

COURT FILE NO.

24-2746532

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COURT

**COURT OF QUEEN'S BENCH OF
ALBERTA**

IN BANKRUPTCY AND INSOLVENCY

JUDICIAL CENTRE

EDMONTON

DOCUMENT

**PRELIMINARY REPORT OF THE PROPOSED INTERIM RECEIVER IN
THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF ALASKA – ALBERTA RAILWAY DEVELOPMENT CORPORATION**

**ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT**

Counsel

**Lawson Lundell LLP
Barristers and Solicitors
Suite 1100, 225 – 6th Avenue SW
Calgary, AB T2P 1N2**

Telephone: 403-218-7564

Facsimile: 403-269-9494

Email: ateasdale@lawsonlundell.com

Attention: Alexis Teasdale

Trustee

MNP Ltd.

**Suite 1500, 640 5th Avenue SW
Calgary, AB T2P 3G4**

Telephone: 403-477-9661/ 416-515-3924

Facsimile: 403-537-8437

Email: vanessa.allen@mnpc.ca/ Jerry.Henechowicz@mnpc.ca

Attention: Vanessa Allen/ Jerry Henechowicz

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INTRODUCTION

1. On June 18, 2021 (the “Filing Date”), Alaska – Alberta Railway Development Corporation (“AARDC”) filed a Notice of Intention to Make a Proposal (“NOI”) pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act, RSC 1985, c B-3* (the “BIA”). MNP Ltd. (“MNP”) consented to act as Trustee under the NOI of AARDC and two related companies (the “Trustee”), 7198362 Manitoba Ltd. and 12703131 Canada Ltd. (collectively with AARDC, the “Companies”).
2. The Trustee’s First Report date June 7, 2021 (the “Trustee’s First Report”), filed in respect of the Companies, attaches the following documents for AARDC:
 - 2.1. In “Schedule 1”, a copy of the Certificate of Filing a Notice of Intention to Make a Proposal issued by the Official Receiver;
 - 2.2. In “Schedule 2”, a copy of the creditors’ package;
 - 2.3. In “Schedule 3”, a Statement of Projected Cash Flow for the Period from June 18, 2021 to September 17, 2021 (the “Cash Flow”); and
 - 2.4. In “Schedule 4”, the Report on the Cash Flow by the Person making the Proposal and the Trustee’s Report on the Cash Flow Statement.
3. Upon filing its NOI, AARDC was granted a 30 day stay of proceedings pursuant to Section 69(1) of the BIA (the “Initial Stay”). AARDC is required to file a proposal within the Initial Stay or within any further extension of that period granted by the Court of Queen’s Bench of Alberta (the “Court”).
4. The NOI proceedings were initiated following the receivership of the Companies’ primary secured lender, Bridging Finance Inc. (“BFI”) and certain other entities and investment funds related to BFI (collectively, “Bridging”) pursuant to Orders granted on April 30, 2021 and May 3, 2021. PricewaterhouseCoopers Inc. (“PwC”) acts as the Court-appointed Receiver of Bridging (the “Bridging Receiver”). On June 8, 2021, the Bridging Receiver issued a demand letter and a Notice of Intention to Enforce Security to AARDC pursuant to Section 244 of the *Bankruptcy and Insolvency Act (Canada)*.
5. Copies of the relevant documents relating to these proceedings are available on the Trustee’s website at <https://mnpdebt.ca/en/corporate/corporate-engagements/alaska-alberta-railway-development-corporation-7198362-manitoba-ltd-and-12703131-canada-ltd>.

NOTICE TO READER

6. In preparing this report and making comments herein, the Proposed Interim Receiver has relied upon, certain unaudited, draft or internal financial information, including the Companies’ books and records, and information from other third-party sources (collectively, the “Information”). The Proposed Interim

Receiver 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 assurance standards or other standards established by the Chartered Professional Accountants of Canada (the “Standards”). Additionally, none of the Proposed Interim Receiver’s procedures were intended to disclose defalcations or other irregularities. If the Proposed Interim Receiver were to perform additional procedures or to undertake an audit examination of the Information in accordance with the Standards, additional matters may have come to the Proposed Interim Receiver’s attention. Accordingly, the Proposed Interim Receiver does not express an opinion, nor does it provide any other form of assurance on the financial or other information presented herein. The Proposed Interim Receiver may refine or alter its observations as further information is obtained or brought to its attention after the date of this report.

7. All amounts included herein are in Canadian dollars unless otherwise stated.
8. Defined terms not otherwise defined herein are as defined in the Trustee’s First Report.

PURPOSE OF THE REPORT

- 9 This report is the preliminary report of the Proposed Interim Receiver (the “Preliminary Report”). The purpose of the Preliminary Report is to provide the Court with information on the following:
 - 9.1 MNP’s qualifications to act as Interim Receiver, should the application by the Bridging Receiver scheduled be to be heard on July 12, 2021 to appoint MNP as the Interim Receiver be successful (the “Interim Receiver Application”); and
 - 9.2 Information on the intended application by the Interim Receiver (the “Extension Application”), currently scheduled to be heard at the July 12 Hearing, seeking a 45-day extension of the Initial Stay for AARDC from July 18, 2021 to August 31, 2021 (the “Extension”). The Extension application is contingent on the success of the Interim Receiver Application.

MNP’S QUALIFICATIONS TO ACT AS INTERIM RECEIVER

- 10 MNP LLP is one of the largest full-service accountancy and business advisory firms in Canada. MNP is a subsidiary of MNP LLP that provides insolvency and restructuring services. The MNP engagement team includes senior professionals who are Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees.
- 11 MNP Ltd. currently acts as Trustee under the Companies’ NOIs.
- 12 MNP is a Trustee within the meaning of section 2 of the BIA. MNP has not during the preceding two years:
 - 12.1 Acted as a director, an officer or an employee of AARDC;

- 12.2 Acted as an auditor, accountant or legal counsel or partner or an employee of the auditor, accountant or legal counsel for AARDC; or
- 12.3 Been related to AARDC or to any director or officer of AARDC.
- 13 MNP has consented to act as Interim Receiver should the Interim Receivership Application be successful. A copy of the Consent to Act executed by MNP is attached hereto as "Schedule 1".

BACKGROUND

- 14 The Trustee's First Report provides additional background information regarding AARDC and the NOI proceedings. As further described therein, on July 7, 2021, the Trustee issued a material adverse change report for the Companies for the following reasons:
- 14.1 The Bridging Receiver has advised the Trustee that it will not support any proposal filed by 719 and 127 and that it will only support the Extension for AARDC if an Interim Receiver is appointed in respect of AARDC. Due to the size and nature of Bridging's claim, the Companies do not have the ability to make a viable proposal without Bridging's support.
- 14.2 Outside of Mr. Sean McCoshen ("McCoshen"), there is no party with the corporate authority to act on behalf of the Companies. The Trustee has been advised that McCoshen is currently under medical care and is not involved in the day to day operations of the Companies. Further, McCoshen has not, during the course of the Companies' NOI proceedings been accessible to the Trustee other than through the Companies' legal counsel, Dickinson Wright LLP, in addition to which, the Receiver of Bridging has expressed concern regarding McCoshen's activities in relation to the Companies prior to the filing of their NOIs.
- 14.3 The parties currently charged with the management of the day-to-day activities of the Companies do not appear to have comprehensive information regarding the Companies' assets or the required authority to manage the Companies' operations.
- 15 The Proposed Interim Receiver understands that the Bridging Receiver is supportive of the Extension, provided the Interim Receivership Application is successful.
- 16 As noted in the Trustee's First Report, the Cash Flow for AARDC reflects that AARDC will have sufficient cash on hand to continue to operate over the Forecast Period, which extends beyond the Extension. Assuming the Extension is granted, the Interim Receiver will review the Cash Flow in conjunction with the Bridging Receiver and may file an amendment.
- 17 As further set out in the Trustee's First Report, the Trustee is supportive of the Extension, subject to the Interim Receivership Application being successful.

RECOMMENDATION

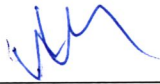
- 18 Pursuant to Section 50.4(9) of the BIA, the Proposed Interim Receiver is of the view that:

- 18.1. AARDC, under the oversight of the Interim Receiver, will act in good faith and with due diligence;
- 18.2. The appointment of the Interim Receiver will ensure that AARDC's assets, including intellectual property related to the proposed Railway are preserved for the benefit of the creditors, including Bridging;
- 18.3. The continuation of the NOI proceedings provides optionality in terms of being able to realize on AARDC's assets either through the NOI proceedings or a subsequent insolvency proceeding and preserves the value of AARDC's assets, including the Presidential Permit that may be compromised by the bankruptcy of AARDC; and
- 18.4. The Companies' creditors will not be materially prejudiced by the Extension.
- 19 As set out herein, assuming that they are appointed as Interim Receiver, the Proposed Interim Receiver is seeking the Extension for the reasons outlined above.

All of which is respectfully submitted this 7th day of July 2021.

MNP Ltd., in its capacity as Trustee under the Proposal of Alaska – Alberta Railway Development Corporation, 7198362 Manitoba Ltd. and 12703131 Canada Ltd. and not in its personal or corporate capacity

Per: _____



Vanessa Allen, B. Comm, CIRP, LIT
Senior Vice President

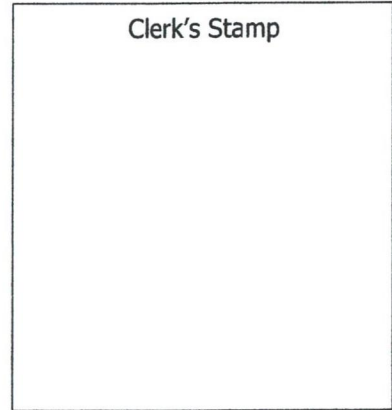
SCHEDULES

SCHEDULE 1

COURT FILE NO. 24-2746532

COURT COURT OF QUEEN'S BENCH OF ALBERTA
IN BANKRUPTCY

JUDICIAL CENTRE EDMONTON



IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF ALASKA - ALBERTA RAILWAY DEVELOPMENT CORPORATION

DOCUMENT **CONSENT TO ACT**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	McLENNAN ROSS LLP #600 McLennan Ross Building 12220 Stony Plain Road Edmonton, AB T5N 3Y4	Lawyer: Charles P. Russell, Q.C. Telephone: (780) 482-9115 Fax: (780) 733-9757 Email: crussell@mross.com File No.: 20212999
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The undersigned, MNP Ltd., hereby consents to act as Interim Receiver pursuant to sections 47 and 47.1 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, of all of the current and future assets and undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof, of ALASKA – ALBERTA RAILWAY DEVELOPMENT CORPORATION.

Dated at the City of Edmonton, in the Province of Alberta, this 7th day of July, 2021.

MNP LTD.

Per:

Name: Vanessa Allen, B.Comm, CIRP, LIT
Title: Licensed Insolvency Trustee
I have authority to bind the Corporation