

District of Alberta
Division No.: Edmonton
Estate No: 24-2746511
Court No: 24-2746511

**IN THE MATTER OF THE BANKRUPTCY OF
12703131 CANADA LTD.**

MINUTES OF THE FIRST MEETING OF CREDITORS

DATE: August 4, 2021
TIME: 10:30 AM Eastern Time
LOCATION: Conference call line
CHAIRMAN & SECRETARY: Vanessa Allen, Trustee
ATTENDANCE: Per the Attached List

Due to the Covid-19 pandemic, the First Meeting of Creditors was held by Zoom (the "Zoom Call"). The details of the meeting were included in the Notice to Creditors dated July 16, 2021.

AUTHORITY AND CALL TO ORDER

Vanessa Allen of MNP Ltd., Trustee, acted as Chairman and Secretary under the authority of section 105 (1) of the *Bankruptcy and Insolvency Act*. The Chairman declared the meeting properly called at 10:00 AM.

PURPOSE OF MEETING

The purpose of the meeting as set out in section 102(5) of the *Bankruptcy and Insolvency Act* was as follows:

- to consider the affairs of the bankrupt,
- to affirm the appointment of the Trustee or to substitute another in its place,
- to appoint Inspectors, and
- to give such directions to the Trustee as the creditors may see fit with reference to the administration of the bankrupt estate.

DOCUMENTS TO TABLE

The Chairman tabled the following documents:

- Order granted July 12, 2021
- Certificate of Appointment of Trustee
- Statement of Affairs
- Trustee's Preliminary Report
- Notice to Creditors of Bankruptcy and First Meeting of Creditors
- Proof of Publication in Local Newspaper
- Trustee's Affidavit of Mailing

QUORUM

Pursuant to section 106(2) of the *Bankruptcy and Insolvency Act*, at least one proven creditor was in attendance in person or by proxy forming a quorum.

A copy of the attendance list for the meeting is attached.

Trustee's Preliminary Report

The Trustee's preliminary report was summarized for the creditors present. A copy of the Trustee's Preliminary Report is attached hereto. The Trustee indicated that they were currently attempting to confirm whether 12703131 Canada Ltd. was the shareholder of 11856766 Canada Ltd. ("11856766"), which company owned a property in Vancouver, B.C. Dan Jukes indicated that he did not have confirmation as to who the shareholder was but also confirmed that the property in Vancouver, B.C. was the subject of a matrimonial settlement. Mr. Jukes indicated that he would send over further information in this regard.

Affirmation of the appointment of MNP Ltd. as Trustee

MOTION: To affirm the appointment of MNP Ltd. as Trustee of the bankrupt estate.

MOVED: Meagan Binder
ALL IN FAVOUR. NONE OPPOSED

MOTION PASSED

Appointment of Inspectors

The Trustee reviewed the role of the inspectors.

MOTION: Meagan Binder will act as the inspector of the bankrupt estate.

ALL IN FAVOUR. NONE OPPOSED

MOTION PASSED

There being no further business the Chairman terminated the meeting.

Dated at Calgary, Alberta this 4th of August 2021.



Vanessa Allen, B. Comm, CIRP, LIT
Chairman

District of Mississauga
Division No: 24 - Edmonton
Estate No: 24-2746511
Estate No: 24-2746511

ATTENDANCE LIST FOR THE FIRST MEETING OF CREDITORS
IN THE MATTER OF THE BANKRUPTCY OF
12703131 Canada Ltd.

DATE & TIME: Wednesday, August 4, 2021 at 10:30 AM

PLACE: Zoom meeting roll call

DEBTOR

NAME: 12703131 CANADA LTD.

REPRESENTATIVE:

MNP LTD., TRUSTEE & REPRESENTATIVES

Vanessa Allen, Licensed Insolvency Trustee

<u>Attendee Name present via conference call</u>	<u>Representing</u>	<u>Amount of claim</u>
Vanessa Allen	MNP Ltd.	\$ -
Dan Jukes - Miles Davison LLP	Sean McCoshen	-
Meagan Binder	Bridging Income Fund LP	212,891,590.00

Remaining balance intentionally left blank

Total value of claims present via Zoom meeting **\$212,891,590.00**

**IN THE MATTER OF THE BANKRUPTCY OF
12703131 CANADA LTD.
TRUSTEE'S PRELIMINARY REPORT**

The information contained in this report has been prepared from the available books and records of the Companies (as subsequently defined) and discussions with management. These books and records have not been reviewed or otherwise audited by the Trustee and, consequently, the Trustee expresses no opinion whatsoever with respect to the validity, the exactness or the reliability of the information contained therein.

BACKGROUND

1. On June 18, 2021 (the "Filing Date"), 7198362 Manitoba Ltd. ("7198362"), Alaska – Alberta Railway Development Corporation ("AARDC") and 12703131 Canada Ltd. ("12703131", collectively, the "Companies") filed Notices of Intention to Make Proposals pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act* (the "BIA"). The Companies were each granted a 30 day stay of proceedings pursuant to Section 69(1) of the BIA (the "Initial Stay"). MNP Ltd. ("MNP") acts as Trustee in the NOI Proceedings.
2. The NOI proceedings were initiated following the receivership of AARDC's primary secured lender, Bridging Finance Inc. ("BFI") and certain other entities and investment funds related to BFI ("Bridging") pursuant to Orders granted by The Ontario Superior Court of Justice on April 30, 2021 and May 3, 2021. PricewaterhouseCoopers Inc. acts as the Court-appointed Receiver of Bridging (the "Bridging Receiver").
3. 12703131 was originally incorporated under the *Canada Business Corporations Act* on February 2, 2021. Mr. Sean McCoshen ("McCoshen") was the sole director and shareholder of 12703131. The Trustee has been advised by legal counsel for McCoshen that he has now resigned as the director of 12703131.
4. 12703131 served as a holding company and had no ongoing operations at the Filing Date.
5. On July 7, 2021, the Trustee issued a material adverse change report for the Companies based on the following:
 - a. The Bridging Receiver advised the Trustee that it would only support an extension of the Initial Stay for AARDC if an Interim Receiver was appointed and that it would not support any proposal for 7198362 or 12703131. Due to the size and nature of Bridging's claim, the Companies do not have the ability to make viable proposals without Bridging's support;

- b. Outside of McCoshen, there was no party with the corporate authority to act on behalf of the Companies. The Trustee had been advised that McCoshen was under medical care and was not involved in the day-to-day operations of AARDC. Further, McCoshen had not, during the course of the NOI proceedings, been accessible to the Trustee other than through the Companies' legal counsel, Dickinson Wright LLP ("Dickinson"), in addition to which, the Receiver of Bridging had expressed concern regarding McCoshen's activities in relation to the Companies prior to the NOI filing; and
 - c. The parties charged with the management of the day-to-day activities of the Companies did not appear to have comprehensive information regarding the Companies' assets or the required authority to manage the Companies' operations.
6. On July 12, 2021, the Court of Queen's Bench of Alberta (the "Court") granted Orders, which included the following relief:
- a. Terminating the Stay for 7198362 and 12703131, pursuant to Section 50.4(11) of the BIA, following which 7198362 and 12703131 were both deemed to be bankrupt; and
 - b. Extending the Initial Stay for AARDC to August 31, 2021 and appointing MNP as Interim Receiver of AARDC.

BOOKS AND RECORDS

7. The Trustee has taken possession of available paper records of the Companies, which were held in storage with a third party in Vancouver, B.C. The Trustee has also made arrangements to obtain a electronic backup of the records of AARDC, which may also contain information related to the 12703131.

CONSERVATORY AND PROTECTIVE MEASURES

8. As further described below, 12703131 does not have any assets outside of shares held in related entities.

ASSET REALIZATION AND PROJECTED DISTRIBUTION

9. The only asset listed on the SOA for 12703131 is the shares of 7198362. An organization chart provided for the McCoshen Group suggests that 12703131 may also hold shares in 5321328 Manitoba Inc. ("5321328") and 11856766 Canada Ltd. ("11856766"), however, the Trustee understands that the transfer of the shares of these respective entities to 12703131 may not have occurred. The Trustee is seeking additional information in this regard.

10. The SOA was reviewed by legal counsel for McCoshen, who indicated that he was satisfied as to the presentation of the SOA. The Trustee understands that McCoshen continues to be under medical care and, to date, has not been available to sign the SOA.

SUMMARY OF CLAIMS

11. On June 8, 2021, the Bridging Receiver issued demand letters to the Companies (the "Bridging Demands"). As set out in the Bridging Demands, AARDC is indebted to Bridging in the amount of approximately \$212.9 million consisting of a principal balance of approximately \$145.8 million, additional transfers of approximately \$14.2 million and interest and penalties of \$52.9 million pursuant to a non-revolving credit facility (the "Bridging Loan"). The terms of the Bridging Loan were originally set out in a term sheet dated December 11, 2015, as subsequently modified by ten amending agreements during the subsequent period ended February 23, 2021. The Bridging Loan was secured by a general security agreement over all present and after acquired property of AARDC and all proceeds thereof (collectively, the "Bridging Security"). 7198362 and 12703131 were obligors under the Bridging Loan, pursuant to the tenth amendment to the term sheet. The Trustee has received a legal opinion concluding that the Bridging Security is valid and enforceable as against the Companies (the "Security Opinion").
12. 12703131 has no known indebtedness apart from being an obligor of the Bridging Loan.
13. As of the date of this report, the Trustee has received one proof of claims from Bridging Income Fund LP in the amount of approximately \$212.9 million (the "Bridging Claim"). As noted above, the Trustee is in receipt of the Security Opinion and is prepared to accept the Bridging Claim.
14. At the time that this report was finalized, the Trustee had not received any proxies.

LEGAL

15. The Trustee retained Lawson Lundell LLP ("Lawson") as its legal counsel for the purpose of completing the Security Opinion. Subject to the approval of any inspector(s) who may be appointed, the Trustee will be seeking to further retain Lawson to the extent that additional legal assistance is required with respect to this estate.

REVIEW OF FRAUDULENT PREFERENCES AND TRANSFERS AT UNDERVALUE

16. The Trustee is required to undertake a review of any transactions that occurred prior to the date of bankruptcy that would constitute a transfer at undervalue or a fraudulent preference as defined by subsections 95 and 96 of the BIA (the "Review"). 12703131 had no operations and, to the Trustee's knowledge, did not hold any bank accounts. As such, no Review is required.

OTHER

17. Subject to determining if 12703131 is the shareholder of 5321328 and 11856766 and, if so, if the shares of those entities have any realizable value, there are no further activities required to complete the administration of this estate. There are not anticipated to be any funds available for distribution to the preferred or ordinary unsecured creditors.
18. Further information with respect to the bankruptcy proceedings will be made available on the Trustee's website at the link below:
<https://mnpdebt.ca/en/corporate/corporate-engagements/12703131-canada-ltd>

Dated at Calgary, Alberta this 3rd day of August 2021.

MNP Ltd.,

In its capacity as Trustee of the Estate of
12703131 Canada Ltd. and not in its personal
or corporate capacity



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