

District of Alberta

Division of No. 01 – Edmonton

Court No. 24-2746532, 24-2746511, 24-2746514

Estate No. 24-2746532, 24-2746511, 24-2746514

REPORT OF TRUSTEE PURSUANT TO SECTION 50(10)

**IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE PROPOSALS FOR ALASKA –
ALBERTA RAILWAY DEVELOPMENT CORPORATION, 7198362 MANITOBA LTD. AND 12703131
CANADA LTD.**

Introduction

The purpose of this report (the “Material Adverse Change Report”) is to provide the Official Receiver, the Court of Queen’s Bench of Alberta (the “Court”) and other interested parties with notice, pursuant to Section 50(10) of the *Bankruptcy and Insolvency Act* (the “BIA”), that the Trustee has determined that a material adverse change in the Companies’ financial circumstances has occurred as further set out below.

Background

On June 18, 2021, Alaska – Alberta Railway Development Corporation (“AARDC”), 7198362 Manitoba Ltd. (“719”) and 12703131 Canada Ltd. (“127”, collectively with AARDC and 719 “the “Companies”) filed Notices of Intention to Make Proposals (the “NOIs”) pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act, RSC 1985, c B-3* (the “BIA”). MNP Ltd. consented to act as Trustee under the NOIs (the “Trustee”).

On June 28, 2021, Statements of Projected Cash Flow for the Period from June 18, 2021 to September 17, 2021 were filed for each of the Companies.

As a result of filing their NOIs, the Companies were each granted a 30 day stay of proceedings pursuant to Section 69(1) of the BIA (the “Initial Stay”). The Companies are required to file a proposal within the Initial Stay or within any further extension of that period granted by the Court.

The NOI proceedings were initiated following the receivership of the Companies’ primary secured lender, Bridging Finance Inc. (“BFI”) and certain other entities and investment funds related to BFI (collectively, “Bridging”) pursuant to Orders granted on April 30, 2021 and May 3, 2021. PricewaterhouseCoopers Inc. (“PwC”) acts as the Court-appointed Receiver of Bridging (the “Bridging Receiver”). On June 8, 2021, the

Bridging Receiver issued a demand letter and a Notice of Intention to Enforce Security to AARDC pursuant to Section 244 of the *BIA* and demand letters to 719 and 127.

Material Adverse Change

The Trustee has determined that a material adverse change in the Companies' financial circumstances has occurred as a result of the following:

1. The Bridging Receiver has advised the Trustee that it will not support any proposal filed by 719 and 127 and that it will only support any extension to the Initial Stay for AARDC in the event that an Interim Receiver is appointed in respect of AARDC. Due to the size and nature of Bridging's claim, the Companies do not have the ability to make a viable proposal without Bridging's support.
2. Outside of Mr. Sean McCoshen, there is no party with the corporate authority to act on behalf of the Companies. The Trustee has been advised that Mr. McCoshen is currently under medical care and is not involved in the day to day operations of the Companies. Further, Mr. McCoshen has not, during the course of the Companies' NOI proceedings been accessible to the Trustee other than through the Companies' counsel, Dickinson Wright LLP, in addition to which, the Receiver of Bridging has expressed concern regarding Mr. McCoshen's activities in relation to the Companies prior to the filing of their NOIs.
3. The parties currently charged with the management of the day-to-day activities of the Companies do not appear to have comprehensive information regarding the Companies' assets or the required authority to manage the Companies' operations.

Accordingly, the Proposal Trustee is of the opinion that these events represent a material adverse change in the Companies' circumstances that will preclude 719 and 127 from being able to file a proposal to their creditors and will, absent the appointment of an Interim Receiver, also preclude AARDC from being able to file a proposal to its creditors.

The Trustee will be making an application, currently scheduled to be heard on July 12, 2021 (the "July 12 Hearing") for the termination of the Initial Stay in respect of 719 and 127. Also, at the July 12 Hearing, the Bridging Receiver will be making an application to appoint MNP Ltd. as the Interim Receiver of AARDC, which will resolve the lack of any person having corporate authority for AARDC. Assuming this relief is granted, the Interim Receiver will be making an application for an extension of the Initial Stay for AARDC. This report and all publicly available information filed in support of the July 12 Hearing will be posted on

the Trustee's website at <https://mnpdebt.ca/en/corporate/corporate-engagements/alaska-alberta-railway-development-corporation-7198362-manitoba-ltd-and-12703131-canada-ltd>.

Dated at Calgary, Alberta this 7th day of July 2021.

MNP Ltd., in its capacity as Proposal Trustee of
Alaska – Alberta Railway Development Corporation,
7198362 Manitoba Ltd. and 12703131 Canada Ltd.
not in its personal or corporate capacity



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