

<b>COURT FILE NO.</b>	<b>1903-24389</b>	<b>Clerk's Stamp</b>
<b>COURT</b>	<b>COURT OF QUEEN'S BENCH OF ALBERTA</b>	
<b>JUDICIAL CENTRE</b>	<b>EDMONTON</b>	
<b>APPLICANT</b>	<b>TLICHO INVESTMENT CORPORATION</b>	
<b>RESPONDENTS</b>	<b>TLICHO LANDTRAN TRANSPORT LTD., 1456998 ALBERTA LTD. AND 1456982 ALBERTA LTD.</b>	
<b>DOCUMENT</b>	<b>FOURTH REPORT OF THE MONITOR</b>	
<b>FILED</b>	<b>MAY 19, 2020</b>	
<b>ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT</b>	<b>Counsel to the Monitor</b>  <b>Cassels, Brock &amp; Blackwell LLP</b> <b>Suite 3810, Bankers Hall West</b> <b>888 3<sup>rd</sup> Street SW</b> <b>Calgary, AB T2P 5C5</b>  <b>Telephone: 403-351-2921</b> <b>Facsimile: 403-648-1151</b> <b>Email: <a href="mailto:joliver@casselsbrock.com">joliver@casselsbrock.com</a></b>  <b>Attention: Jeffrey Oliver</b>  <b>Monitor</b> <b>MNP Ltd.</b> <b>Suite 1500, 640 5th Avenue SW</b> <b>Calgary, AB T2P 3G4</b>  <b>Telephone: 587-702-5963</b> <b>Facsimile: 403-269-8450</b> <b>Email: <a href="mailto:vanessa.allen@mnp.ca">vanessa.allen@mnp.ca</a></b>  <b>Attention: Vanessa Allen</b>	

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## INTRODUCTION

1. On November 29, 2019 (the "Filing Date"), an Initial Order (the "Initial Order") was granted by the Court of Queen's Bench of Alberta (the "Court") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended (the "CCAA") in respect of Tlichu Landtran Transport Ltd. ("Tlichu Landtran"), 1456982 Alberta Ltd. ("1456982"), 1456998 Alberta Ltd. ("1456998") and Ventures West Transport Limited Partnership ("Ventures West", collectively, the "Companies"). 1456998 is the general partner and 1456982 is the limited partner of Ventures West. MNP Ltd. ("MNP") was appointed as Monitor (the "Monitor") in the CCAA proceedings.
2. The Initial Order was granted pursuant to an application by Tlichu Investment Corporation ("TIC"). TIC is a creditor of Tlichu Landtran, 1456982 and Ventures West. TIC is the ultimate parent company of Tlichu Landtran and is the majority shareholder of each of 1456998 and 1456982. The Initial Order provided for relief including a stay of proceedings (the "Stay") until and including December 8, 2019. The Stay was subsequently extended to June 15, 2020. The Companies' most significant secured creditor, Canadian Imperial Bank of Commerce ("CIBC") is unaffected by the Stay.
3. Capitalized terms not otherwise defined herein will have the meanings given to them in the Pre-Filing Report of the Proposed Monitor dated November 27, 2019, the First Report of the Monitor dated December 4, 2019, the Second Report of the Monitor dated February 13, 2020 and the Third Report of the Monitor dated February 25, 2020 (the "Third Report").
4. Information on the CCAA proceedings can be accessed on MNP's website at [www.mnpdebt.ca/ventures](http://www.mnpdebt.ca/ventures) (the "Monitor's Website").

## COURT PROCEEDINGS

5. On February 28, 2020, this Honourable Court granted Orders approving the following:
  - 5.1 The sale of 37 trailers (the "ARS Assets") to ARS Trucking & Welding Ltd. (the "ARS Sale");
  - 5.2 Approval of the sale of all the Companies' remaining transport assets, outside of the ARS Assets (the "Auction Sale"), via auction pursuant to an auction agreement (the "Auction Agreement") with IronPlanet Canada Ltd. ("IronPlanet"). The Order approving the Auction Agreement will be referred to as the "Auction Services Order";
  - 5.3 Approval of distributions to CIBC up to the amount of TIC's outstanding indebtedness to CIBC from the proceeds of the ARS Sale; and
  - 5.4 Approval of an extension of the Stay until June 15, 2020.
6. Following the Auction Services Order being granted, two further Orders were granted to include Schedule A of the Auction Agreement ("Schedule A") and to correct typographical errors in the descriptions and vehicle identification numbers included in Schedule A.

7. This report represents the Fourth Report of the Monitor (the "Fourth Report"). The purpose of the Fourth Report is to provide this Honourable Court with information regarding TIC's application to be considered by the Court in May 2020 for a Consent Order (the "Consent Order") seeking the following relief:
  - 7.1 Approving distributions to CIBC (the "CIBC Distributions") up to the amount of TIC's indebtedness on the Filing Date (defined below as the "CIBC Indebtedness") from the proceeds of the Auction Sale and from other receipts in the CCAA proceedings; and
  - 7.2 Approving the payment of certain claims made pursuant to the *Garage Keepers' Lien Act* (the "GKLA") that have been determined to be valid and to rank in priority to CIBC with respect to the specific collateral against which they are registered (the "Valid Lien Claims");

#### **NOTICE TO READER**

- 8 In preparing this report and making comments herein, the Monitor has relied upon certain unaudited, draft or internal financial information, including the Companies' books and records, and information from other third-party sources (collectively, the "Information"). The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with generally accepted assurance standards or other standards established by the Chartered Professional Accountants of Canada (the "Standards"). Additionally, none of the Monitor's procedures were intended to disclose defalcations or other irregularities. If the Monitor were to perform additional procedures or to undertake an audit examination of the Information in accordance with the Standards, additional matters may come to the Monitor's attention. Accordingly, the Monitor does not express an opinion, nor does it provide any other form of assurance on the financial or other information presented herein. The Monitor may refine or alter its observations as further information is obtained or brought to its attention after the date of this report.
- 9 The Monitor assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the use of this report. Any use, which any party makes of this report, or any reliance or decision to be made based on this report, is the sole responsibility of such party.
- 10 All amounts included herein are in Canadian dollars unless otherwise stated.

## LIEN CLAIMS

- 11 Attached hereto as “Schedule 1” is a summary of the claims made pursuant to the GKLA, which total approximately \$435,514 (the “Lien Claims”).
- 12 The Monitor’s legal counsel has reviewed the Lien Claims and, also as set out in “Schedule 1” has determined that the following lien claims are valid and enforceable and rank in priority to CIBC with respect to the specific collateral against which they are registered (defined above as the Valid Lien Claims):

### Valid Lien Claims

<b>Lien Holder</b>	<b>Description</b>	<b>Amount</b>
AdvanceTank Centres Ltd.	11 trailers (Petro B Lead and Rear)	\$ 126,010
Tremcar West Inc.	8 trailers (Super B Tanker)	41,433
Hart Transmission Repair Ltd.	3 Peterbilt 389/ 1 Ram 5500	22,989
Winfield Heavy Truck & Collision Repair	Kenworth T800	29,545
Full Tilt Auto & Tuning Inc.	2 Chevrolet Silverado/ 1 GMC Sierra 1500	21,849
Blue Diamond Enterprises Ltd.	2007 Columbia Remtec Super B Tanker	3,633
New North Truck and Equipment	2014 T800 Tridrive	1,795
Micron Industries Inc.	2 LNG 65,000 Liter LNG Tanker Trailers	16,490
		<u><b>\$ 263,744</b></u>

- 13 Cassels Brock & Blackwell LLP (“Cassels”), the Monitor’s legal counsel, has further determined that the remaining lien claims filed pursuant to the GKLA are not valid based on the information provided and has notified the corresponding creditors of their findings in this regard (the “Remaining Lien Claims”):
- 14 As set out above, TIC is seeking approval for the Monitor to pay the Valid Lien Claims. The amount required to satisfy the Remaining Lien Claims will be held in trust pending a future Order of this Honourable Court in relation to the validity and priority of those alleged liens.
- 15 The Monitor understands that legal counsel for CIBC has reviewed Cassel’s determination with respect to the Valid Liens and does not have any concerns with the payment of the Valid Liens, subject to the approval of this Honourable Court.

## DISTRIBUTIONS TO CIBC

- 16 As set out in the Third Report, CIBC has security over all present and after acquired property of TIC and each of its subsidiaries. Cassels has completed a review of the security held by CIBC and determined that it is valid and enforceable and creates a first priority financial charge against the Transport Companies’ assets in favour of CIBC, subject to any Lien Claims that are determined to be valid and the usual and ordinary assumptions.

- 17 As at the Filing Date, TIC owed CIBC approximately \$15.6 million pursuant to a revolving demand credit facility (the "CIBC Indebtedness").
- 18 Following the completion of the ARS Sale, approximately \$2.8 million from the proceeds of the ARS Sale were distributed to CIBC (the "ARS Distribution").
- 19 As set out in the Monitor's First Report, a significant account receivable was due to Ventures West from Tlcho Logistics Inc. ("TCL"), related to a subcontract for the supply of fuel to a Northern Mining Operation (the "VW – TCL Receivable"). Following the commencement of the CCAA proceedings, it was determined, in conjunction with CIBC, that certain accounts receivable that were payable from TCL to Ventures would not be paid to Ventures during the CCAA proceedings. This was done in order to facilitate the operations of TIC, including TCL, during the CCAA proceedings and to allow TIC to comply with various requirements under its current agreements with CIBC. A total of \$990,000 was collected for the VW - TCL Receivable, which amount was paid from TCL to CIBC to pay down the CIBC Indebtedness.

#### **VARIANCE ANALYSIS**

20. Attached as "Schedule 2" is the variance analysis (the "Variance Analysis") for the eleven-week period ended May 9, 2020 (the "Variance Period"). The Variance Analysis compares actual cash flow for the Companies over the Variance Period to the consolidated statement of projected cash flow of the Companies (the "Forecast") for the seventeen-week period ending June 20, 2020, a copy of which is attached as "Schedule 3" to the Third Report.
21. The Variance Analysis is summarized below:

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**TIC - Transport Companies - Variance Analysis**  
**For the eleven week period ended May 09, 2020**

	Forecast Total		Actual Total		Variance (A-F) Total
<b>Receipts</b>					
Pre-filing accounts receivable	\$ 41,155	\$	6,703	-\$	34,452
Post-filing receipts	70,000		-	-	70,000
<b>Total Receipts</b>	<b>111,155</b>		<b>6,703</b>	<b>-</b>	<b>104,452</b>
<b>Disbursements</b>					
Salaries, wages and benefits	-	46,667	-	41,348	5,319
Rent	-	99,369	-	99,370	1
Utilities	-	18,000	-	17,844	156
Restructuring costs	-	430,000	-	569,757	139,757
Security	-	78,000	-	65,117	12,883
GST payable	-	-	-	-	-
Contingency	-	9,000	-	1,048	7,952
<b>Total Disbursements</b>	<b>-</b>	<b>681,036</b>	<b>-</b>	<b>794,483</b>	<b>113,447</b>
<b>Net Cash Flow</b>	<b>-\$</b>	<b>569,881</b>	<b>-\$</b>	<b>787,780</b>	<b>217,899</b>
<b>Bank Balance</b>					
Beginning bank balance	948,618.55		948,619		-
Net cash flow	-	569,881	-	787,780	217,899
<b>Ending bank balance</b>	<b>\$ 378,738</b>	<b>\$</b>	<b>160,838</b>	<b>-\$</b>	<b>217,899</b>

22. The Variance Analysis indicates a negative variance of approximately \$217,900 over the Variance Period. The Variance Analysis includes minor permanent variances are a result of receipts and disbursements being lower or higher than initially forecast. It also includes one permanent variance over \$10,000 being a permanent negative variance of approximately \$139,800 for restructuring costs. This resulted from the fact that the professional fees and disbursements of TIC's legal counsel were originally excluded from the Forecast based on the understanding that they were going to be paid by the Tlicho Government ("TG"). We note that TIC's legal counsel's professional fees for the period leading up to the CCAA proceedings were paid by TG with the remainder being paid by the Transport Companies.

**CONCLUSION**

23. The Fourth Report has been prepared to provide the Court with information on the following relief sought by the Companies via Consent Orders in May 2020:
- 26.1. Approval of the CIBC Distribution; and



26.2. Approval of the payment of the Valid Liens.

24. The Monitor is supportive of the CIBC Distribution on the basis that Cassels has completed a review of the CIBC Security and determined that it is valid and enforceable and created a first priority financial charge in favour of CIBC, subject to the Valid Liens.
25. The Monitor is supportive of the payment of the Valid Liens on the basis that Cassels has completed a review of the Valid Liens and determined that they are valid and enforceable and rank in priority to CIBC with respect to the specific collateral against which they are registered. The Monitor understands that CIBC is supportive of the payment of the Valid Liens.

All of which is respectfully submitted this 19<sup>th</sup> day of May 2020.

**MNP Ltd.**, in its capacity as Monitor of Tlicho Landtran Transport Ltd, 1456998 Alberta Ltd. and 1456982 Alberta Ltd. and Ventures West Transport Limited Partnership not in its personal capacity

Per: \_\_\_\_\_



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

# **SCHEDULES**

**SCHEDULE 1**

### Summary of Lien Claims

Lien Holder	Description	Amount claimed	Valid	Not valid
AdvanceTank Centres Ltd.	11 trailers (Petro B lead and rear)	\$ 126,010	\$ 126,010	
Blue Diamond Enterprises Ltd.	2007 Columbia Remtec Super B Tanker	38,488	3,633	34,854
Full Tilt Auto & Tuning Inc.	2 Chevrolet Silverado/ 1 GMC Sierra 1500	21,849	21,849	
Hart Transmission Repair Ltd.	3 Peterbilt 389/ 1 Ram 5500	28,671	22,989	5,682
High Level Truck & Trailer (2001) Ltd.	2012 Volvo Tractor	36,777	-	36,777
	2013 Advance Trailer, 2014 Tanker Trailer, 2013 and 2014 Kenworth and 2018			
Kal Tire	International	4,565	-	4,565
New North Truck and Equipment	2014 T800 Tridrive	2,598	1,795	803
Tremcar West Inc.	8 trailers (Super B Tanker)	94,140	41,433	52,707
	2011 Remcar Trailer, 2008 International 9901, 2013 Cryogenic and 2011 Kenworth T800	15,099	-	15,099
Truck Zone Inc.	2013 Cryogenic and 2011 Kenworth T800	15,099	-	15,099
True North Truck & Diesel Repair Ltd.	2006 Western Star 4900	14,842	-	14,842
Winfield Heavy Truck & Collision Repair	Kenworth T800	35,985	29,545	6,440
Micron Industries Inc.	2 LNG 65,000 Liter LNG Tanker Trailers	16,490	16,490	-
		<b>\$ 435,514</b>	<b>\$ 263,744</b>	<b>\$ 171,770</b>

**Notes:**

1. Status of lien is based on the review completed by the Monitor's legal counsel, Cassels Brock & Blackwell LLP.

**SCHEDULE 2**

**TIC - Transport Companies - Variance Analysis**  
**For the eleven week period ended May 09, 2020**

	Forecast Total		Actual Total		Variance (A-F) Total	Timing (T) or Permanent (P)	Notes
<b>Receipts</b>							
Pre-filing accounts receivable	\$ 41,155	\$	6,703	-\$	34,452	T	1
Post-filing receipts	70,000		-	-	70,000	T	1
<b>Total Receipts</b>	<b>111,155</b>		<b>6,703</b>	<b>-</b>	<b>104,452</b>		
<b>Disbursements</b>							
Salaries, wages and benefits	-	46,667	-	41,348	5,319	P	2
Rent	-	99,369	-	99,370	1	P	2
Utilities	-	18,000	-	17,844	156	P	2
Restructuring costs	-	430,000	-	569,757	139,757	P	3
Security	-	78,000	-	65,117	12,883	T	1
GST payable	-	-	-	-	-		
Contingency	-	9,000	-	1,048	7,952	P	2
<b>Total Disbursements</b>	<b>-</b>	<b>681,036</b>	<b>-</b>	<b>794,483</b>	<b>113,447</b>		
<b>Net Cash Flow</b>	<b>-\$ 569,881</b>	-\$	<b>787,780</b>	-\$	<b>217,899</b>		
<b>Bank Balance</b>							
Beginning bank balance	948,618.55		948,619		-		
Net cash flow	-	569,881	-	787,780	217,899		
<b>Ending bank balance</b>	<b>\$ 378,738</b>	\$	<b>160,838</b>	-\$	<b>217,899</b>		

**Notes:**

1. Timing variance that is anticipated to reverse itself in subsequent weeks.
2. Permanent variance as a result of receipts expenses being lower/ higher than initially forecast.
3. A permanent variance as a result of TIC's legal counsel's professional fees being originally excluded from the forecast. This also includes an invoice that was payable by TIC for \$9,454.71 that was paid in error and will be reimbursed in the week ended May 16, 2020.