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APPLICANT

TLICHO INVESTMENT CORPORATION

RESPONDENTS

TLICHO LANDTRAN TRANSPORT LTD., 1456998 ALBERTA
LTD. AND 1456982 ALBERTA LTD.

DOCUMENT

PRE-FILING REPORT OF THE PROPOSED MONITOR MNP LTD.

FILED

NOVEMBER 27, 2019

ADDRESS FOR
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CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

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INTRODUCTION

1. MNP Ltd. (“MNP” or the “Proposed Monitor”) is advised that at a hearing on November 29, 2019 (the “November 29 Hearing”), Tlicho Investment Corporation (“TIC” or the “Applicant”) will be making an application to the Court of Queen’s Bench of Alberta (the “Court”) for an Order (the “Initial Order”) seeking certain relief under the *Companies’ Creditors Arrangement Act, R.S.C. 1985, c. C-36*, as amended (the “CCAA”), including a stay of proceedings until December 6, 2019 and appointing MNP as the Monitor pursuant to the CCAA (the “Monitor”) of Tlicho Landtran Transport Ltd. (“Tlicho Landtran”), 1456998 Alberta Ltd. (“1456998”) and 1456982 Alberta Ltd. (“1456982”, collectively the “Respondents”) as well as Ventures West Limited Partnership (“Ventures West”). The proceedings to be commenced in respect of the Respondents under the CCAA will be referred to herein as the “CCAA Proceedings”.
2. 1456998 is the general partner and 1456982 is the limited partner of Ventures West. Tlicho Landtran, 1456998, 1456982 and Ventures West will collectively be referred to as the “Transport Companies”.
3. The purpose of this pre-filing report (the “Report”) is to provide this Honourable Court with information regarding the following:
 - 3.1 MNP’s qualifications to act as Monitor (if appointed); and
 - 3.2 The statement of projected cash flow prepared for the Respondents.

NOTICE TO READER

4. In preparing this report and making comments herein, the Proposed Monitor has relied upon certain unaudited, draft or internal financial information, including the Transport Companies’ books and records, and information from other third-party sources (collectively, the “Information”). The Receiver 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 Proposed Monitor’s procedures were intended to disclose defalcations or other irregularities. If the Proposed 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 Proposed Monitor’s attention. Accordingly, the Proposed Monitor does not express an opinion, nor does it provide any other form of assurance on the financial or other information presented herein. The Proposed Monitor may refine or alter its observations as further information is obtained or brought to its attention after the date of this report.
5. The Proposed 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.

6. All amounts included herein are in Canadian dollars unless otherwise stated.

MNP'S QUALIFICATIONS TO ACT AS MONITOR

7. MNP LLP is one of the largest full-service accountancy and business advisory firms in Canada. MNP is a subsidiary of MNP LLP that provides insolvency and restructuring services. The MNP engagement team includes senior professionals who are Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees.
8. MNP LLP was previously retained by TIC on or around July 2018 to assess its trucking and hauling business operations and provide recommendations for improvement to achieve long-term financial sustainability. In addition to the consulting services performed for TIC, we note that MNP LLP is the auditor for the four Tlicho communities of Gameti, Wekweeti, Whati and Behchoko (the "Tlicho Communities"). The Tlicho Government ("TG"), the sole shareholder of TIC, is the governing body for the Tlicho Communities.
9. MNP Ltd. is currently retained by TG for the purpose of assessing the services provided by TIC's wholly owned subsidiaries from a business and community perspective and considering all strategic options to ensure that TIC's business is well-positioned to meet the needs of the Tlicho Communities. In addition, MNP was further engaged by TIC to review the available options and make recommendations regarding the sale of the operations and assets of the Transport Companies. Outside of the Transport Companies, TIC has 18 wholly-owned subsidiaries.
10. MNP is a Trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act (Canada)*. MNP has not during the preceding two years:
 - 10.1 Acted as a director, an officer or an employee of the Transport Companies;
 - 10.2 Acted as the auditor, accountant or legal counsel or a partner or an employee of the auditor, accountant or legal counsel of the Transport Companies;
 - 10.3 Been related to the Respondents or to any director or officer of the Transport Companies.
11. MNP has consented to act as Monitor of the Respondents should this Honourable Court grant the request of the Respondents for an Initial Order in the CCAA Proceedings. A copy of the Consent to Act executed by MNP is attached hereto as "Schedule 1".

IDENTIFICATION OF THE RESPONDENTS

12. As noted above, the Transport Companies include the following:
 - 12.1 Tlicho Landtran, which was incorporated in the Northwest Territories on January 26, 1998 and was extra-provincially registered in Alberta on March 3, 1999;

- 12.2 Both 1456998 and 1456982, which were incorporated in Alberta on March 10, 2009. 1456982 was extra-provincially registered in the Northwest Territories on January 26, 2011; and
- 12.3 Ventures West was registered as a limited partnership in Alberta on June 24, 2009 and was extra-provincially registered in the Northwest Territories on January 28, 2010. As noted above, 1456998 is the general partner and 1456982 is the limited partner of Ventures West.
13. As set out in the affidavit of Mark Brajer sworn on November 27, 2019 (the "Brajer Affidavit"), TIC is a creditor and the ultimate parent company of Tlicho Landtran and is the majority shareholder of each of 1456998 and 1456982. TIC was federally incorporated on April 5, 2007 and was extra-provincially registered in the Northwest Territories on May 24, 2007. TIC is wholly owned by TG, the governing body for the Tlicho Communities.
14. The Transport Companies operate a transportation services business that specializes in transportation across winter and ice roads with the bulk of their work being focused on supplying fuel, cement and other supplies to various diamond mines locate in the Northwest Territories. The Transport Companies operate out of leased office space located at 2301 Premier Way in Sherwood Park, Alberta (the "Office"). In addition, they lease 10 acres of yard space at 12504 - 33 Street NE also in Sherwood Park, Alberta (the "Yard") and store equipment at a yard owned by Tlicho Logistics Inc, one of TIC's subsidiaries, located at 270 Utsingi Drive in Yellowknife, Northwest Territories. The Transport Companies' assets consist mainly of transport vehicles (trucks and trailers) and a small amount of shop equipment.
15. The Transport Companies have approximately 40 employees of which 37 are employed by Ventures West and 3 are employed by Tlicho Landtran.
16. The Transport Companies most significant contract had been to supply fuel to a mining operation located in the Northwest Territories (the "Fuel Contract"). The Transport Companies were recently unsuccessful in their bid to re-win the Fuel Contract for a further five-year mine supply term. Outside of the Fuel Contract, the Transport Companies perform services under additional contracts with the most significant three being for the supply of fuel and/or cement, also to various mining operations located in the Northwest Territories.
17. As further set out in the Brajer Affidavit, since their acquisition by TIC, The Transport Companies have experienced significant and sustained losses. Following the loss of the Fuel Contract, management projected that, if operations were to continue, the Transport Companies would report a net loss of approximately \$9.3 million for the year ended March 31, 2020. Based on their historically poor financial performance, the loss of the Fuel Contract and the forecast go-forward losses, the Monitor understands that the Transport Companies will discontinue operations upon commencing the CCAA Proceedings.

CASH FLOW FORECAST

18. Attached as "Schedule 2" hereto is an unsigned copy of the consolidated statement of projected cash flow of the Transport Companies (the "Forecast") for the thirteen-week period ending February 22, 2020 (the "Forecast Period"). The Transport Companies are estimating a total net cash inflow of approximately \$1.5 million over the Forecast Period. A summary of the Forecast is included below:

**Ventures West Limited Partnership, Tlcho Landtran Transport Limited , 1456982
Alberta Ltd. and 1456998 Alberta Ltd.
Statement of Projected Cash Flow
For the Thirteen Week Period from November 29, 2019 to February 22, 2020**

	Total
Receipts	
Pre-filing accounts receivable	\$ 3,126,659
Post-filing receipts	50,000
Total Receipts	3,176,659
Disbursements	
Salaries, wages and benefits	574,400
Insurance	330,000
Rent	106,500
Utilities	13,500
Office administration	10,000
Restructuring costs	340,000
Security	61,200
GST payable	162,000
Contingency	65,000
Total Disbursements	1,662,600
Net Cash Flow	\$ 1,514,059
<hr/>	
Bank Balance	
Beginning cash balance	-
Net cash flow	1,514,059
Ending bank balance	\$ 1,514,059

19. The Transport Companies are forecasting receipts of approximately \$3.2 million over the Forecast Period, which consists mainly of the collection of pre-filing accounts receivable.
20. The Transport Companies are forecasting disbursements of approximately \$1.7 million over the Forecast Period. We highlight the following with respect to these disbursements:
- 20.1 Salaries, wages and benefits of approximately \$574,400 are payable over the Forecast Period, which includes pre-filing obligations totaling \$465,200 (the "Pre-Filing Employee Obligations") that can be broken down as follows:

Salaries and wages	\$	220,000
CRA Source Deduction		79,200
Vacation Payout		75,000
Employee savings plan		17,000
Termination pay		74,000
Total	\$	<u>465,200</u>

As reported above, the Transport Companies will discontinue their trucking operations immediately upon commencing the CCAA proceedings. As such, the Pre-Filing Employee Obligations include payment of all outstanding obligations up to November 29, 2019 as well as severance pay to a maximum of the amount that employees would have been entitled to claim a preference for under Section 136(1)(d) of the *Bankruptcy and Insolvency Act* if the Transport Companies had become bankrupt on the same date.

- 20.2 As set out in the Forecast, Insurance of \$330,000 is anticipated to be payable over the Forecast Period. The Transport Companies have an insurance policy through Northridge General Insurance Corporation (the "Policy") pursuant to which they currently pay monthly premiums of approximately \$130,000 (the "Premiums"). It is anticipated that the Premiums will be significantly reduced once the Transport Companies' operations cease post-filing.
- 20.3 Rent of \$106,500 is anticipated to be payable over the Forecast Period for the Office and the Yard. The Transport Companies intend to vacate and disclaim their interest in the Office effective December 31, 2019 and intends to vacate and disclaim their interest in the Yard effective February 29, 2020 or upon the sale of the Transport Assets being completed.
- 20.4 Restructuring costs of approximately \$340,000 are estimated to be payable over the Forecast Period for the professional fees of the Monitor, the Monitor's legal counsel, TIC's legal counsel and the Transport Companies' legal counsel (the "Professional Fees"). The Monitor understands that the Transport Companies currently do not have independent legal counsel.
- 20.5 GST of approximately \$162,000 is anticipated to be paid over the Forecast Period, of which \$108,000 relates to the pre-filing period.
21. As referenced in the Brajer Affidavit, we understand that, if the Initial Order is granted, the Transport Companies would cease to have access to the central operating account that TIC holds with CIBC. CIBC will establish a new account for the Transport Companies to be used during the CCAA Proceedings. As such, the Transport Companies have a NIL opening cash balance. As noted above, the Transport Companies are projected to have a net cash inflow of approximately \$1.5 million over the Forecast Period.

PROPOSED MONITOR'S REPORT ON CASH FLOW STATEMENT

22. The Proposed Monitor reports as follows with respect to the Forecast:

- 22.1 The Forecast has been prepared by management for the purposes described in the notes contained therein (the "Notes") using the probable and hypothetical assumptions set out in the Notes;
- 22.2 The proposed Monitor's review consisted of inquiries, analytical procedures and discussion related to information supplied to it by management and selected employees of the Transport Companies. Since hypothetical assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Forecast. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Forecast.
- 22.3 Based on its review, noting has come to the attention of the Proposed Monitor that causes it to believe that, in all material respects:
- 22.3.1. The hypothetical assumptions are not consistent with the purpose of the Forecast;
- 22.3.2. As of the date of this report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Transport Companies or do not provide a reasonable basis for the Forecast, given the hypothetical assumptions;
- 22.3.3. Since the Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the Forecast will be achieved. The Proposed Monitor further express no opinion or other form of assurance with respect to the accuracy of any financial information reported with respect to the Forecast or relied upon by it in reporting on the Forecast; and
- 22.3.4. The Forecast has been prepared solely for the purposes described in the Notes and readers are cautioned that they may not be appropriate for other purposes.

ADMINISTRATION CHARGE


23. The Proposed Monitor understands that the November 29 Hearing will include an application for an administration charge in the amount of \$100,000. The Proposed Monitor notes that the Forecast indicates that the Professional Fees will be paid from the collection of pre-filing accounts receivable.
24. The Monitor supports the Administration Charge pursuant to Section 11.52 of the CCAA on the basis that it provides certainty for the professionals involved that they will be paid such that they can effectively participate in the CCAA proceedings.

CONCLUSION

25. This prefiling report has been prepared to provide this Honourable Court with information regarding MNP's qualifications to act as Monitor and the Forecasts in conjunction with the Respondent's application on November 27, 2019 seeking an Initial Order under the CCAA.

All of which is respectfully submitted this 27th day of November 2019.

MNP Ltd., in its capacity as Proposed Monitor of Ticho Landtran Transport Ltd, 1456998 Alberta Ltd., 1456982 Alberta Ltd. and Ventures West Limited Partnership and not in its personal or corporate capacity

Per: 

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

SCHEDULES

SCHEDULE 1

Clerk's Stamp:



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COURT OF QUEEN'S BENCH OF ALBERTA
EDMONTON

IN THE MATTER OF THE *COMPANIES'*
CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c.
C-36, as amended

AND IN THE MATTER OF A PLAN OF
COMPROMISE OR ARRANGEMENT OF TLI
CHO LANDTRAN TRANSPORT LTD., 1456998
ALBERTA LTD., and 1456982 ALBERTA LTD.

DOCUMENT
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CONSENT OF MNP LTD.

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File No. 236110

CONSENT OF MNP LTD.

MNP Ltd. hereby consents to act as CCAA monitor on terms substantially as provided in the draft Initial Order contained in the application record of Tlicho Investment Corporation dated November 27, 2019.

DATED at Calgary, Alberta, this 27 day of November, 2019

MNP LTD.



Name: Vanessa Allen
Title: Senior Vice-President

SCHEDULE 2

Tilicho Landtran Transport Limited, 1456982 Alberta Ltd., and Ventures West Limited Partnership (the "Transport Companies")
Statement of Projected Cash Flow (the "Cash Flow")

For the Thirteen Week Period from November 29, 2019 to February 22, 2020

Filing 11_29_19

Week ending:	30-Nov-19	07-Dec-19	14-Dec-19	21-Dec-19	28-Dec-19	04-Jan-20	11-Jan-20	18-Jan-20	25-Jan-20	01-Feb-20	08-Feb-20
Receipts											
Pre-filing accounts receivable	\$ 900,000	\$ 39,482	\$ 72,218	\$ 125,181	\$ -	\$ 565,144	\$ 417,015	\$ 354,735	\$ 199,733	\$ 164,584	\$ 94,147
Post-filing receipts	-	-	-	-	-	-	-	-	10,000	10,000	10,000
Total Receipts	900,000	39,482	72,218	125,181	-	565,144	417,015	354,735	209,733	174,584	104,147
Disbursements											
Salaries, wages and benefits	158,100	307,100	25,200	-	16,800	-	16,800	-	16,800	-	16,800
Insurance	130,000	-	-	-	-	100,000	-	-	-	100,000	-
Rent	43,500	-	-	-	-	31,500	-	-	-	31,500	-
Utilities	-	-	4,500	-	-	4,500	-	-	-	4,500	-
Office administration	-	-	-	-	10,000	-	-	-	-	-	-
Restructuring costs	-	-	-	-	-	-	-	-	-	-	-
Security	-	-	120,000	-	-	-	-	120,000	-	-	-
GST payable	-	10,200	-	10,200	-	10,200	-	10,200	-	10,200	-
Contingency	-	54,000	-	-	54,000	-	-	-	-	54,000	-
Total Disbursements	331,600	381,300	154,700	15,200	85,800	151,200	21,800	135,200	21,800	205,200	21,800
Net Cash Flow	\$ 568,400	-\$ 341,818	\$ 82,482	-\$ 109,981	\$ 85,800	-\$ 413,944	\$ 395,215	-\$ 219,535	\$ 187,933	-\$ 30,616	\$ 82,347


Bank Balance

Beginning cash balance	-	568,400	226,582	144,101	254,082	168,282	582,225	977,440	1,196,975	1,384,908	1,354,292
Net cash flow	568,400	-	82,482	109,981	-	413,944	395,215	219,535	187,933	30,616	82,347
Ending bank balance	\$ 568,400	-\$ 226,582	\$ 144,101	-\$ 254,082	\$ 168,282	-\$ 582,225	\$ 977,440	-\$ 1,196,975	\$ 1,384,908	-\$ 1,354,292	\$ 1,436,640

Purpose:

The Cash Flow has been prepared by the Transport Companies' management pursuant to Section 10(2)(a) of the Companies' Creditors Arrangement Act (the "CCAA"). It is being filed specifically for the purposes contemplated in that section and readers are cautioned that it may not be appropriate based on assumptions regarding future events, therefore actual results may vary from the estimates presented herein and these variances may be material.

Tilicho Landtran Transport Limited, 1456982 Alberta Ltd., and Ventures West Limited Partnership



Per: Mr. Mark Brajer, Chief Executive Officer

MNP Ltd. in its capacity as Monitor in proceedings under the CCAA for Tilicho Landtran Transport Limited, 1456982 Alberta Ltd., and Ventures West and not in its personal capacity

Per: Vanessa Allen, Senior Vice President

Tilcho Landtran Transport Limited, 1456982 Alberta Ltd., 1456998 Alberta Ltd. and Ventures West Limited Partnership (the "Transport Companies")
Statement of Projected Cash Flow (the "Cash Flow")

For the Thirteen Week Period from November 29, 2019 to February 22, 2020

Notes and assumptions - general

1. Unless otherwise stated, all amounts are based on historical data and management estimates.
2. All amounts are in Canadian dollars.
3. All amounts include applicable GST.

Notes and assumptions - specific

1. Includes known collections during the week ended November 30, 2019 with the remaining collections being based on customer payment terms.
2. Assumes that a subcontractor will be retained to continue one of the Transport Companies' contracts to transport cement to a mining operation in the Northwest Territories until such time as it can be assigned. Pursuant to this agreement, 5% of the corresponding revenue will be payable to the subcontractor until such time as it can be assigned. Pursuant to this agreement, 5% of the corresponding revenue will be payable to the subcontractor until such time as it can be assigned. Pursuant to this agreement, 5% of the corresponding revenue will be payable to the subcontractor until such time as it can be assigned.
3. Represents the payment of pre-filing salaries, wages and benefits and vacation pay up to the filing date. The Cash Flow assumes that all but four employees will be paid up to date and terminated upon the filing date. Severance obligations have been limited to the amount that employees would have received had the Transport Companies become bankrupt on that date. Four employees will be retained to vacate the Office, assist in the sale of the Transport Companies' assets and assist in the collection of go-forward accounts receivable.
4. The Transport Companies hold an insurance policy through Northridge General Insurance Corporation (the "Policy") pursuant to which they make monthly payments of approximately \$130,000. The Cash Flow assumes that the premiums payable will be significantly reduced based on the closure of the Transport Companies' operations.
5. The Transport Companies have a lease with KS Broadmoor Place III & VI Inc. for space located at 2301 Premier Way in Sherwood Park, Alberta (the "Office Lease"). The Cash Flow is based on the assumption that the Office Lease will be disclaimed effective December 31, 2019. The Transport Companies' leasehold improvements at the Office Lease will be sold to the Transport Companies' legal counsel, the Monitor, Tilcho Investment Corporation's legal counsel, the Transport Companies' legal counsel and the Monitor's legal counsel during the restructuring proceedings.
6. Includes utilities payable for the Yard.
7. Represents amounts payable to the Monitor, Tilcho Investment Corporation's legal counsel, the Transport Companies' legal counsel and the Monitor's legal counsel for professional fees and disbursements during the restructuring proceedings.
8. Includes 24 hour security at the Yard.
9. Includes payment of pre-filing GST obligations, which are estimated to total approximately \$108,000.
10. Represents cash held in the Company's bank account.