

District of Alberta  
Division No.: Edmonton  
Estate No: 24-2746514  
Court No: 24-2746514

**IN THE MATTER OF THE BANKRUPTCY OF  
7198362 MANITOBA LTD.**

**MINUTES OF THE FIRST MEETING OF CREDITORS**

**DATE:** August 4, 2021  
**TIME:** 10:00 AM Eastern Time  
**LOCATION:** Conference call line  
**CHAIRMAN & SECRETARY:** Vanessa Allen, Trustee  
**ATTENDANCE:** Per the Attached List

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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.

**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 4<sup>th</sup> of August 2021.



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Vanessa Allen, B. Comm, CIRP, LIT  
Chairman

District of Mississauga  
Division No: 24 - Edmonton  
Estate No: 24-2746514  
Court No: 24-2746514

ATTENDANCE LIST FOR THE FIRST MEETING OF CREDITORS  
IN THE MATTER OF THE BANKRUPTCY OF  
**7198362 Manitoba Ltd.**

DATE & TIME: Wednesday, August 4, 2021 at 10:00 AM

PLACE: Zoom meeting roll call

**DEBTOR**

NAME: 7198362 MANITOBA LTD.

REPRESENTATIVE: SEAN MCCOSHEN

**MNP LTD., TRUSTEE & REPRESENTATIVES**

Vanessa Allen, Licensed Insolvency Trustee

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<b><u>Attendee Name present via conference call</u></b>	<b><u>Representing</u></b>	<b><u>Amount of claim</u></b>
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  
7198362 MANITOBA 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. 7198362 was originally incorporated under the *Manitoba Business Corporations Act* on September 8, 2015. 7198362 listed Mr. Sean McCoshen ("McCoshen") as its sole director and 12703131 as its sole shareholder. The Trustee has been advised by legal counsel for McCoshen that he has now resigned as the director of 7198362.
4. 7198362 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 7198362.

#### **CONSERVATORY AND PROTECTIVE MEASURES**

8. The Trustee took reasonable steps to conserve and protect the Companies' assets (the "Assets"), including notifying those parties who held accounts in the name of 7198362 of the bankrupt estate's potential interest in those funds. As the Assets are all subject to registered security interests, no insurance coverage has been placed through the bankrupt estate.

#### **ASSET REALIZATION AND PROJECTED DISTRIBUTION**

9. The Assets, as set out in the 7198362's Statement of Affairs (the "SOA") include the following:
  - a. A securities account held at Canaccord Genuity Corp. with a balance of approximately \$27.9 million;
  - b. An account at National Bank of Canada with a balance of approximately \$5.0 million; and

- c. A retainer paid to Dickinson with a balance of approximately \$950,000.
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. In addition to being an obligor of the Bridging Loan, 7198362 lists approximately \$11.4 million as being due to 7047747 Manitoba Ltd. a related company.
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"). The Trustee is working with the Bridging Receiver to ensure that the Review considers any relevant prior findings of the Bridging Receiver and does not duplicate work that may have already been completed by the Bridging Receiver.

## OTHER

17. Based on the nature and size of the Bridging Claim and the Security Opinion, the Trustee is preparing to release its interest in the Assets to Bridging. There will be no funds available to distribution to unsecured creditors.
18. Subject to the approval of any inspector(s) who may be appointed, the Trustee is seeking to enter into an Agency Agreement with the Bridging Receiver to realize on selected assets of 7198362. As noted above, the Security Opinion confirmed that the Bridging Security is valid and enforceable.
19. 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/7198362-manitoba-ltd>

Dated at Calgary, Alberta this 3<sup>rd</sup> day of August 2021.

### **MNP Ltd.,**

In its capacity as Trustee of the Estate of  
7198362 Manitoba Ltd. and not in its personal  
or corporate capacity



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