



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. AND 1825377
ALBERTA LTD.**

DOCUMENT: **RECEIVER'S SECOND REPORT
JANUARY 10, 2017**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING DOCUMENT

RECEIVER

Grant Thornton Limited
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RECIEVER'S COUNSEL

DLA Piper (Canada) LLP
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Calgary, AB T2P 0C1

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Karen.Fellowes@dlapiper.com

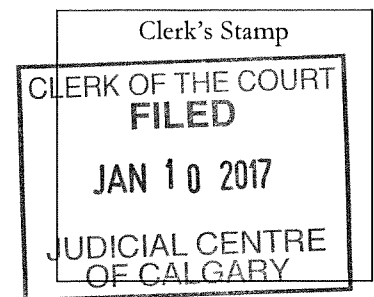


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1. Order - Approving Sales Process- pronounced September 23, 2016
2. Order - Report Sealing - pronounced September 23, 2016
3. Correspondence from the Court of Queen's Bench of Alberta (Judicial Centre of Grande Prairie)
4. Actual and Projected Statement of Receipts & Disbursements

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 September 16, 2016, the Receiver filed the Receiver's First Report and the Confidential Supplement thereto, dealing mainly with the proposed sales of MJ's equipment.
3. On September 16, 2016, the following Orders were issued by the Court:
 - a. an order, pronounced September 23, 2016, attached as Appendix 1, approving the sales process of MJ's equipment, approval of Century Services as the auctioneer and authorizing the Receiver to assign the Companies into bankruptcy;
 - b. an order, pronounced September 23, 2016, attached as Appendix 2, sealing the Confidential Supplement to the Receiver's First Report;
4. The purpose of this report (the "**Receiver's Second Report**"), is to provide this Honourable Court with information regarding:
 - a. the Receiver's activities since the date of the Receiver's First Report;
 - b. the Receiver's application to seek an interim distribution to MJ's secured creditor, Royal Bank of Canada ("**RBC**");
 - c. the Receiver's application to have garnishee funds held by the Court of Queen's Bench paid to the Receiver;
 - d. the Statement of Receipts & Disbursements as at January 10, 2017; and
 - e. to seek advice and direction with respect to distributions to MJ's creditors.

Limitations of Report

5. The information contained in the Receiver's Second Report has been obtained from the records of the Company, 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.
6. 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 Second Report. Any use that any party makes of this report, or any reliance on or decisions to be made based on it is the responsibility of such party.
7. Capitalized terms not defined in this Report are defined in the First Report.
8. A copy of the Receiver's reports, Court Orders in the receivership proceedings and other relevant documents are available on the Receiver's website at:
http://www.grantthornton.ca/services/reorg/bankruptcy_and_insolvency/MJwaterhauling

Receiver's Activities

9. Since the date of the Receiver's First Report, the Receiver has, as outlined further herein within this report:
 - a. completed the auction sale of the MJ's equipment, inventory, corporate office furniture and computers;

- b. completed the request for proposal (“**RFP**”) process and selected Jones Lang LaSalle (“**JLL**”) to sell the land and building (“**Land and Building**”) owned by 182;
- c. continued accounts and other receivable collection efforts;
- d. continued care and custody of the Land and Building;
- e. completed the necessary Canada Revenue Agency (“**CRA**”) tax filings;
- f. investigated the issues associated with the distribution to creditors of MJ's; and
- g. commenced work in preparation for a distribution to secured creditors.

Asset Realizations and Related Matters

Accounts Receivable

- 10. Since the Receiver's First Report, the Receiver's has collected \$873,000 of accounts receivable owing as at the date of receivership. The Receiver is currently working on collecting the remaining balance which is approximately \$238,000. There is a balance of approximately \$9,400 that is considered uncollectible and/or not warranting additional collection efforts due to the cost/benefit analysis.

Intercompany and shareholder balances

- 11. The Company's books and records show that approximately \$460,000 that was payable to MJ's from related parties at the time of the receivership. DLA Piper, legal counsel for the Receiver, has issued demand letters to the applicable parties and the Receiver has begun discussions in an attempt to collect upon these amounts.
- 12. The Company's books and records show that \$113,000 that was payable to MJ's from the directors of the Company. DLA Piper has issued demand letters to the directors and the Receiver has begun discussions in an attempt to collect upon these amounts.

Garnishee of funds

13. A garnishee summons was issued against MJ's on September 15, 2016 and the funds were withdrawn from MJ's operating account on November 9, 2016 in the amount of \$17,151 ("**Garnished Funds**"). The Receiver is seeking an application for an Order to have the monies paid to the Receiver pursuant to paragraph 8 of the Receivership Order. Correspondence from the Court of Queen's Bench of Alberta, Judicial Centre Grande Prairie is attached as Appendix 3.

Sale Process of the Land and Building

14. On September 20th, 2016, the Receiver issued an RFP document to 5 reputable commercial sales agents for the opportunity to solicit offers for the land and building;
15. Submissions for the proposal were due on October 7th, 2016 and upon receipt of the RFP's the Receiver began an analysis to determine the most suitable candidate to execute the real estate sale.
16. Based on the analysis performed by the Receiver and discussions with RBC, the Receiver entered into an agreement for the sale of the building with JLL. This party was selected based on the following reasons:
- a. the proposal included a competitive compensation structure;
 - b. JLL was the listing agent engaged by 182 prior to the receivership date and therefore had knowledge of the property and was already marketing the property; and
 - c. JLL is a reputable organization with speciality in commercial real estate transactions.
17. The Land and Building are currently listed for sale at a list price of \$3.95 million.

Actual and Projected Statement of Receipts & Disbursements

18. An Actual and Projected Statement of Receipts & Disbursements as at January 10, 2016 is attached as Appendix 3 to this report. As at that date, there is \$1,163,183 of cash held in trust by the Receiver for MJ's and \$41,180 held in trust for 182.

Creditor Matters

19. A summary of the secured creditors for both MJ's and 182, based on the corporate records and information obtained by the Receiver, is as follows:

	Estimate of Amount Payable (\$)	Note
RBC	656,791	1
CRA - GST	145,380	2
Employment Standards Employee Claim	141,988	3
WEPPA	121,110	4
CRA - Source deductions	41,040	5
	1,106,309	

Notes

1. RBC is owed approximately \$656,000 as a secured claim.
2. Approximately \$145,000 in respect of Goods and Services Taxes owing to CRA prior to the date of receivership.
3. Approximately \$142,000 owing in respect to the deemed trust provisions in section 109 of the Employment Standards Code which provides employees with a priority over secured creditors up to \$7,500 per employees for wages, vacation and general holiday pay owing.
4. Approximately \$121,000 is owing pursuant to section 81.4 of the Bankruptcy and Insolvency Act under the Wage Earner Protection Program ("WEPP").
5. Approximately \$41,000 owing in respect to the deemed trust amount owing to CRA for source deductions prior to the date of receivership.

20. Based on the funds available to the Receiver, the Receiver will be seeking approval for a distribution to RBC for the amount of their secured claim against MJ's and will also be paying amounts payable for source deductions pursuant to CRA's deemed trust provisions and amounts payable for WEPPA. Pending the advice and direction provided by the Court, as discussed further in this report, the Receiver will also make payment to other priority creditors as directed.
21. Based on MJ's books and records, approximately \$762,375 is owed to unsecured creditors. There are approximately 94 unsecured creditors.
22. 182's creditors are as follows:

	Estimate of Amount Payable	Note
	(\$)	
RBC	2,834,228	1
Wheatland County	104,157	2
	2,938,385	

Notes

1. RBC is secured by a mortgage on the Land and Building.
 2. Property taxes are owed to Wheatland County and are anticipated to be paid upon the sale of the Land and Building.
23. The Receiver has not conducted a claims process, but understands 182's two main unsecured creditors are MJ's who is owed \$172,420 and 1644618 Alberta Ltd. who is owed \$925,000.
24. DLA Piper has conducted an independent review of the validity and enforceability of RBC's security over the assets of the Companies. DLA Piper has provided the opinion that RBC has valid and enforceable security over all of the assets of the Companies.

Distribution Matters

25. The Receiver intends to, subject to approval of this Court, make a distribution to the following MJ's creditors:
- a. RBC as a secured creditor;
 - b. CRA for the deemed trust portion of amounts due for source deductions; and
 - c. amounts payable to Service Canada for the WEPP program.
26. Based on the current funds available to the Receiver and the potential priority creditors as outlined in paragraph 19, it appears that a distribution will be available to unsecured creditors. Additionally, any proceeds from the sale of the Land and Building payable to MJ's as a creditor of 182 and any further collection of any amounts owing to MJ's will increase the quantum of the distributions available to MJ's creditors.
27. A distribution to the unsecured creditors of MJ's can be made by the Receiver pursuant to a court established claims and distribution process ("**Receivership Distribution**") or through a bankruptcy of MJ's and the provisions of the BIA ("**Bankruptcy Distribution**").
28. If the Receiver was to assign MJ's into bankruptcy amounts payable to CRA for GST and amounts payable to Employee Standards for employee claims would become unsecured claim in a bankruptcy proceeding.
29. The Receiver, as permitted in the Sales Approval Order dated September 23, 2016, is seeking guidance on whether to assign MJ's into bankruptcy.

30. The Receiver believes a Receivership Distribution or a Bankruptcy Distribution are both appropriate ways to distribute the funds realized on the assets of MJ's but will have different impacts on stakeholders. Some of the considerations include:

- a. a Bankruptcy Distribution will result in a higher distribution percentage to unsecured creditors as \$287,368 of priority claims in the receivership proceedings will become unsecured claims in the bankruptcy proceedings;
- b. director's liabilities may increase as a result of amounts owing for GST and unpaid wages will lose their priority status if MJ's is assigned into bankruptcy and therefore not fully paid;
- c. the OSB levy is a payable if the Company is assigned in bankruptcy; and
- d. a Bankruptcy Distribution versus a Receivership Distribution is estimated to be less costly 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.

31. The Receiver is seeking court direction on the approach the Receiver should be taking with respect to distributions.

Recommendations and Intended Course of Action

32. The Receiver respectfully requests approval from this Honourable Court with respect to the following:

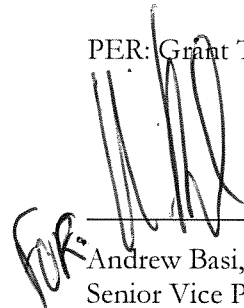
- a. the Receiver's activities and conduct as outlined in the Receiver's Second Report;
- b. the proposed distribution to secured creditors; and
- c. the application for the Garnished Funds to paid to the Receiver;

33. Following approval from this Honourable Court, the Receiver intends to:

- a. attend to the further administration of the receivership including continued efforts for the sale of the Land and Building;
- b. make the distribution to secured and priority creditors as ordered by the Court; and
- c. follow any further directions this Honourable Court wishes to provide.

Dated at Calgary, Alberta, the 10th day of January, 2017.

PER: Grant Thornton Limited



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

I hereby certify this to be a true copy of
the original order

Dated this 26 day of September 2016

COURT FILE NUMBER

1601-10510

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

APPLICANT

ROYAL BANK OF CANADA.

RESPONDENT

MJ'S WATER HAULING CO. LTD., 1825377
ALBERTA LTD., DARREN BISHOP, VANESSA
BISHOP, 1521580 ALBERTA LTD.

DOCUMENT

ORDER APPROVING SALES PROCESS

ADDRESS FOR SERVICE AND CONTACT
INFORMATION OF PARTY FILING THIS
DOCUMENT

Karen Fellowes

DLA Piper (Canada) LLP
Barristers and Solicitors
1000, 250 - 2 Street SW
Calgary, Alberta T2P 0C1
Phone: 403-698-8787
Fax: 403-296-4474
File No.: 48-86-25

DATE ON WHICH ORDER WAS PRONOUNCED: September 23, 2016

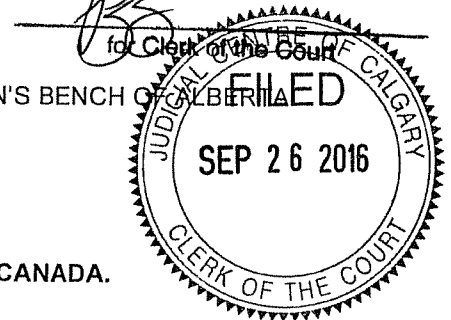
NAME OF JUSTICE WHO MADE THIS ORDER: The Honourable Justice Eidsvik

LOCATION OF HEARING: Calgary, Alberta

UPON the application of GRANT THORNTON LTD., in its capacity as Court appointed receiver and manager ("**Receiver**") of MJ's WATER HAULING CO. LTD. and 1825377 Alberta Ltd., ("**the Debtors**") AND UPON having read the Application and the First Report of the Receiver, dated SEPTEMBER 16, 2016 (the "**Receiver's Report**"); AND UPON having read the Confidential Appendices to the Report dated Sept. 16, 2016 ("the **Confidential Appendices**") AND UPON having read the Affidavit of Service sworn September 21, 2016 (the "**Service Affidavit**"); AND UPON hearing counsel for the Receiver;;

IT IS HEREBY ORDERED AND DECLARED THAT:

1. The Receiver is hereby granted specific authority to assign the Debtors into bankruptcy.
2. Service of the Notice of Application in respect of this Order (the "**Application**") and the First Receiver's Report in the manner described in the Service Affidavit is hereby declared to be good and



sufficient, and no other persons are entitled to be served with or given notice of the Application or served with a copy of the First Receiver's Report.

2. The Receiver's activities as described in the First Receiver's Report are hereby approved.
3. The engagement of Century Services Inc. and the Sales Process as described in the First Receiver's Report and the Confidential Appendices thereto are hereby approved, and the Receiver is directed and authorized to take such steps to complete the transactions and processes described therein.
4. Service of this Order on the Service List by email, facsimile, registered mail, courier or personal delivery shall constitute good and sufficient service of this Order, and no Persons other than those on the Service List are entitled to be served with a copy of this Order.



J.C.Q.B.A.

COURT FILE NUMBER

1601-10510

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

APPLICANT

ROYAL BANK OF CANADA.

RESPONDENT

MJ'S WATER HAULING CO. LTD., 1825317,
ALBERTA LTD., DARREN BISHOP, VANESSA
BISHOP, 1521580 ALBERTA LTD.

DOCUMENT

SEALING ORDER

ADDRESS FOR SERVICE AND CONTACT
INFORMATION OF PARTY FILING THIS
DOCUMENT

Karen Fellowes

DLA Piper (Canada) LLP
Barristers and Solicitors
1000, 250 - 2 Street SW
Calgary, Alberta T2P 0C1
Phone: 403-698-8787
Fax: 403-296-4474
File No.: 48-86-25

DATE ON WHICH ORDER WAS PRONOUNCED: September 23, 2016

NAME OF JUSTICE WHO MADE THIS ORDER: The Honourable Justice Eidsvik

LOCATION OF HEARING: Calgary, Alberta

UPON the application of GRANT THORNTON LTD., in its capacity as Court appointed receiver and manager ("**Receiver**") of the assets, properties and undertakings (the "**Property**") of MJ's WATER HAULING CO. LTD (the "**Debtor**") pursuant to an order issued in the within proceedings on AUGUST 10, 2016 (the "**Receivership Order**"); AND UPON having read the Application and the First Report of the Receiver, dated SEPTEMBER 16, 2016 (the "**Receiver's Report**"); AND UPON having read the Confidential Appendices to the Report dated Sept. 16, 2016 ("the **Confidential Appendices**") AND UPON having read the Affidavit of Service sworn September 21, 2016 (the "**Service Affidavit**"); AND UPON hearing counsel for the Receiver and any other counsel present;

I hereby certify this to be a true copy of
the original order

Dated this 26th day of September 2016

133
for Clerk of the Court



IT IS HEREBY ORDERED AND DECLARED THAT:

1. Service of the Notice of Application in respect of this Order (the "**Application**") and the First Receiver's Report in the manner described in the Service Affidavit is hereby declared to be good and sufficient, and no other persons are entitled to be served with or given notice of the Application or served with a copy of the First Receiver's Report.
2. Division 4 of Part 6 of the Rules does not apply to the Application. The Confidential Appendices to the Receiver's Report shall be sealed on the Court file and shall not be made publicly accessible. The Clerk of the Court be and is hereby directed to seal the Confidential Appendices to the Receiver's Report on the court file in an envelope containing the following:

**THIS ENVELOPE CONTAINS THE CONFIDENTIAL APPENDICES TO THE
RECEIVERS FIRST REPORT. THE CONFIDENTIAL APPENDICES HAVE
BEEN SEALED UNLESS UNSEALED BY FURTHER ORDER OF THIS
COURT.**

3. Any interested person may apply, on notice to the Receiver and any other interested parties, to vary, amend or modify paragraph 2 of this Order.
4. Service of this Order on the Service List by email, facsimile, registered mail, courier or personal delivery shall constitute good and sufficient service of this Order, and no Persons other than those on the Service List are entitled to be served with a copy of this Order.

J.C.Q.B.A.



The Court of Queen's Bench of Alberta

Accounting Section
Judicial Centre of Grande Prairie
Court House
10260 - 99 Street
Grande Prairie, Alberta T8V 2H4
Telephone: 780-538-5340 Fax: 780-538-5493

November 9, 2016

ROYAL BANK OF CANADA
100 RANCH MARKET
STRATHMORE, AB T1P 0A8

Dear Sir/Madam:

Subject: CRO-NORTH PROPERTIES IN
vs MJ'S WATER HAULING CO.LT

Our File #: Q 1604 00652

This acknowledges receipt of \$17,151.39 on the 9th day of November, 2016. This payment into court was remitted pursuant to the garnishee summons issued on the 15th day of September, 2016. This letter is your OFFICIAL RECEIPT # 050805.

Please inform our office immediately if the money has been assigned to the wrong party, and/or in the wrong amount set out.

The certificate of service of the garnishee summons on the debtor(s) has been received.

Yours truly,



for Clerk of the Court

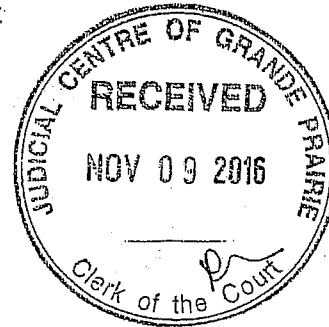
cc: GUREVITCH BURNHAM LAW OFFICE
9931-106 AVENUE
GRANDE PRAIRIE, AB T8V 1J4

Your File #: 24566



GARNISHEE'S RESPONSE

1604 00652



To: The Clerk of the Court
Judicial District of Grande Prairie
From: Royal Bank of Canada
Re: Garnishee Summons
Name of Debtor: MJ'S WATER HAULING CO. LTD

Date of Issuance: 09/21/16
Date of Service: 10/26/16

Amount Garnished: \$29,476.80
Amount Previously Forwarded: (if initial response, indicate nil) \$ -

The amount enclosed is accounted for as follows:

Amount from single name deposit accounts of debtor \$ 17,161.39
Amounts from single name redeemable or matured
non-redeemable term deposits of debtor

Amount from joint deposit accounts of debtor (Debtor's portion)
- Name of other joint account holder (do not disclose address)

Amount from joint redeemable or matured non-redeemable term deposits of
debtor (Debtor's portion)
- Name of other joint account holder (do not disclose address)

Less Compensation Fee \$ 10.00
Amount enclosed herein \$ 17,151.39

A further amount will be forwarded in the future accounted for as follows:

Amount from single name non-redeemable unmatured term deposits of
debtor which mature within one year of issuance of summons (will forward
funds once matured)

Maturity date
Balance on maturity

Amount from joint non-redeemable unmatured term deposits of debtor
(Debtor's portion) which mature within one year of issuance of summons
(will forward funds once matured)

- Name of other joint term deposit holder (do not disclose address)

Maturity date
Balance on maturity

Balance yet to be Garnished \$ 12,315.41



CERTIFICATE OF SERVICE ON THE DEBTOR

I, Santhirakumary Gaureeson, Specialized Service Officer on behalf of Royal Bank of Canada
hereby certify that:

(1) I did on _____ serve

by ordinary mail with a true copy of the Garnishee Summons pursuant to the Alberta Rules of Court
and the Civil Enforcement Act.

OR

(2) I was unable to serve

because

Dated: October 26, 2016

S Gaureeson
(Signature)

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 JANUARY 10, 2017

Receipts

Auction proceeds	\$ 963,771
AR collected	872,939
Miscellaneous revenue	19,355
	<u>1,856,065</u>

Disbursements

Building expenses	629
Utilities	4,331
Operating expenses	8,359
Contractors	21,491
Insurance	26,468
GST paid on purchases	30,583
Legal fees	36,809
Rent	42,857
Receiver's fees and expenses	181,163
Lease buyout	340,192
	<u>692,882</u>

Cash held in trust	<u><u>\$ 1,163,183</u></u>
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IN THE MATTER OF THE RECEIVERSHIP OF
1825377 ALBERTA LTD.
INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD AUGUST 10, 2016 TO JANUARY 10, 2017

Receipts

Rental income	\$ 42,857
Miscellaneous revenue	7,031
GST collected	2,143
	52,031

Disbursements

Building expenses	
GST paid on purchases	229
Receiver's fees and expenses	1,380
Utilities	1,177
Operating expenses	2,089
Contractors	5,975
	10,851

Cash held in trust	\$ 41,180
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