Grant Thornton

COURT FILE NUMBER:	**1601 - 10510**
COURT:	**COURT OF QUEEN'S BENCH OF ALBERTA**
JUDICIAL CENTRE:	**CALGARY**
PLAINTIFF:	**ROYAL BANK OF CANADA**
DEFENDANT:	**MJ's WATER HAULING CO. LTD., 1825377 ALBERTA LTD., DARREN BISHOP, VANESSA BISHOP, AND 1521580 ALERBTA LTD.**
DOCUMENT:	**RECEIVER'S FIFTH REPORT** **September 24, 2018**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING DOCUMENT	<u>RECEIVER</u> Grant Thornton Limited 1100, 322 – 6th Avenue SW Calgary, AB T2P 0B2 Attention: Andrew Basi / Breanne Barker Telephone: (403) 296-2992/(403) 260-2594 Facsimile: (403) 260-2571 E-mail: Andrew.Basi@ca.gt.com/ Breanne.Barker@ca.gt.com <u>RECEIVER'S COUNSEL</u> DLA Piper (Canada) LLP Suite 1000, Livingston Place West Calgary, AB T2P 0C1 Attention: Brian Davison/Karen Fellowes Telephone: (403) 294-3590/(403) 698-8787 Facsimile: (403) 296-4474 Email: Brian.Davison@dlapiper.com/ Karen.Fellowes@dlapiper.com

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Appendices

Introduction

1. Pursuant to an order of the Court of Queen's Bench of Alberta (the "**Court**") pronounced August 10, 2016 (the "**Receivership Order**"), Grant Thornton Limited (the "**Receiver**") was appointed receiver of MJ's Water Hauling Co. Ltd. ("**MJ's**") and 1825377 Alberta Ltd. ("**182**" or collectively with MJ's, the "**Companies**").

2. On February 26, 2018, the Receiver filed its fourth report (the "**Receiver's Fourth Report**") in connection with its application seeking, among other things, advice and direction with respect to a creditor claims and distribution process for MJ's and 182.

3. On February 26, 2018, the Court granted an order approving, among other things: a) a distribution to the creditors of 182 within the receivership proceedings; b) the payment on account of priority and/or secured claims against MJ's within the receivership proceedings; and c) the bankruptcy assignment of MJ's for the purposes of administering an unsecured claims and distribution process.

4. The purpose of this report (the "**Receiver's Fifth Report**"), is to provide this Court with information on:

    a. the Receiver's activities since the date of the Receiver's Fourth Report;

    b. the remaining assets of the Companies; and

    c. the Receiver's application seeking this Court's approval of:

        i. a final distribution to the creditors of 182;

        ii. a final distribution from the MJ's receivership estate to the MJ's bankrupt estate, for further administration pursuant to the *Bankruptcy and Insolvency Act* ("**BIA**"); and

        iii. the termination of the receivership proceedings and discharge of the Receiver.

Limitations of Report

5. The information contained in the Receiver's Fifth Report has been obtained from the records of the Companies, publicly available information and/or is based upon discussions with and representations made by the Companies management and shareholders and other professional advisors retained in this matter. The information was not audited nor otherwise verified by the Receiver as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that this report may not disclose all significant matters about the Companies. Accordingly, we do not express an opinion or any other form of assurance on the information presented herein. The Receiver may refine or alter its observations as further information is obtained or is brought to its attention after the date of this report. The Receiver assumes no responsibility or liability for any loss or damage occasioned by any party because of the circulation, publication, reproduction, or use of the Receiver's Fifth Report.

6. Capitalized terms not defined in the Receiver's Fifth Report are defined in the Receiver's previously filed reports.

7. A copy of the Receiver's reports, Court orders and other relevant documents pertaining to the receivership proceedings are available on the Receiver's website at: https://www.grantthornton.ca/en/service/advisory/creditor-updates/

Receiver's Activities

8. Since the date of the Receiver's Fourth Report, the Receiver's activities have included, among other things:

    a. 182 – administering a creditor claims process and issuing a distribution to the proven creditors of 182, as directed by the Court;

    b. MJ's –

        i. issuing payment of priority claims against MJ's, as described in the Receiver's Fourth Report and as directed by the Court;

ii. continuing collection efforts on MJ's outstanding accounts receivable and related party balances; and

iii. assigning MJ's into bankruptcy for the purposes of administering a claims and distribution process for MJ's unsecured creditors pursuant to the BIA.

Remaining Assets of the Companies

<u>182</u>

9. As outlined in the Receiver's Fourth Report, the Receiver is not aware of any remaining realizable assets of 182.

<u>MJ's</u>

Accounts Receivable

10. The Receiver has collected approximately $883,000 of the $1,139,186 total receivables balance listed in the books and records of MJs as at receivership, a 78% success rate in collections.

11. The balance of MJ's outstanding accounts receivable in the amount of approximately $256,000 is believed to be uncollectible for the following reasons:

   a. Kopala Environmental Service ("**Kopala**"), a customer with an outstanding balance of $196,000, is also now in receivership. The Receiver was successful at collecting $10,000 from this party (representing the Receiver's additional collections from the Receiver's Fourth Report) prior to its receivership as a result of prior collection efforts; and

   b. the balance of $60,000, comprising of 12 customer balances at an average balance of $5,000 per customer, were either disputed and/or the costs associated with attempting to collect the individual amounts would likely exceed any potential realizations.

As such, the Receiver does not intend to continue further collection efforts.

Related Party Receivables

12. As discussed in the Receiver's Fourth Report, $460,000 of related party receivables are recorded in MJ's books and records as at the date of receivership. The Receiver offers the following comments and/or updates on these amounts:

    a. approximately $288,000 is owed by three related companies. These amounts are not believed to be collectible for the following reasons:

        i. $287,962 owed from 1521580 Alberta Ltd. & 1776761 Alberta Ltd. – as outlined in the Receiver's Fourth Report, prior collection efforts have been unsuccessful and the Receiver understands that there are no assets in these related entities. As such, the costs associated with attempting to collect these amounts would likely exceed any potential realizations; and

        ii. $66 owed from 1644618 Alberta Ltd. – this amount is nominal and not worth any further action.

    As such, the Receiver does not intend to continue collection efforts with respect to these balances.

    b. with respect to the $172,421 balance owing from 182 to MJ's, $45,940 was collected by MJ's as a result of 182's interim distribution to creditors. An estimated additional $2,600 will be collected if the Receiver's Proposed 182 Distribution is approved by this Court, leaving an uncollectible balance of approximately $43,000.

13. As recorded in MJ's books and records, approximately $113,000 is also owed by MJ's directors, which the directors have disputed. Further administration of this matter will be dealt with in the bankruptcy proceedings.

Final Statement of Receipts and Disbursements

182

14. A Final Statement of Receipts and Disbursements for 182 ("**182 Final R&D**"), including an estimate of professional costs to conclude the receivership matter is attached as **Appendix 1**. Based on the 182 Final R&D there is an estimated $17,100 available for distribution to the unsecured creditors of 182.

15. Itemized on the 182 Final R&D are the professional costs of the Receiver and its legal counsel. Of these amounts, $49,500 of Receiver fees and costs, and $17,000 of its legal counsel's fees and costs were previously approved by the Court. A summary of total professional fees for 182 is provided as **Appendix 2** to this report. The Receiver is of the opinion that the additional Receiver fees and costs of $19,100, and $14,300 of legal counsel fees and costs are reasonable, and therefore respectfully recommends that this Court approve these additional amounts.

MJ's

16. A Final Statement of Receipts and Disbursements for MJ's ("**MJ's Final R&D**"), including an estimate of professional costs to conclude this matter is attached as **Appendix 3**. Based on the MJ's Final R&D there is an estimated $226,300 available for distribution to the bankrupt estate of MJ's for further administration pursuant to the BIA.

17. Itemized on the MJ's Final R&D are the professional fees and cost of the Receiver and its legal counsel. Of these amounts, $212,600 of Receiver fees and costs, and $72,500 of legal counsel's fees and costs were previously approved by the Court. A summary of total professional fees for 182 is provided as **Appendix 4** to this report. The Receiver is of the opinion that the additional Receiver fees and costs of $36,200, and $24,100 of legal counsel fees and costs are reasonable, and therefore respectfully recommends that this Court approve these additional amounts.

Creditor Matters and the Proposed Distributions

182

18. The unsecured creditors of 182 are summarized in the Receiver's Fourth Report, with the exception of Corbiell Electrical Ltd. who filed its claim against MJ's and Enmax whose claim amount changed as a result of them filing and supporting their claim against 182.

19. After issuing payment to CRA on account of its secured claim in 182 for unpaid goods and services tax ("**GST**") and issuing an interim distribution to 182's unsecured creditors, a total of $812,035 remains outstanding to 182's unsecured creditors.

20. The Receiver respectfully recommends this Court approve a final distribution to 182's unsecured creditors in the estimated amount of $17,100 ("**182 Proposed Distribution**"). This amount is an estimate and the final distribution may be impacted by the rendering of final accounts and the filing of post-receivership GST returns to completion.

21. A detailed summary of the 182 Proposed Distribution, including proven unsecured claim amounts and the estimated distribution to each, is attached as **Appendix 5** to this report.

MJ's

22. After payment of the MJ's priority claims summarized in the Receiver's Fourth Report and approved by the Court, the remaining creditors of MJ's are unsecured.

23. As at the date of this report, proven unsecured claims in the MJ's bankruptcy proceeding total approximately $1.8M. A distribution to these creditors will be administered pursuant to the BIA.

24. The Receiver respectfully recommends this Court approve a final distribution to the bankrupt estate of MJ's in the estimated amount of $226,300 ("**MJ's Proposed Distribution**"). This amount is an estimate and the final distribution may be impacted by the rendering of final accounts and the filing of post-receivership GST returns to completion.

Receiver's Discharge

25. The Receiver is of the opinion that other than a distribution of funds as outlined in this report, the administration of the receivership proceedings is substantially complete, and it is appropriate to terminate the receivership proceedings and discharge the Receiver upon the Receiver filing a certificate (the "**Discharge Certificate**"), substantially in the form attached as **Appendix 6**.

Recommendations and Intended Course of Action

26. The Receiver respectfully requests the Court approve the following:

    a. the Receiver's activities, conduct and professional fees, including the professional fees of its legal counsel, as outlined in the Receiver's Fifth Report;

    b. the 182 Proposed Distribution and MJ's Proposed Distribution; and

    c. the termination of the receivership proceedings and discharge of the Receiver, upon the filing of a Discharge Certificate with the Court.

27. Subject to direction provided by this Court, the Receiver intends to:

    a. attend to any administrative items to conclude the receivership proceedings and file the Discharge Certificate; and

    b. follow any further directions this Court wishes to provide.

Dated at Calgary, Alberta, the 24th day of September, 2018.

Grant Thornton Limited,
in its capacity as receiver of
MJ's Water Hauling Co. Ltd.
and 1825377 Alberta Ltd.
and not in its personal capacity

Per: Andrew Basi, CPA, CA, CIRP, LIT
Senior Vice President

Breanne Barker, CPA
Senior Associate

IN THE MATTER OF THE RECEIVERSHIP OF
1825377 ALBERTA LTD.
FINAL STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD AUGUST 10, 2016 TO COMPLETION

Receipts		
Sale of land and building	$	3,485,000
Rental income earned from MJ's		57,143
Miscellaneous refunds		7,144
Cash in bank at receivership		4,122
GST collected		2,857
Interest earned of funds held in trust		2,142
		3,558,407
Disbursements		
Distribution to RBC		2,891,032
Interim distribution to unsecured creditors		294,942
Payment of property taxes		127,150
Commission expense		78,413
Receiver's fees		56,219
Legal fees and costs		28,312
Building utility expenses		18,880
Contract services		10,720
GST paid on disbursements		9,451
Environmental clean-up expenses		6,190
Payment to CRA on account of GST trust claim		5,735
Ascend and OSB filing fees		345
Travel and miscellaneous other expenses		268
		3,527,657
Balance of funds held in trust as at September 24, 2018		**30,750**
Estimated Disbursements to Completion		
Estimated receiver fees and costs		10,000
Estimated legal fees and costs		3,000
GST on estimated disbursements		650
		13,650
Balance of funds available for remaining unsecured creditors		**17,100**

IN THE MATTER OF THE RECEIVERSHIP OF
1825377 ALBERTA LTD.
SUMMARY OF PROFESSIONAL FEES
FOR THE PERIOD OF AUGUST 10, 2016 TO COMPLETION

	Invoice	Fees	Costs	Sub-total	GST/PST	Total
Professional Fees - Receiver						
to November 30, 2016	LABS-1678	1,035.23		1,035.23	51.76	1,086.99
to December 31, 2016	LABS-1758	8,096.69	2,284.41	10,381.10	519.05	10,900.15
to January 31, 2017	LABS-1759	7,781.58		7,781.58	389.08	8,170.66
to February 28, 2017	LABS-1770	7,607.17		7,607.17	380.36	7,987.53
to March 31, 2017	LABS-1792	4,530.38	160.75	4,691.13	234.56	4,925.69
to April 30, 2017	LABS-1808	11,173.48		11,173.48	558.67	11,732.15
to May 31, 2017	LABS-1830	4,009.29		4,009.29	200.46	4,209.75
to June 30, 2017	LABS-1857	1,438.08		1,438.08	71.90	1,509.98
to October 31, 2017	LABS-1944	1,397.96		1,397.96	69.90	1,467.86
Sub-total		47,069.86	2,445.16	49,515.02	2,475.74	51,990.76
To be approved by the Court						
to February 28, 2018	LABS-2055	3,306.84	-	3,306.84	165.34	3,472.18
to April 30, 2018	LABS-2116	3,310.05	-	3,310.05	165.50	3,475.55
to March 31, 2018	LABS-2092	1,268.49	-	1,268.49	63.42	1,331.91
to August 31, 2018	LABS-2207	1,264.21	-	1,264.21	63.21	1,327.42
Sub-total		9,149.59	-	9,149.59	457.47	9,607.06
Estimate to completion		10,000.00	-	10,000.00	500.00	10,500.00
Total Receiver Fees		66,219.45	2,445.16	68,664.61	3,433.21	72,097.82
Professional Fees - Receiver's legal counsel						
to April 28, 2017	1707210	12,219.00	113.93	12,332.93	615.67	12,948.60
to May 29, 2017	1710241	4,540.00	91.00	4,631.00	228.30	4,859.30
Sub-total		16,759.00	204.93	16,963.93	843.97	17,807.90
To be approved by the Court						
to June 26, 2018	1794059	11,200.00	148.07	11,348.07	566.68	11,914.75
Sub-total		11,200.00	148.07	11,348.07	566.68	11,914.75
Estimate to completion		3,000.00	-	3,000.00	15,000.00	18,000.00
Total Legal Fees		30,959.00	353.00	31,312.00	16,410.65	47,722.65
Total Professional Fees		**$ 97,178.45**	**$ 2,798.16**	**$ 99,976.61**	**$ 19,843.86**	**$ 119,820.47**

IN THE MATTER OF THE RECEIVERSHIP OF MJ'S WATER HAULING CO. LTD. FINAL STATEMENT OF RECEIPTS AND DISBURSEMENTS FOR THE PERIOD AUGUST 10, 2016 TO COMPLETION

Receipts		
Sale of assets	$	963,771
Collection of accounts & other receivables		927,993
Miscellaneous refunds		123,568
Release of garnished funds		17,186
Interest allocation		6,159
		2,038,677
Disbursements		
Distribution to RBC		656,791
Lease buy-out		340,192
Receiver's fees		231,590
Payments to CRA on account of trust claims		182,447
Payments of super priority wages - WEPP & employees		129,736
Legal fees and costs		93,599
Rent paid to 182		57,143
GST paid on disbursements		36,565
Insurance		26,468
Contract services		21,491
Operating expenses		9,022
Travel, possession, and miscellaneous other expenses		7,581
Utilities		4,331
Funds transferred to bankruptcy estate		779
Security expense		629
Ascend and OSB filing fees		345
Bank charges		15
		1,798,724
Balance of funds held in trust as at September 24, 2018	**$**	**239,953**
Estimated Disbursements to Completion		
Estimated receiver fees and costs		10,000
Estimated legal fees and costs		3,000
GST on estimated disbursements and costs		650
		13,650
Balance of funds available for distribution to the MJ's bankrupt estate	**$**	**226,303**

IN THE MATTER OF THE RECEIVERSHIP OF
MJ'S WATER HAULING CO. LTD.
SUMMARY OF PROFESSIONAL FEES
FOR THE PERIOD OF AUGUST 10, 2016 TO COMPLETION

	Invoice	Fees	Costs	Sub-total	GST	Total
Professional Fees - Receiver						
Approved by the Court						
to August 31, 2016	LABS-1612	74,501.96	3,932.29	78,434.25	3,921.71	82,355.96
to September 30, 2016	LABS-1640	53,572.00	1,349.55	54,921.55	2,746.08	57,667.63
to October 31, 2016	LABS-1645	28,202.52	568.80	28,771.32	1,438.57	30,209.89
to November 30, 2016	LABS-1689	17,855.62	1,109.83	18,965.45	948.27	19,913.72
to December 31, 2016	LABS-1735	3,505.32	-	3,505.32	175.27	3,680.59
to January 31, 2017	LABS-1760	10,954.13	254.34	11,208.47	560.43	11,768.90
to February 28, 2017	LABS-1769	3,442.73	-	3,442.73	172.14	3,614.87
to June 30, 2017	LABS-1861	7,838.02	-	7,838.02	391.90	8,229.92
to July 31, 2017	LABS-1887	1,310.75	22.44	1,333.19	66.66	1,399.85
to October 31, 2017	LABS-1953	1,820.07	-	1,820.07	91.00	1,911.07
to January 31, 2018	LABS-2022	2,358.82	-	2,358.82	117.94	2,476.76
Sub-total		205,361.94	7,237.25	212,599.19	10,629.97	223,229.16
To be approved by the Court						
to February 28, 2018	LABS-2051	15,711.88	-	15,711.88	785.59	16,497.47
to March 31, 2018	LABS-2091	3,828.06	-	3,828.06	191.40	4,019.46
to April 30, 2018	LABS-2121	1,355.16	-	1,355.16	67.76	1,422.92
to May 31, 2018	LABS-2146	1,408.12	-	1,408.12	70.41	1,478.53
to June 30, 2018	LABS-2173	2,147.49	-	2,147.49	107.37	2,254.86
to August31, 2018	LABS-2211	1,777.27	-	1,777.27	88.86	1,866.13
Sub-total		26,227.98	-	26,227.98	1,311.39	27,539.37
Estimate to completion		10,000.00	-	10,000.00	500.00	10,500.00
Total Receiver Fees		241,589.92	7,237.25	248,827.17	12,441.36	261,268.53
Professional Fees - Receiver's legal counsel						
Approved by the Court						
to September 2, 2016	1653432	11,372.50	6.00	11,378.50	568.63	11,947.13
to September 30, 2016	1660631	9,750.00	311.50	10,061.50	499.13	10,560.63
to October 28, 2016	1664092	6,047.50	77.00	6,124.50	302.38	6,426.88
to November 29, 2016	1670721	8,910.00	334.84	9,244.84	457.14	9,701.98
to December 21, 2016	1677025	3,780.00	105.68	3,885.68	194.03	4,079.71
to February 7, 2017	1687403	12,810.50	399.15	13,209.65	650.80	13,860.45
to July 25, 2017	1723660	10,977.00	399.03	11,376.03	553.17	11,929.20
to November 27, 2017	1749518	7,205.00	-	7,205.00	360.25	7,565.25
Sub-total		70,852.50	1,633.20	72,485.70	3,585.53	76,071.23
To be approved by the Court						
to June 26, 2018	1794059	20,965.00	148.07	21,113.07	566.68	21,679.75
Sub-total		20,965.00	148.07	21,113.07	566.68	21,679.75
Estimate to completion		3,000.00	-	3,000.00	150.00	3,150.00
Total Legal Fees		94,817.50	1,781.27	96,598.77	4,302.21	100,900.98
Total Professional Fees		**$ 336,407.42**	**$ 9,018.52**	**$ 345,425.94**	**$ 16,743.57**	**$ 362,169.51**

IN THE MATTER OF THE RECEIVERSHIP OF 1825377 ALBERTA LTD.
ESTIMATED SUMMARY DISTRIBUTION TO UNSECURED CREDITORS

	Creditor	Proven Unsecured Claim	Pro-rata %	Estimated Distribution
1	1646618 Alberta Ltd.	$ 925,000.00	83.56%	$ 14,288.78
2	MJ's Water Hauling Ltd.	172,421.00	15.58%	2,663.44
3	Enmax	9,134.21	0.83%	141.10
4	Canada Revenue Agency	422.05	0.04%	6.52
		$ 1,106,977.26	100.00%	$ 17,099.84

Grant Thornton

Clerk's Stamp

COURT FILE NUMBER:	**1601 - 10510**
COURT:	**COURT OF QUEEN'S BENCH OF ALBERTA**
JUDICIAL CENTRE:	**CALGARY**
PLAINTIFF:	**ROYAL BANK OF CANADA**
DEFENDANT:	**MJ's WATER HAULING CO. LTD., 1825377 ALBERTA LTD., DARREN BISHOP, VANESSA BISHOP, AND 1521580 ALERBTA LTD.**
DOCUMENT:	**DISCHARE CERTIFICATE**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING DOCUMENT

RECEIVER
Grant Thornton Limited
1100, 322 – 6th Avenue SW
Calgary, AB T2P 0B2

Attention: Andrew Basi / Breanne Barker
Telephone: (403) 296-2992/(403) 260-2594
Facsimile: (403) 260-2571
E-mail: Andrew.Basi@ca.gt.com/ Breanne.Barker@ca.gt.com

RECEIVER'S COUNSEL
DLA Piper (Canada) LLP
Suite 1000, Livingston Place West
Calgary, AB T2P 0C1

Attention: Brian Davison/Karen Fellowes
Telephone: (403) 294-3590/(403) 698-8787
Facsimile: (403) 296-4474
Email: Brian.Davison@dlapiper.com/ Karen.Fellowes@dlapiper.com

Action No. 1601 – 10510

DISCHARGE CERTIFICATE

The undersigned hereby certifies for the purposes of the Order made on the ___ day of ________, 2018 in the matter of the receivership of MJ's Water Hauling Co. Ltd. and 1825377 Alberta Ltd., under Action No. 1601 – 10510 (the "**Receivership Proceedings**"), that:

a) all funds have been distributed in accordance with the Receiver's Fifth Report, as approved by this Court; and

b) all other material administrative matters have been attended to by the Receiver.

The undersigned is now discharged and the Receivership Proceedings are terminated.

Dated at Calgary Alberta, the ___ day of _________, 2018.

Grant Thornton Limited,
in its capacity as receiver of
MJ's Water Hauling Co. Ltd. &
1825377 Alberta Ltd.
and not in its personal capacity

____

Per: Andrew Basi, CPA, CA, CIRP, LIT
Senior Vice President