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**IN BANKRUPTCY AND INSOLVENCY**

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**THIRD REPORT OF THE INTERIM RECEIVER IN THE MATTER OF THE  
PROPOSAL OF ALASKA – ALBERTA RAILWAY DEVELOPMENT  
CORPORATION**

**DATE**

**DECEMBER 7, 2021**

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## INTRODUCTION

1. On June 18, 2021, Alaska – Alberta Railway Development Corporation (“A2A” or the “Company”) filed a Notice of Intention to Make a Proposal (“NOI”) pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act, RSC 1985, c B-3* (the “BIA”). MNP Ltd. (“MNP”) consented to act as Trustee (the “Proposal Trustee”) under the NOI of A2A and two related companies, 7198362 Manitoba Ltd. and 12703131 Canada Ltd. (collectively with A2A, the “NOI Companies”).
2. Upon filing its NOI, A2A became subject to a statutory 30-day stay of proceedings pursuant to Section 69(1) of the BIA (the “Stay”). Three extensions of the Stay were granted by the Court of Queen’s Bench of Alberta (the “Court”) pursuant to which the Stay was extended to November 29, 2021.
3. The NOI proceedings were initiated following the receivership of the NOI Companies’ primary secured lender, Bridging Finance Inc. (“BFI”) and certain other entities and investment funds related to BFI (collectively, “Bridging”) pursuant to Orders granted by the Ontario Superior Court of Justice (Commercial List) on April 30, 2021 and May 3, 2021. PricewaterhouseCoopers Inc. (“PwC”) acts as the Court-appointed Receiver of, among other entities, Bridging (the “Bridging Receiver”). On June 8, 2021, the Bridging Receiver issued a demand letter and a Notice of Intention to Enforce Security (the “244 Notice”) to A2A pursuant to Section 244 of the BIA. The 244 Notice provides that A2A is indebted to Bridging in the amount of approximately \$212.9 million.
4. On July 7, 2021, the Proposal Trustee issued a material adverse change report for A2A pursuant to Section 50(10) of the BIA. Subsequently, on July 12, 2021 (the “Receivership Date”), on the application of the Bridging Receiver, the Court granted an Order appointing MNP Ltd. as Interim Receiver of the Company during the NOI proceedings (the “Interim Receivership Order”). Also, on July 12, 2021, the Court granted an Order terminating the Stay in respect of 7198362 Manitoba Ltd. and 12703131 Canada Ltd., which entities were subsequently deemed to be bankrupt.
5. On October 13, 2021, the Court granted an Amended and Restated Interim Receivership Order (the “Amended Receivership Order”) expanding the Interim Receiver’s powers to empower and authorize, but not obligate, the Interim Receiver to negotiate and file a proposal under Part III, Division I of the BIA (the “Proposal”) on behalf of A2A.
6. On October 27, 2021, the Proposal was lodged with the Official Receiver on behalf of the Company.
7. At a meeting of creditors to consider the Proposal held on November 9, 2021, the Proposal was accepted by the required majority of creditors.
8. Information regarding these proceedings can be found on the Interim Receiver’s website at <https://mnpdebt.ca/en/corporate/corporate-engagements/alaska-alberta-railway-development-corporation>.

## **NOTICE TO READER**

9. In preparing this report and making comments herein, the Interim Receiver has relied upon, certain unaudited, draft or internal financial information, including the Company's books and records, and information from other third-party sources (collectively, the "Information"). The Interim 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 Interim Receiver's procedures were intended to disclose defalcations or other irregularities. If the Interim Receiver were to perform additional procedures or to undertake an audit examination of the Information in accordance with the Standards, additional matters may have come to the Interim Receiver's attention. Accordingly, the Interim Receiver does not express an opinion, nor does it provide any other form of assurance on the financial or other information presented herein. The Interim Receiver may refine or alter its observations as further information is obtained or brought to its attention after the date of this report.
10. All amounts included herein are in Canadian dollars unless otherwise stated.

## **PURPOSE OF THE REPORT**

- 11 This report is the third report of the Interim Receiver (the "Third Report"). The purpose of the Third Report is to provide the Court with information regarding the Interim Receiver's application, returnable on December 16, 2021 (the "December 16 Hearing") seeking the following relief:
  - 11.1 Approval of the reported actions of the Interim Receiver in administering these interim receivership proceedings provided that only the Interim Receiver, in its personal capacity and with respect to its own personal liability, shall be entitled to rely upon or utilize in any way such approvals;
  - 11.2 Approval of the professional fees and disbursements of the Interim Receiver (the "IR Fees") and the professional fees and disbursements of the Interim Receiver's legal counsel (the "Legal Fees"), both for the period from October 1, 2021 to November 15, 2021, and in relation to the fees estimated to be required to complete the administration of the estate (collectively, the "Professional Fees");
  - 11.3 The discharge of the Interim Receiver upon the filing of a certificate confirming the completion of the Interim Receiver's remaining obligations (the "Discharge Certificate") and, upon its discharge, the release of the Interim Receiver from liability for any acts or omissions on its part save and except for any liability arising out of any fraud, gross negligence or willful misconduct and staying, extinguishing and forever barring any action or proceedings against the Interim Receiver, subject to leave of the Court on notice to the Interim Receiver.

## **ACTIVITIES OF THE INTERIM RECEIVER**

12. The following is a summary of the activities undertaken by the Interim Receiver since October 7, 2021, the date of the Second Report of the Interim Receiver:
  - 12.1. Consulting with the Bridging Receiver on the terms of the Proposal and various matters related to the interim receivership proceedings;
  - 12.2. Preparing and lodging the Proposal and all related documents with the Official Receiver;
  - 12.3. Meeting with contractors of the Company regarding various matters related to A2A's operations and intellectual property; and
  - 12.4. Responding to creditor and stakeholder inquiries.

## **INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS**

13. Attached hereto as "Schedule 1" is an Interim Statement of Receipts and Disbursements for the period ended December 6, 2021 (the "Interim R&D"). As reflected in the Interim R&D, the Interim Receiver is holding approximately \$140,900 in its trust account of which approximately \$113,000 consists of a retainer that was previously paid to A2A's former legal counsel (the "Retainer"). The Interim Receiver has confirmed that the Retainer was paid by Mr. Sean McCoshen (A2A's former director) personally. Mr. McCoshen is currently bankrupt and Farber Group acts as Trustee of his bankrupt estate. As such, the Interim Receiver anticipates that the Retainer will be remitted to Farber for the benefit of the creditors in Mr. McCoshen's personal bankruptcy. The remaining balance of approximately \$27,900 is available to fund the interim receivership proceedings.
14. The Interim R&D reflects the receipt of approximately \$560,000, including \$447,000 that was held by A2A at the Receivership Date and the Retainer.
15. The Interim R&D also reflects disbursements of approximately \$419,200. The Interim Receiver highlights the following with respect to these disbursements:
  - 15.1. Fees and expenses of approximately \$180,800 were paid to contractors of A2A, located in the United States, to support the Company's operations and prepare material to support various potential realization strategies that were considered for A2A;
  - 15.2. IR Fees totaling approximately \$125,500 and Legal Fees totaling approximately \$35,300 were paid for the period ended September 30, 2021; and
  - 15.3. Professional fees and disbursements of the Proposal Trustee totaling approximately \$37,400 and professional fees and disbursements of the Proposal Trustee's legal counsel totaling approximately \$7,800 were paid for the period ended September 30, 2021. The Interim Receiver notes that additional professional fees and disbursements of the Proposal Trustee were paid from a retainer received from A2A prior to the filing date.

## **PROFESSIONAL FEES AND DISBURSEMENTS**

16. Attached as "Schedule 2" is a summary of the IR Fees and the Legal Fees (collectively defined above as the "Professional Fees") for the period from October 1 to November 15, 2021, and fees estimated to be required to complete the administration of the interim receivership (the "Billing Period"). As set out therein, the IR Fees total approximately \$57,000 plus GST for a total of approximately \$59,900. Also as set out therein, the Legal Fees total approximately \$17,700 plus GST for a total of approximately \$19,200. Professional Fees that are not paid through the estate will be paid by Bridging, pursuant to their sponsorship of the Proposal.
17. At the December 16 Hearing, the Interim Receiver is seeking approval of the Professional Fees for the Billing Period. The Interim Receiver believes that significant value has been provided through the services performed by the Interim Receiver and that the fees are fair, appropriate and reasonable in the circumstances. The Interim Receiver notes that work was delegated to junior staff members of the Interim Receiver and the Interim Receiver's legal counsel, as appropriate, in order to reduce the Professional Fees.
18. The Professional Fees were charged by the Interim Receiver and the Interim Receiver's legal counsel at their standard hourly rates and, in the Interim Receiver's experience, are comparable to the standard rates of other providers of similar services in Alberta. The Interim Receiver will make copies of both their accounts and the accounts of their legal counsel (subject to redaction for privilege) available to the Court or any interested person upon further request.

## **DISCHARGE OF THE INTERIM RECEIVER**

- 19 The following administrative matters remain outstanding to complete the administration of the Interim Receivership:
  - 19.1 Preparing the final GST returns and closing the Interim Receiver's GST account;
  - 19.2 Paying the Retainer to Farber or as further directed by Farber;
  - 19.3 Paying any residual operating expenses of A2A;
  - 19.4 Paying any remaining funds held by the Interim Receiver to the Proposal Trustee to be distributed pursuant to the terms of the Proposal;
  - 19.5 Preparing and issuing all final reporting and the final statement of receipts and disbursements that will be attached to the Receiver's Certificate; and
  - 19.6 Any other matters incidental to completing the administration of the interim receivership.

## CONCLUSION

20 The Third Report has been prepared to provide the Court with information on the following relief sought by the Interim Receiver at the December 16 Hearing:


20.1 Approval of the reported actions of the Interim Receiver in administering these interim receivership proceedings provided that only the Interim Receiver, in its personal capacity and with respect to its own personal liability, shall be entitled to rely upon or utilize in any way such approvals;

20.2 Approval of the Professional Fees; and

20.3 The discharge of the Interim Receiver and its release from liability for any acts or omissions on its part, save and except for the usual exclusions, and staying, extinguishing and forever barring any actions or proceedings against the Interim Receiver.

All of which is respectfully submitted this 7<sup>th</sup> day of December 2021.

**MNP Ltd.**, in its capacity as Interim Receiver of Alaska – Alberta  
Railway Development Corporation, and not in its personal or  
corporate capacity

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



# SCHEDULES

# SCHEDULE 1

**Alaska - Alberta Railway Development Corporation - Interim Receivership**  
**Interim Receiver' Statement of Receipts and Disbursements for the period ended December**  
**6, 2021**

<b>Receipts:</b>		<u>Notes</u>
Cash held in financial institutions	\$ 447,036	1
Retainer	113,007	2
<b>Total Receipts</b>	<b>560,043</b>	
<b>Disbursements:</b>		
Contractor fees and expenses	180,791	3
Interim Receiver's fees and disbursements	125,504	4
Trustee's fees and disbursements	37,443	4
Interim Receiver's legal fees & disbursements	35,287	4
Operating expenses	15,469	
GST paid	10,918	
PST paid	442	
Trustee's legal fees and disbursements	7,762	4
Insurance	5,375	
Miscellaneous	176	
<b>Total Disbursements</b>	<b>419,165</b>	
<b>Excess of receipts over disbursements</b>	<b>140,878</b>	
Amount held in trust	113,007	2
<b>Net available cash</b>	<b>\$ 27,871</b>	

**Notes:**

- 1 Represents cash held in financial institutions at the date of the Interim Receivership.
- 2 Represents a retainer that was previously paid to A2A's former legal counsel (the "Retainer"). The Trustee has confirmed that the Retainer was paid by Sean McCoshen (A2A's former director) personally. Mr. McCoshen is currently bankrupt and Farber Group acts as Trustee of his bankrupt estate. The Interim Receiver anticipates that the Retainer will be remitted to Farber for the benefit of the creditors in McCoshen's personal bankruptcy.
- 3 Includes amounts payable to contractors in the United States, who are assisting in the day to day operations of A2A. One of A2A's contractors sublets an office located in Anchorage, Alaska, which remained in use. This expense was reimbursable by A2A.
- 4 Represents professional fees and disbursements for the period ended September 30, 2021.

# **SCHEDULE 2**

**Alaska - Alberta Railway Development Corporation ("A2A") - Interim Receivership**  
**Summary of Professional Fees and Disbursements for the Period From October 1 to November 15, 2021 Including**  
**Estimates to Complete the Administration of the Estate**

**MNP Ltd.**

<b>Invoice date</b>	<b>Invoice number</b>	<b>Description</b>	<b>Professional fees</b>	<b>Disbursements</b>	<b>GST</b>	<b>Total</b>
25-Nov-21	10082511	To November 15, 2021	\$ 42,017	\$ -	\$ 2,101	\$ 44,118
	Estimate to complete		15,000	-	750	15,750
			<b>\$ 57,017</b>	<b>\$ -</b>	<b>\$ 2,851</b>	<b>\$ 59,868</b>

**Lawson Lundell LLP**

<b>Invoice date</b>	<b>Invoice number</b>	<b>Description</b>	<b>Professional fees</b>	<b>Disbursements</b>	<b>GST</b>	<b>Total</b>
08-Nov-21	1122790	To October 31, 2021	\$ 15,722	\$ 540	\$ 811	\$ 17,073
	Estimate to complete		2,000	-	100	2,100
			<b>\$ 17,722</b>	<b>\$ 540</b>	<b>\$ 911</b>	<b>\$ 19,173</b>

<b>Total Professional Fees and Disbursements</b>			<b>\$ 74,739</b>	<b>\$ 540</b>	<b>\$ 3,762</b>	<b>\$ 79,041</b>
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