Grant Thornton

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COURT:	**COURT OF QUEEN'S BENCH OF ALBERTA**
JUDICIAL CENTRE:	**CALGARY**
PLAINTIFF:	**ROYAL BANK OF CANADA**
DEFENDANT:	**MJ's WATER HAULING CO. LTD. AND 1825377 ALBERTA LTD.**
DOCUMENT:	**RECEIVER'S FOURTH REPORT FEBRUARY 16, 2017**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING DOCUMENT

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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 January 17, 2017, an order was pronounced by the Court approving an interim distribution to the Royal Bank of Canada (the "**RBC**"), and adjourning the Receiver's application for advice and directions with respect to the distribution of excess funds to the creditors of the Companies.

3. On April 24, 2017, an order was pronounced by the Court approving, among other things, the sale of a land and building owned by 182 ("**Land and Building**") and a final distribution to RBC.

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

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

    b. the remaining assets of MJ's which consists of uncollected accounts receivable and related party receivables;

    c. the remaining creditors of the Companies;

    d. the current financial position of the receivership proceedings; and

    e. the Receiver's application seeking an order for the distribution of the remaining funds to the Companies' creditors. More specifically, whether:

        i. a claims process and subsequent distribution should be administered by the Receiver through a court supervised claims and distribution process; or

ii. through a bankruptcy of either one or both of the Companies and administering the creditors' claims process and distribution pursuant to the Bankruptcy and Insolvency Act (the "**BIA**").

Limitations of Report

5. The information contained in the Receiver's Fourth 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 Fourth Report.

6. Capitalized terms not defined in the Receiver's Fourth 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 Third Report, the Receiver's activities have included, among other things:

   a. completing the transaction for the sale of the Land and Building owned by 182;

b. issuing payment in full to RBC on its secured debt, and to Wheatland County for outstanding Land and Building property taxes;

c. continuing its collection efforts with respect to MJ's outstanding accounts receivable and related party receivables; and

d. assessing issues associated with a distribution to the Companies' remaining creditors.

Remaining Companies Assets

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9. The Receiver is not aware of any remaining realizable assets of 182.

MJ's

Accounts Receivable

10. The Receiver has collected approximately \$872,000 of the \$1,139,186 total receivables balance listed in the books and records of MJs as at receivership, a 77% success rate in collections.

11. With respect to the uncollected accounts receivable of \$238,000:

    a. \$226,000 comprises of 3 customer balances. The Receiver's collection efforts have included:

        i. Kopala Environmental Service ("**Kopala**") – the balance due is \$207,000. The Receiver has obtained a default judgement against Kopala and the Receiver intends to continue to pursue collection efforts;

        ii. Outlaw Transport Limited – the balance due is \$13,742. The Receiver will continue collection efforts but has not received any response from a demand letter sent to this party by its legal counsel;

iii. Easy Rider Trucking Ltd. – the balance due is $5,544. A demand letter was sent to this party by the Receiver's legal counsel, however this party has disputed the balance owing and the receiver does not believe this amount is collectible; and

b. $12,000 relates to 9 customer balances, with an average balance of approximately $1,300. The Receiver has been unsuccessful in collection of these amounts and the costs to continue collection efforts would likely exceed realizations.

Related Party Receivables

12. The financial statements of MJ's dated April 30, 2016, as prepared by its external accountants (the **"Financial Statements"**), show related party receivables of $437,868. As of the date of Receivership, the books and records of MJ's show related party receivables of $460,449 as follows:

    a. 1521580 Alberta Ltd. ("**152**") – balance due of $265,447. The Receiver's legal counsel sent a letter requesting payment from 152 but was advised by 152's legal counsel that 152 owns no assets. A review of 152's financial statements dated April 30, 2016, indicate that its only asset is shares of MJ's. The sole director of 152 is Mr. Darren Bishop;

    b. 182 – balance due of $172,421. The Receiver anticipates a partial payout to MJ's from 182 on account of this balance, on a pro-rata basis with other 182 unsecured creditors pursuant to the distribution as directed by this Court;

    c. 1776761 Alberta Ltd. ("**177**") – balance due of $22,515. The Receiver's legal counsel sent a letter requesting payment from 177, but was advised by 177's legal counsel that 177 owns no assets. The directors of 177 as listed at the Corporate Registry are Mr. Darren Bishop and Mr. Dan Erickson;

    d. 1644618 Alberta Ltd. ("**164**") – balance due of $66. Given the nominal amount owing from 164, the Receiver has not taken any action with respect to this balance. The directors of 164, as listed at the Corporate Registry, are Mr. Darren Bishop and Mr. Nick Stanford. 164 is also an unsecured creditor of 182.

13. Both the Financial Statements and MJ's books and records show a related party receivable payable to MJ's from its directors, Mr. Darren Bishop and Ms. Vanessa Bishop. As at the date of the receivership, that amount was approximately $113,000. Legal counsel to the Receiver issued letters to the directors requesting payment of these amounts. It is the Receiver's understanding that the balance owing is disputed and the Receiver is attempting to bring a resolution to this matter.

Creditor Matters

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14. 182's only operations related to its ownership of the Land and Building from which MJ's operated. After payment to RBC and payment of priority property taxes, there are five remaining known creditors of 182 which the Receiver is aware of:

    a. 164 who has submitted an unsecured claim to the Receiver, in the amount of $925,000. The Receiver has recently requested additional information from 164 to support this claim. As noted above, 164 is related to MJ's as Mr. Darren Bishop is a director of both entities;

    b. MJ's, which has an unsecured claim in the amount of $172,421. This same amount is also recorded in the electronic accounting records of MJ's;

    c. Corbiell Electrical Ltd., in the amount of $810. The Receiver believes this party may in fact be a creditor of MJ's based on invoices reviewed by the Receiver;

    d. The Receiver General of Canada ("**Receiver General**"), on account of outstanding goods and services tax ("**GST**") and related penalties in the amount of $6,157, with $5,735 of this amount representing a priority claim against the receivership estate; and

    e. Enmax, in the amount of $6,920. The pre-receivership utility account with Enmax indicates the account was held in the name of 182, but they are listed as a creditor in the books and records of MJ's.

15. The Receiver does not believe that additional creditors would be identified if a claims process was conducted for 182. 182 was a holding company with no operations other than holding legal title to the Land and Building. The Receiver is of the view that is reasonable to believe that any creditors of 182 would have contacted the Receiver during the receivership proceedings.

<u>MJ's</u>

16. The remaining MJ's creditors, summarized below, include priority claims for taxes and wages, and unsecured employee claims and trade debt.

Priority Claims

17. The Receiver General has claimed a deemed trust in the amount of $41,039 on account of outstanding pre-receivership employee remittances.

18. Service Canada is owed $121,110 on account of pre-receivership super priority wages and vacation pay paid to employees on behalf of the Wage Earner Protection Program ("**WEPP**"), and secured pursuant to Section 81.4 of the BIA.

19. The Receiver General is owed $141,768 on account of outstanding pre-receivership GST remittances (the **"GST Claim**").

20. On September 6, 2016 the Receiver received email correspondence from the Employment Standards of Alberta ("**ESA**") advising the Receiver of 3 employees who had filed complaints with ESA in respect of MJ's, and of Section 109 of the Employment Standards Code of Alberta ("**ESCA**"). The Receiver is of the view that $8,627 which represents the Section 109 priority amounts owing to the 3 employees who filed complaints, is a priority secured claim in the receivership proceedings ("**ESA Claim**").

Unsecured Creditors

21. According to MJ's financial records as at the date of receivership, and including unsecured amounts filed by the Receiver General, MJ's is indebted to its unsecured creditors in the amount

of approximately $1,400,000, which is primarily composed of trade debt and amounts owing to employees who are owed in excess of $300,000 after payment of the WEPP and ESA claims.

Current Financial Position of the Companies

22. An Interim Statement of Receipts and Disbursements for 182 ("**182 R&D**"), and an Interim Statement of Receipts and Disbursements for MJ's ("**MJ's R&D**"), are attached as Appendix A and Appendix B, respectively. The 182 R&D and MJ's R&D detail the amounts received and disbursed by the Receiver during the receivership proceedings.

23. There is currently $347,926 of cash held in the 182 trust account and $522,977 of cash held in MJ's trust account.

Distribution

24. The Receiver wishes to conduct a distribution of funds for both 182 and MJ's. Subject to any submissions made by stakeholders, the Court may wish to consider the following options for distributions:

    a. Assign either one or both 182 and MJ's into bankruptcy either before or after the payment of all priority claims; or

    b. Order a court supervised claims process and distribution for either both the Companies or one of MJ's and 182.

25. Depending on which option is directed by the Court, certain creditors would benefit to the detriment of other creditors. The Receiver addressed some of implications in the Receiver's Second Report. These included:

    a. a bankruptcy distribution will generally result in a higher distribution percentage to unsecured creditors as certain priority claims in the receivership proceedings will become unsecured claims in the bankruptcy proceedings;

    b. director's liabilities may increase if claims relating to GST and unpaid wages lose their priority status and are not fully paid. The directors of MJ's are Darren Bishop and Vanessa

Bishop. Mr. and Mrs. Bishop may face increased liability in the event that the CRA and ESA choose to initiate collection proceedings against them for the shortfall in these claims;

c. the Office of the Superintendent of Bankruptcy levy ("**BIA Levy**") of 5% is payable on all distributions if assigned in bankruptcy; and

d. a bankruptcy distribution versus a receivership distribution is estimated to result in lower professional costs as the BIA provides a comprehensive approach to dealing with unsecured creditor claims and distributions, while a Receivership Distribution will require the Receiver to apply for a court approved claims and distribution process.

26. In order to assist the Court in understanding the financial implications to creditors, the Receiver has estimated distributions to creditors for each 182 and MJ's under the following 3 scenarios: 1) immediate bankruptcy; 2) payment of all priority claims, and subsequent bankruptcy; and 3) receivership claims process.

27. The estimated distributions to 182 creditors under the 3 scenarios are as follows.

182 Estimated Distribution Summary

	Bankruptcy	Subsquent Bankruptcy	Receivership
Funds currently available	347,926	347,926	347,926
Less: Estimated professonal costs	(36,750)	(36,750)	(47,250)
Less: GST Claim	-	(5,735)	(5,735)
Less: BIA Levy	(15,559)	(15,272)	-
Estimated funds available for distribution to unsecured creditors	295,617	290,169	294,942
Estimated unsecured creditor claims	1,111,308	1,105,573	1,105,573
Estimated distribution percentage for unsecured creditors	27%	26%	27%

Notes
1 Professional costs - these are estimated to completion of the receivership or concurrent receivership/bankruptcy. As these are estimates, actual professional costs may differ than the estimates provided.

28. As the amounts and recoveries in the table provided above are estimates, actual distributions to and recoveries by 182's creditors are subject to change based on actual funds available for distribution, and the Receiver's further review of claims.

29. Based on the foregoing estimate summary, there is not a material impact on unsecured creditors based on the option chosen however the CRA would receive a greater realization with a receivership distribution or payment of their claim prior to a bankruptcy. As noted, the directors of 182 could also be liable for any unpaid GST amounts.

30. The estimated distributions to MJ's creditors under the 3 scenarios are as follows:

MJ's Estimated Distribution Summary

	Bankruptcy	**Subsquent Bankruptcy**	**Receivership**
Current funds available	522,977	522,977	522,977
Plus: Estimated funds from 182	45,000	45,000	45,000
Less: Estimated total professonal costs	(52,500)	(52,500)	(89,250)
Less: Source Deduction and Service Canada Claims	(162,149)	(162,149)	(162,149)
Less: Payment of GST and ESA Claim.	-	(150,396)	(150,396)
Less: BIA Levy	(17,666)	(10,147)	-
Estimated funds available for distribution to unsecured creditors	335,662	192,786	166,182
Estimated unsecured creditor claims	1,553,188	1,402,792	1,402,792
Estimated disribution percentage for unsecured creditors	22%	14%	12%

Notes
1 Professional costs - these are estimated to completion of the receivership or concurrent receivership/bankruptcy. As these are estimates, actual professional costs may differ than the estimates provided.

31. As the amounts and recoveries in the table provided above are estimates, actual distributions to and recoveries by MJ's creditors are subject to change based on actual funds available for distribution and the completion of a claims process.

32. Based on the foregoing estimate summary, the Receiver General's GST claim and ESA priority claim will be paid in full in a receivership scenario but will be materially impacted by an assignment of MJ's into bankruptcy (absent a payment of their claims prior to). The other remaining creditors which make up the unsecured creditors consist primarily of trade creditors and unsecured employee claims. The unsecured creditors will realize the largest distribution in a bankruptcy scenario. As noted, the directors of MJ's could also be liable for any unpaid GST amounts and/or unpaid wages and vacation pay.

33. The Receiver believes that a bankruptcy of MJ's is a reasonable approach to administer payments to unsecured creditors. The trustee would be able to rely on the provisions of the BIA, which provide a comprehensive process for creditors to submit claims, evaluation of claims and disallowances. Additionally, the BIA includes guidance on various miscellaneous matters such as uncashed cheques, and provides for the appointment of estate inspectors for additional oversight, etc.

Professional Costs

34. Itemized on both the 182 R&D and MJ's R&D are the professional fees of the Receiver and its legal counsel. Attached as Appendix C and Appendix D to this report is a summary of the accounts rendered to date by the Receiver and its legal counsel in respect of 182 and MJ's, respectively. The Receiver is of the opinion that these fees are reasonable, and therefore respectfully recommends that this Court approve the fees.

Recommendations and Intended Course of Action

35. The Receiver respectfully requests from this Court the following:

    a. Approval of the Receiver's activities and conduct as outlined in the Receiver's Fourth Report;

    b. Approval of the professional costs of the Receiver and the Receiver's legal counsel as outlined in the Receiver's Fourth Report; and

    c. Court direction to the Receiver for the Distribution of the remaining funds of the Companies.

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

    a. continue its collection efforts with respect to the remaining accounts receivable and related party receivables; and

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

Dated at Calgary, Alberta, the 16th day of February, 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

Appendix A

IN THE MATTER OF THE RECEIVERSHIP OF
1825377 ALBERTA LTD.
INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD AUGUST 10, 2016 TO FEBRUARY 16, 2018

Receipts	
Sale of Land and Building	$ 3,485,000
Rental income earned from MJ's	57,143
Cash in bank at receivership	4,122
Miscellaneous refunds	2,909
GST collected	2,857
Interest earned of funds held in trust	1,354
	3,553,385
Disbursements	
Distribution to RBC	2,891,032
Payment of property taxes	127,150
Commission expense	78,413
Receiver's fees	47,070
Building utility expenses	18,880
Legal fees and costs	16,964
Contract services	10,720
GST paid on disbursements	8,427
Environmental costs	6,190
Ascend and OSB filing fees	345
Travel and miscellaneous other expenses	268
	3,205,459
Balance of funds held in trust as at February 16, 2018	**347,926**

Appendix B

IN THE MATTER OF THE RECEIVERSHIP OF MJ's WATER HAULING CO. LTD.
INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS FOR THE PERIOD AUGUST 10, 2016 TO FEBRUARY 16, 2018

Receipts		
Auction proceeds	$	963,771
Collection of accounts receivable		872,053
Miscellaneous refunds		103,110
Release of garnished funds		17,186
Interest earned on funds held in trust		3,398
		1,959,519
Disbursements		
Distribution to RBC		656,791
Lease buyout		340,192
Receiver's fees		205,362
Rent paid to 182		57,143
Legal fees and costs		72,486
GST paid on disbursements		34,687
Insurance		26,468
Contract services		21,491
Operating expenses		9,022
Utilities		4,331
Travel, possession, and miscelleanous other expenses		7,596
Security expense		629
Ascend licensing fee		275
OSB filing fee		70
		1,436,542
Balance of funds held in trust as at February 8, 2018	**$**	**522,977**

IN THE MATTER OF THE RECEIVERSHIP OF 1825377 ALBERTA LTD.
SUMMARY OF PROFESSIONAL FEES
FOR THE PERIOD OF AUGUST 10, 2016 TO FEBRUARY 16, 2018

	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
Total Receiver Fees		47,069.86	2,445.16	49,515.02	2,475.74	51,990.76
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
Total Legal Fees		16,759.00	204.93	16,963.93	843.97	17,807.90
Total Professional Fees		**$ 63,828.86**	**$ 2,650.09**	**$ 66,478.95**	**$ 3,319.71**	**$ 69,798.66**

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 FEBRUARY 16, 2018

	Invoice	Fees	Costs	Sub-total	GST/PST	Total
Professional Fees - Receiver						
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
Total Receiver Fees		205,361.94	7,237.25	212,599.19	10,629.97	223,229.16
Professional Fees - Receiver's legal counsel						
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
Total Legal Fees		70,852.50	1,633.20	72,485.70	3,585.53	76,071.23
Total Professional Fees		**$276,214.44**	**$ 8,870.45**	**$285,084.89**	**$ 14,215.50**	**$299,300.39**