the Insolvency Act* R.S.C., 1985, c. B-3 (the "**BIA**") with the Office of the Superintendent of Bankruptcy (the "**OSB**") and Crowe MacKay & Company Ltd. consented to act as Trustee under the Proposal (the "**Proposal Trustee**").
2. On or about May 26, 2022, the Company, with the assistance of the Proposal Trustee, prepared and filed a 15-week cash flow projection for the period ending August 28, 2022 (the "**Initial Cash Flow Projection**") with the OSB.
3. On or about June 15, 2022, the Company applied for, and this Honourable Court granted, among other things, an Order extending the time by which the Company may file a Proposal to its creditors to July 29, 2022 (the "**First Extension Order**").
4. On or before July 29, 2022, the Company must either file a Proposal to its creditors or obtain a further Order of the Court granting the Company a further extension of time for the filing of its Proposal.
5. On or about July 20, 2022, the Company, with the assistance of the Proposal Trustee, prepared and filed an updated 18-week cash flow projection for the period ending November 13, 2022 (the "**Updated Cash Flow Projection**") with the OSB.
6. The Company is seeking a further Order of the Court to extend the period of time the Company may file a Proposal to its creditors to September 12, 2022 (the "**Second Extension**").
7. This report (the "**Second Report**") should be read in conjunction with the Trustee's First Report to Court dated June 13, 2022 (the "**First Report**").
8. The purpose of the Second Report is to provide this Honourable Court and the Company's stakeholders with the following:
 - a. a summary of the activities of the Proposal Trustee since the date of the First Report;
 - b. an update on the Company's activities to date; and,
 - c. the Proposal Trustee's recommendation that the Court grant the Company's application for an extension of time for filing the Proposal for an additional 45 days from July 29, 2022 to September 12, 2022.

II. TERMS OF REFERENCE

9. In preparing this Second Report, the Proposal Trustee has necessarily relied upon unaudited financial and other information provided by the Company, the Company's books and records, and discussions with management of the Company, namely Ms. Colleen Sauer and Mr. Harvey Siegfried Sauer ("Management" or the "Sauers") (collectively, the "Information").
10. The Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Auditing Standards pursuant to the Chartered Professional Accountants Handbook. Accordingly, the Proposal Trustee expresses no opinion and does not provide any other form of assurance on the accuracy and/or completeness of any information used to prepare this Second Report.
11. Certain of the information referred to in this Second Report consists of financial forecasts and/or projections prepared by the Company. An examination or review of the financial forecasts/projections and procedures as outlined by the Chartered Professional Accountants of Canada has not been performed by the Proposal Trustee. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions of future events and conditions that are not ascertainable, actual results may vary and the variations could be material.

III. ACTIVITIES OF THE PROPOSAL TRUSTEE

12. Since the Filing Date, the Proposal Trustee has engaged in, among other things, the following activities:
 - a. engaged in various discussions, correspondence and meetings with the Company, its legal counsel and the Proposal Trustee's legal counsel relating to matters relevant to the proposal proceedings including, but not limited to, options to restructure and payment plan to address priority creditors;
 - b. assisted the Company in preparing and filing the Updated Cash Flow Projection;
 - c. monitored the Company's financial affairs and activities on a weekly basis; and,
 - d. prepared this Second Report.

IV. ONGOING OPERATIONS AND EFFORTS OF THE COMPANY

13. Since the Filing Date, the Company has engaged in, among other things, the following activities:

- a. stabilized and continued operations;
- b. paid post-filing obligations in the ordinary course;
- c. worked with the Proposal Trustee and the Company's legal counsel to consider options to restructure and a payment plan to address priority creditors;
- d. coordinated with BMO Bank of Montreal ("**BMO**") to release its security registered in the *Personal Property Registry* against four vehicles that were sold by former management to a third party prior to the Filing Date, which had been done without BMO's consent;
- e. commenced negotiations on a viable path forward with BMO including, but not limited to, the possibility of a management buyout, and the continuation of the Company's relationship with BMO subsequent to a management buyout;
- f. commenced discussions with possible investors to potentially purchase the Company;
- g. revaluated cash flows now that operations have stabilized to consider whether payments can be made to priority creditors, including to Canada Revenue Agency ("**CRA**") on account of their deemed trust claim; and,
- h. prepared the Updated Cash Flow Projection with the assistance of the Proposal Trustee.

V. PROJECTED VS. ACTUAL CASH FLOWS

14. The Proposal Trustee and the Company prepared an actual to budget cash flow variance analysis ("**Variance Analysis**") for the period May 16, 2022 to July 10, 2022. The Variance Analysis is summarized in the following table:

| Actual to Projected Cash Flow from May 22 to July 10, 2022 | Total Projected | Total Actual | Variance (\$) | Variance (%) |
|--|------------------|-----------------|-----------------|--------------|
| Cash Inflows | | | | |
| Cash Sales | 214,039 | 208,672 | (5,367) | -3% |
| AR Collection | 317,130 | 397,040 | 79,910 | 25% |
| DIP Financing/Other Financing | 130,000 | 50,000 | (80,000) | -62% |
| Total Cash Inflows | 661,169 | 655,712 | (5,457) | -1% |
| Cash outflows | | | | |
| General Expenses | | | | |
| Payroll and Benefits | 170,502 | 183,228 | 12,726 | 7% |
| Monthly Payroll Remittance & WCB | 91,029 | 62,417 | (28,612) | -31% |
| Rent | 25,242 | 25,242 | - | 0% |
| Property Tax | 17,200 | 18,727 | 1,527 | 0% |
| Utilities | 1,780 | 1,387 | (393) | -22% |
| Auto Insurance | 17,558 | 18,895 | 1,337 | 8% |
| Liability Insurance | 1,560 | 1,559 | (1) | 0% |
| Garage Policy | 1,012 | 1,012 | (0) | 0% |
| Fuel | 60,000 | 108,165 | 48,165 | 80% |
| Safelight - Radios | 1,390 | 3,854 | 2,464 | 177% |
| Telephone/Internet | 1,466 | 2,192 | 726 | 50% |
| BC Ferries | 3,800 | 2,517 | (1,283) | -34% |
| Subscriptions | 1,330 | 609 | (721) | -54% |
| Vehicle Repairs & Maint | 52,000 | 40,520 | (11,480) | -22% |
| Sub-contract | 2,200 | - | (2,200) | 0% |
| Contract Bookkeeping | 2,000 | 2,701 | 701 | 35% |
| Bank and Other Fees | 6,600 | 7,922 | 1,322 | 20% |
| Contingency Fund | 32,000 | 2,883 | (29,117) | -91% |
| GST / HST Payable | - | - | - | 0% |
| | 488,669 | 483,828 | (4,841) | -1% |
| Debt Servicing | | | | |
| Payment of Equipment Leases | 3,450 | 3,451 | 1 | 0% |
| Payment of Truck Loan | 6,685 | 6,145 | (540) | -8% |
| Payment of Business Loan | 46,030 | 46,031 | 1 | 0% |
| Credit Card Payments | 24,290 | 30,000 | 5,710 | 24% |
| | 80,455 | 85,627 | 5,172 | 6% |
| Other Expenses | | | | |
| Trustee | 25,000 | 16,635 | (8,365) | -33% |
| Trustee Legal | 15,000 | 1,254 | (13,746) | -92% |
| Legal - Restructuring | 25,000 | 14,631 | (10,369) | -41% |
| Legal - Other | 20,000 | 348 | (19,652) | 0% |
| | 85,000 | 32,868 | (52,132) | -61% |
| Total Cash Outflows | 654,124 | 602,322 | (51,802) | -8% |
| Net Increase (Decrease) in Cash | 7,045 | 53,390 | 46,345 | -658% |
| Ending Cash Balance | (128,498) | (82,118) | 46,379 | 36% |

15. The Proposal Trustee has reviewed the Variance Analysis and discussed the Company's ongoing operations with Management. The Proposal Trustee is not aware of any material variances nor is the Proposal Trustee aware of any matters that may otherwise be considered a material adverse change. The Proposal Trustee has noted the following non-material and/or non-adverse variances from the Initial Cash Flow Projection:

- a. the Company collected 25% or \$79,910 more in accounts receivable than projected;
 - b. the Company required \$80,000 less in debtor-in-possession financing ("**DIP Financing**") during the first 8 week period as a result of better than expect cash flows;
 - c. the Company maintained its post-filing obligations with the CRA with respect to employee source deductions payable;
 - d. cash outflows relating to fuel was 80% or \$48,165 more than projected as a result of the need for the Company to prepay for fuel upon filing an NOI, as well as the increased price of gasoline over the recent months;
 - e. cash outflows for the payment of the BMO credit card was 24% or \$5,710 more than projected with the Company making efforts to pay down the outstanding balance and reduce associated interest costs; and,
 - f. cash outflows for professional fees were 61% or \$52,132 less than projected.
16. The Proposal Trustee further notes the following with respect to the Company's actual cash flows for this period:
- a. BMO has been paid approximately \$82,000 for debt servicing of the vehicle loans and business loan and monthly interest payments since the Company filed an NOI, and accordingly the Proposal Trustee is of the view that BMO as the senior creditor is in a better position since the NOI filing date;
 - b. The Company has \$46,379 more in borrowing capacity on the BMO line of credit than projected as the Company has been able to manage its cash flows which resulted in less cash outflows than expected;
 - c. the Company has maintained its post-filing obligations with the CRA. However, the Company has not yet been able to make payments to CRA for any pre-filing obligations; and,
 - d. The Company has made payment towards the following pre-filing obligations:
 - i. payment in the amount of \$3,082 to Safelight for the continued use of the dispatch service;
 - ii. inadvertent payment in the amount of \$4,612 to the British Columbia Auto Association for employee health benefits; and,
 - iii. payment totalling about \$1,500 to 2 separate employees for cash advances.
17. The payment to BMO referenced at paragraph 16(a) above has allowed the Company to pay down the loan and reduce the accrual of interest, continue use of the line of credit and equipment, and continue business and operation in the usual course. The Trustee has been advised by the Company that BMO is supportive of the Company's restructuring efforts.
18. The Company owes CRA approximately \$580,000 for unpaid employee source deductions. The Proposal Trustee has been advised by the Company that this includes the employee and employer portion of unremitted source deductions but does not include interest and penalties. The amount remains subject to a trust examination by CRA.

19. In the event of a successful proposal, the Company is required to pay the amount due to CRA for source deductions in full (employee, employer and interest and penalties) within the 6-month period of Court approval of the proposal. In the event of a bankruptcy, only the employee portion of the unpaid source deductions is a deemed trust that ranks ahead of all other creditors, including the Secured Creditors. The balance of the source deductions (employer portion and interest/penalties) ranks as an ordinary unsecured claim without priority. It is unclear at this time whether there will be sufficient funds in a bankruptcy to satisfy CRA's deemed trust claim.
20. The Company has also made certain other payments for pre-filing obligations to certain other creditors totalling about \$9,000 as referred at paragraph 16(d) above. The Company has been made aware that ordinary unsecured claims prior to the filing of the NOI are stayed and should not be paid unless consent is provided by the Proposal Trustee or this Honourable Court.
21. The Company has prepared the Updated Cash Flow Projection from July 10, 2022 to November 13, 2022. A copy of the Updated Cash Flow Projection and related assumptions is attached as Appendix "A".
22. Based on the Updated Cash Flow Projection and related assumptions, Management projects that the Company will have sufficient funds through its usage of the DIP Financing available to continue operations for the entire 18-week period covered in the Updated Cash Flow Projection.
23. The Proposal Trustee reviewed the Updated Cash Flow Projection and believes the hypothetical assumptions are consistent with the purpose of the projection and provides a reasonable basis for the projection.
24. Management advises that as of July 10, 2022, the Company is up to date with all of its statutory reporting requirements and post-filing obligations to CRA. The Company has also continued to meet its post-filing obligations incurred after the filing of the NOI in the ordinary course of business.

VI. EXTENSION OF STAY PERIOD

25. As mentioned above, the First Extension Order extended the time the Company may file a Proposal to July 29, 2022. The Company is seeking the Second Extension of the stay of proceedings and time required to file a Proposal to September 12, 2022.
26. Management has advised the Proposal Trustee that it is seeking the Second Extension to provide the Company with time required to pursue a sale and/or investment transaction that would allow the Company to continue business and make a viable proposal to its creditors.
27. The Proposal Trustee considered the following factors regarding Management's request for the Second Extension:

- a. Whether the Company is acting in good faith and with due diligence;
 - b. Whether the Company would likely be able to make a viable proposal if the Second Extension were to be granted; and
 - c. Whether any creditor in these proceedings will be materially prejudiced if the Second Extension is granted.
28. It is the Proposal Trustee's view that, to date, Management has acted, and continues to act in good faith and with due diligence during the restructuring proceeding. Management has been made aware of its obligations under the relevant sections of the BIA and the implications of non-compliance.
29. It is also the Proposal Trustee's view that no creditor in these proceedings will be materially prejudiced and that the Company would likely be able to make a viable proposal if the Second Extension is granted.

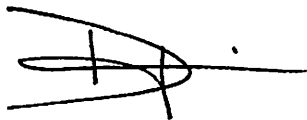
VII. PROPOSAL TRUSTEE'S RECOMMENDATION

30. Based on the current information made available by Management, the Proposal Trustee comments that the Second Extension is necessary for the Company to consider its options to restructure which may include the filing of a viable proposal to its creditors.
31. For the above reasons, the Proposal Trustee respectfully recommends that this Honourable Court grant an Order for the relief sought by the Company.

DATED AT the City of Vancouver, in the Province of British Columbia, this 21st day of July 2022.

Crowe MacKay & Company Ltd.
in its capacity as Licensed Insolvency Trustee of the Proposal of
Drake Towing (2018) Ltd. and not in its personal capacity

Per:



Mr. Derek Lai, CPA, CMA, CIRP, LIT, CFE
(Chartered Insolvency & Restructuring Professional)

APPENDIX A

Drake Towing (2018) Ltd.
 Weekly Projected Cash Flow Statement
 For the Period of July 11, 2022 to November 13, 2022

| | Week 1 | Week 2 | Week 3 | Week 4 | Week 5 | Week 6 | Week 7 | Week 8 | Week 9 | Week 10 | Week 11 | Week 12 | Week 13 | Week 14 | Week 15 | Week 16 | Week 17 | Week 18 |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 11-Jul-22 | 18-Jul-22 | 25-Jul-22 | 1-Aug-22 | 8-Aug-22 | 15-Aug-22 | 22-Aug-22 | 29-Aug-22 | 5-Sep-22 | 12-Sep-22 | 19-Sep-22 | 26-Sep-22 | 3-Oct-22 | 10-Oct-22 | 17-Oct-22 | 24-Oct-22 | 31-Oct-22 | 7-Nov-22 |
| | 17-Jul-22 | 24-Jul-22 | 31-Jul-22 | 7-Aug-22 | 14-Aug-22 | 21-Aug-22 | 28-Aug-22 | 4-Sep-22 | 11-Sep-22 | 18-Sep-22 | 25-Sep-22 | 2-Oct-22 | 9-Oct-22 | 16-Oct-22 | 23-Oct-22 | 30-Oct-22 | 6-Nov-22 | 13-Nov-22 |
| Opening Cash | (128,488) | (141,520) | (101,257) | (148,698) | (119,516) | (148,091) | (104,826) | (131,807) | (149,109) | (133,884) | (133,724) | (131,017) | (148,208) | (114,183) | (144,323) | (119,298) | (146,485) | (135,781) |
| Petty Cash (Gas Cards) | | | | | | | | | | | | | | | | | | |
| Cash Inflows | | | | | | | | | | | | | | | | | | |
| Cash Sales | 26,687 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 |
| AR Collection | 39,692 | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 |
| DIP Financing/Other Financing | | | 55,000 | | | | | | | | | 30,000 | | | | 25,000 | | |
| Total Cash Inflows | 66,379 | 74,000 | 129,000 | 74,000 | 74,000 | 74,000 | 74,000 | 74,000 | 74,000 | 74,000 | 74,000 | 104,000 | 74,000 | 74,000 | 74,000 | 99,000 | 74,000 | 74,000 |
| Cash Outflows | | | | | | | | | | | | | | | | | | |
| General Expenses: | | | | | | | | | | | | | | | | | | |
| Payroll and Benefits | 55,000 | 2,751 | 55,000 | - | 55,000 | - | 2,751 | 55,000 | - | 55,000 | - | 55,000 | - | 55,000 | - | 55,000 | - | 20,000 |
| Monthly Payroll Remittance & WCB | - | - | 20,000 | - | 20,000 | 10,700 | 20,000 | - | 20,000 | - | 20,000 | - | 11,500 | 20,000 | - | 22,751 | - | - |
| Rent | - | - | - | 12,621 | - | - | - | 12,621 | - | - | - | 12,621 | - | - | - | - | 12,621 | - |
| Property Tax | - | - | - | - | 8,600 | - | - | - | 10,000 | - | - | - | - | - | - | - | - | 10,000 |
| Utilities | - | - | 890 | - | - | - | 890 | - | 9,500 | - | 890 | - | 9,500 | - | - | 890 | - | 9,500 |
| Auto Insurance | - | 780 | - | - | - | - | 780 | - | - | - | - | 780 | - | - | - | 780 | - | - |
| Liability Insurance | - | - | - | - | - | - | - | 608 | - | - | - | 608 | - | - | - | 608 | - | - |
| Garage Policy | - | - | - | 506 | - | - | - | - | 7,500 | 7,500 | - | - | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 |
| Fuel | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 |
| Safelight - Radios | - | 695 | - | - | - | 695 | 695 | - | - | - | 695 | - | - | - | - | 695 | - | - |
| Telephone/Internet | - | - | 733 | - | - | - | 733 | - | - | - | 733 | - | - | - | - | 733 | - | - |
| BC Fees | 475 | 475 | 475 | 475 | 475 | 475 | 475 | 475 | 475 | 475 | 475 | 475 | 475 | 475 | 475 | 475 | 475 | 475 |
| Subscriptions | 665 | - | - | - | - | 665 | - | - | 665 | - | - | - | - | 665 | - | - | - | - |
| Vehicle Repairs & Maint | 6,500 | 6,500 | 6,500 | 6,500 | 6,500 | 6,500 | 6,500 | 6,500 | 6,500 | 6,500 | 6,500 | 6,500 | 6,500 | 6,500 | 6,500 | 6,500 | 6,500 | 6,500 |
| Sub-contract | - | - | - | 1,400 | - | - | - | 1,400 | - | - | - | 1,400 | - | - | - | 1,400 | - | - |
| Contract Bookkeeping | 500 | - | 500 | - | 500 | - | 500 | - | 500 | - | 500 | - | 500 | - | 500 | - | 500 | - |
| Bank and Other Fees | - | - | 3,300 | - | - | - | 3,300 | - | - | - | 3,300 | - | - | - | 3,300 | - | - | 3,300 |
| Contingency Fund | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 |
| GST / HST Payable | - | - | 13,150 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 27,000 |
| Total | 74,640 | 22,701 | 112,048 | 41,781 | 102,575 | 30,535 | 44,824 | 91,302 | 58,475 | 74,140 | 41,293 | 94,833 | 39,975 | 104,140 | 18,975 | 99,830 | 63,296 | 57,975 |
| Debt Service: | | | | | | | | | | | | | | | | | | |
| Payment of Equipment Leases | 1,725 | 8,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Payment of Truck Loan | - | - | 3,343 | - | - | - | 3,343 | - | - | - | - | 3,343 | - | - | - | 3,343 | - | - |
| Payment of Business Loan | - | - | 23,015 | - | - | - | 23,015 | - | - | - | - | 23,015 | - | - | - | 23,015 | - | - |
| Credit Card Payments | 3,036 | 3,036 | 3,036 | 3,036 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | 4,761 | 11,036 | 29,394 | 3,036 | - | - | 26,358 | - | - | - | - | 26,358 | - | - | - | 26,358 | - | - |
| Other Expenses: | | | | | | | | | | | | | | | | | | |
| Trustee | - | - | 15,000 | - | - | - | 10,000 | - | - | - | 10,000 | - | - | - | 10,000 | - | - | - |
| Trustee Legal | - | - | 5,000 | - | - | - | 10,000 | - | - | - | 10,000 | - | - | - | 10,000 | - | - | - |
| Legal - Restructuring | - | - | 15,000 | - | - | - | 10,000 | - | - | - | 10,000 | - | - | - | 10,000 | - | - | - |
| Legal - Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | - | - | 35,000 | - | - | - | 30,000 | - | - | - | 30,000 | - | - | - | 30,000 | - | - | - |
| Total Cash Outflows | 79,401 | 33,737 | 178,441 | 44,817 | 102,575 | 30,535 | 101,182 | 91,302 | 58,475 | 74,140 | 71,293 | 121,191 | 39,975 | 104,140 | 48,975 | 126,188 | 63,296 | 57,975 |
| Net Increase (Decrease) in Cash | (13,022) | 42,263 | (47,441) | 29,183 | (28,575) | 43,465 | (27,182) | (17,302) | 15,525 | (140) | 2,707 | (17,191) | 34,025 | (30,140) | 25,025 | (27,188) | 10,704 | 16,023 |
| Ending Cash Balance | (141,520) | (101,257) | (148,698) | (119,516) | (148,091) | (104,826) | (131,807) | (149,109) | (133,584) | (133,724) | (131,017) | (148,208) | (114,183) | (144,323) | (119,298) | (146,485) | (135,781) | (119,758) |

Harvey Sauer

Drake Towing (2018) Ltd.

This statement of projected cash flow of Drake Towing (2018) Ltd. was prepared in accordance with Paragraph 30.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report.

DI
 Crowe MacKay & Company Ltd.
 in its capacity as Trustee under the Notice of Intention to
 Make a Proposal of Drake Towing (2018) Ltd. and not in its
 personal capacity

District of: British Columbia
Division No. 03 - Vancouver
Court No. B-220235
Estate No. 11-2831082

FORM 30
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Proposal of
Drake Towing (2018) Ltd.
of the City of Vancouver, in the Province of British Columbia
Crowe MacKay & Company Ltd., Trustee

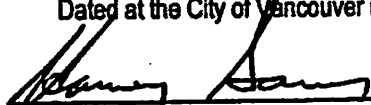
The Management of Drake Towing (2018) Ltd., has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 20th day of July 2022, consisting of projected cash flow over the next 18 weeks.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Vancouver in the Province of British Columbia, this 20th day of July 2022.



Drake Towing (2018) Ltd.
Debtor

Harvey Sauer Director

Name and title of signing officer

Name and title of signing officer

District of: British Columbia
Division No. 03 - Vancouver
Court No. B-220235
Estate No. 11-2831082

FORM 30 - Attachment
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Proposal of
Drake Towing (2018) Ltd.
of the City of Vancouver, in the Province of British Columbia
Crowe Mackay & Company Ltd., Trustee

Purpose:

The purpose of the Cash Flow Statement for the week ending November 13 2022 is to enable the creditors of Drake Towing (2018) Ltd. to assess their position regarding the filing of a Proposal pursuant to Section 50.4 of the Bankruptcy and Insolvency Act.

Projection Notes:

Hypothetical Assumption -- means an assumption that assumes a set of economic conditions or courses of action that are not necessarily the most probable in the insolvent persons judgement, but are consistent with the purposes of the cash flow projection;


Probable assumption - means an assumption that the insolvent person believes reflects the most probable set of economic conditions and planned courses of action; they are suitably supported, consistent with the plans of the insolvent person and provide a reasonable basis for the cash flow statement.

Assumptions:

In the matter of the Notice of Intention to File a Proposal of Drake Towing (2018) Ltd. (the "Company"), the following is a list of assumptions developed by the Company management underlying the 18-week cash flow projection to November 13, 2022.

- a. The Company's revenue projection is based on historical averages during the NOI period of cash receipts from current contracts other revenue realizations;
- b. Accounts receivable collection is based on existing sales terms. It is assumed that 95% of outstanding AR will be collected. While the Company has historically generally collected around 100% of outstanding receivables, 95% collection has been used for conservative purposes;
- c. A third party will continue to supply the Company with Debtor-In-Possession ("DIP") financing in the aggregate amount of \$110,000 pursuant to the DIP Facility Commitment Letter dated June 10, 2022. The DIP financing is required to continue operations throughout the NOI process;
- d. All employees are assumed to be paid based on their current remuneration level;
- e. Payroll remittances include employee source deductions, and employer contributions for Employment Insurance and Canada Pension Plan;
- f. The Company has changed those involved with upper management, and has temporarily terminated upper management compensation until the Company is stable. The new management has agreed to forfeit compensation to get the Company on track quicker. However, once the Company is in a stable position, it is planned that an employee will be hired and paid to act as manager. This is not assumed to occur during the 18-week cash flow projection, but at a later point;
- g. Operating costs are based on historical averages. Further, the Company has reviewed operational expenses to date and has terminated and/or reduced expenses in marketing, advertising and monthly subscriptions where possible;
- h. The Company has changed financial management and hired a certified bookkeeping service. The previous long term employee that was responsible for accounts payable retired, greatly reducing the overhead wages;
- i. The Company intends to pay GST/HST for post-NOI obligations as required;
- j. The Company plans to continue with the existing truck lease throughout the NOI process;
- k. The Company plans to maintain debt servicing costs based on scheduled minimum payments pursuant loan agreements. This may change subject to discussions with secured creditors;
- l. This represents the BMO credit card which is secured under the BMO business loans. The Company intends to pay the balance owing on this credit card in full over the course of the first 4 weeks, following which it intends to cancel the card;
- m. Trustee fees, the Trustee's legal fees, and the Company's legal fees are conservative estimates. These estimates are subject to change; and,
- n. A \$16,000 monthly contingency has been added to cover any unforeseen costs.

Dated at the City of Vancouver in the Province of British Columbia, this 20th day of July 2022.



Drake Towing (2018) Ltd.