Clerk's Stamp

JUDICIAL CENTRE OF EDMONTON
FILED
SEP 23 2019
Clerk of the Court of Queen's Bench

COURT FILE NUMBER	1703-20802
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	EDMONTON
PLAINTIFF	AGRICULTURE FINANCIAL SERVICES CORPORATION
DEFENDANTS	ALL 4 WATER CORP., FOUR WINDS HOTELS MANAGEMENT CORP., R. HOYDA MANAGEMENT CORP., RONALD ALEXANDER HOYDA and ROSEMARIE HOYDA
DOCUMENT	**RECEIVER'S THIRD REPORT** (Re: Four Winds Hotels Management Corp. and R. Hoyda Management Corp.) **SEPTEMBER 20, 2019**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**RECEIVER** ERNST & YOUNG INC. EPCOR Tower 10423 - 101 Street, Suite 1400 PO Box 44 Edmonton, Alberta T5H 0E7 Attention: Matt McCulloch / Bob Sword Telephone: 780-638-6642 / 780-441-4665 Fax: 780-428-8977 Email: matt.mcculloch@ca.ey.com bob.sword@ca.ey.com **COUNSEL** Stephanie Wanke Miller Thomson LLP 2700 Commerce Place 10155 - 102 Street Edmonton, AB T5J 4G8 Telephone: 780-429-9722 Fax: 780-424-5866 Email: swanke@millerthomson.com

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SCHEDULES

INTRODUCTION AND PURPOSE OF THE REPORT

1. On October 30, 2017, pursuant to an application made by Agriculture Financial Services Corporation ("**AFSC**") in respect of Four Winds Hotels Management Corp. ("**Four Winds**") and R. Hoyda Management Corp. ("**RHMC**"), Ernst & Young Inc. ("**EY**" or the "**Receiver**") was appointed as Receiver for Four Winds and RHMC by virtue of an order (the "**Receivership Order**") granted by the Court of Queen's Bench of Alberta. For the balance of this report, unless specific reference to Four Winds and RHMC is required, Four Winds and RHMC will simply be referred to collectively as the "**Company**".

2. Four Winds had been the operating entity of several businesses in High Level, Alberta, which included a restaurant, lounge, motel and liquor store (collectively, the "**Properties**"). The land and buildings occupied by the restaurant, lounge and motel are owned by Four Winds and are located on two lots. The restaurant and lounge operate out of one building which is situated on one lot and the motel buildings straddle the two lots. The restaurant / lounge building also has a reception area for the motel and management's office for all three businesses. In addition to serving food and beverages to the customers, the lounge had an Alberta Gaming and Liquor Commission ("**AGLC**") sanctioned Gaming Entertainment Centre with 25 Video Lottery Terminals ("**VLTs**") that were available to the customers.

3. The motel property is located adjacent to the restaurant / lounge and occupies portions of the two lots owned by Four Winds. The motel consists of 43 units, the majority of which were not available to be rented to the public for a number of reasons, which included:

    a) the units were not in livable condition. Many units have been declared unfit for use by the local health authority while others are in various states of disrepair;

    b) the units were being used for storage and are blocked from being rented; and,

    c) some units were occupied by employees.

4. A portion of the motel building was converted for use as a water bottling facility which was owned and operated by a related company, All 4 Water Corp. The water plant equipment was sold; however, pursuant to an agreement between the Receiver and the purchaser of the equipment, it is currently being stored on the premises.

5. As referenced above Four Winds also operated a liquor store which occupies approximately fifty percent of a building next door to the motel. The building is situated on a separate lot that is owned by RHMC.

6. An Order of the Court was granted on November 23, 2018, on application by the Receiver, amending the Receivership Order at paragraph 20, which increased the amount the Receiver could borrow from $250,000 for each of Four Winds and RHMC, to $450,000 for Four Winds and $375,000 for RHMC, with a corresponding increase in the borrowing charge against the assets of each debtor.

7. The purpose of this report (the "**Receiver's Third Report**") is to provide this Honourable Court and other stakeholders with the following information since the date of the Receiver's Second Report on November 13, 2018:

   a) the Receiver's activities;

   b) the Receiver's marketing efforts in relation to the real estate and associated chattels of Four Winds and RHMC and the results thereof;

   c) to present an offer received by the Receiver for the majority of the assets of Four Winds and RHMC; and,

   to serve as support for the Receiver's request for an Order from this Honourable Court that:

   d) approves the Receiver's actions to date;

   e) approves the sale of the real estate and majority of remaining personal property of Four Winds and RHMC and vests title to such assets in the proposed purchaser on closing.; and,

f) deems any chattels remaining on the real estate of Four Winds and RHMC that have not been removed by October 5, 2019 as abandoned and confirms that Four Winds and RHMC may transfer the chattels to the proposed purchaser of the real estate.

THE RECEIVER'S ACTIVITIES SINCE THE DATE OF OUR SECOND REPORT

8. Attached as **Schedules** "A" and "B" are the Statements of Receipts and Disbursements to August 31, 2019 in relation to Four Winds and RHMC, respectively.

9. As referenced in the Receiver's Second Report, due to the continuing cash losses, the Receiver closed down the operation of the grocery store as, in the Receiver's opinion, the continued operation of the store would not provide a significant incentive for a sale of the Properties on a going concern basis.

10. The Receiver continued to operate the liquor store, restaurant and lounge while negotiating with prospective purchasers until mid December 2018 when it became apparent a sale as going concern was not likely to occur.

11. On December 18, 2018, the Receiver shut down all commercial activity and laid off all of the employees except one who was kept on for security and maintenance purposes.

12. On December 28, 2018, the Receiver gave notice to the long-term tenants that the motel was going to be completely closed and they would have to move out. In order to encourage the tenants to move, the Receiver offered to waive the January 2019 rent if they agreed to move out by January 31, 2019. All the tenants took advantage of the incentive, leaving the security/maintenance staff member as the only occupant of the property.

13. With the closure of the liquor store, lounge and restaurant, the Alberta Gaming and Liquor Commission ("**AGLC**") cancelled the liquor licenses and also gave notice that the VLT and Lottery equipment would be removed by mid January 2019 if a qualified purchaser was not found to take over the premises by no later than February 1, 2019. Given the stringent application process for an AGLC gaming license, and a lack of qualified interested parties, the terminals were removed.

14. Following the closure of the operations, the Receiver commenced implementing cost cutting measures including minimizing utility services, clean up and shutdown of freezers and coolers. Some of the remaining groceries and perishables were donated to the local food bank. The remainder of the dry goods and non-perishables will be sold in conjunction with the liquor store inventory.

15. At the time the liquor store was closed, there was approximately $75,000.00 of inventory on hand. Following the closure, the Receiver contacted the AGLC to determine what restrictions there were on the sale of the liquor inventory. AGLC advised that the beer, wine and liquor could only be sold to another licensee or by public auction.

16. The Receiver contacted the liquor stores in High Level, provided them with a listing of the inventory and requested they make an offer. In addition, the Receiver contacted a representative of the owner of the majority of the hotels / lounges in High Level and requested they make an offer to purchase the inventory. Both of these initiatives were unsuccessful. The Receiver also contacted several licensed restaurants and lounges in the Edmonton area regarding possible interest in the inventory; however, either no response was received, or the parties were not interested due to the cost of travel, freight and the inconvenience of the location.

17. The Receiver contacted a local Edmonton auctioneer to conduct an auction on site at the liquor store. Arrangements have been completed and the sale is scheduled for September 28, 2019.

18. The small inventory of dry goods and non-perishables will be sold at auction along with the liquor store inventory. The only other remaining asset is a 2011 Dodge 3500 crew cab, which will also be sold at the auction sale or by private sale.

19. Over the past seventeen months, the Receiver has accommodated MYE Canada Inc., ("**MYE**"), the purchaser of the All 4 Water Corp. (a related company that operated a water bottling facility) assets located in a portion of the motel, to store the equipment for a period of time to allow MYE to make arrangements for the orderly removal of the equipment. The Receiver had expected this arrangement to be a short-term accommodation.

20. After a number of telephone conversations with a representative of MYE regarding the timing of the removal, the Receiver sent an e-mail to MYE requesting the removal of the equipment or rent would be charged.

21. Thereafter, in the spring of 2019 the Receiver again requested that the equipment be removed and reiterated its demand for rent; however, due to the forest fires and ultimate evacuation of the Town of High Level, MYE was unable to remove the equipment.

22. On July 15, 2019, after the forest fire situation had somewhat abated, the Receiver verbally requested that the equipment be removed; or, in the event it wasn't removed by August 7, 2019, MYE would pay $2,500.00 per month rent for August and every subsequent month of storage. The request was agreed to and confirmed by e-mail. On August 7, 2019 the Receiver sent an e-mail reminding MYE that the August rent was due and enquiring whether arrangements were underway to remove the assets. On August 22, 2019 another e-mail was sent by the Receiver requesting payment of the rent for August and enquiring whether arrangements had been made for the equipment removal. On August 27, 2019 a fourth e-mail was sent by the Receiver reiterating the urgency in settling the matter and paying the rent. Copies of the e-mails setting out the requests are included in this Report as **Schedule "C"**.

23. On September 3, 2019, in a conference call Mr. Sam Mraiche, the principal of MYE, was advised by the Receiver of the pending sale of the properties and was again requested to pay rent for August and September 2019. In addition, Mr. Mraiche was advised that the anticipated closing date of the sale, subject to Court approval, was September 30, 2019. He was also advised that, if the equipment was not removed, the purchaser was demanding the equipment be deemed abandoned and title to it would vest in the purchaser of the properties.

24. Following the closure of the business operations, the Receiver continued marketing the Properties by direct contact with parties that had expressed interest previously; and, also continued with local signage advertising the properties for sale.

25. During the period from December 31, 2018 to July 9, 2019, the Receiver responded to eleven enquiries from parties that had expressed an interest in a portion of, or the entire package, of assets. The Receiver provided information to the parties as requested; however, no serious offers were received. Two parties requested the opportunity to lease the properties, or a portion thereof on a short term or part time basis.

26. In January 2019 the Receiver contacted several real estate agents to explore the possibility of listing the properties; however, based on the ongoing interest from various parties, the Receiver deferred entering into a listing agreement. In June 2019 the Receiver determined that the marketing efforts were not having the desired effect; and,

as a consequence, negotiated a real estate listing agreement with a local realtor. The listing agreement was signed on July 9, 2019.

27. Subsequent to listing the Properties, two offers were presented to the Receiver by the real estate agent, the details of which are included in a Confidential Supplement to the Receiver's Third Report.

28. The Receiver has accepted one of the offers for the Properties, including the chattels located on the Properties, and entered into a Commercial Purchase Contract (the "Commercial Purchase Contract") with the proposed purchaser (the "Purchaser"), subject to obtaining a Sale Approval and Vesting Order from the Court.

29. The Receiver anticipates that the sale proceeds will generally go to the costs of the receivership; however, that allocation will be made and reported on in a subsequent report to the Court.

THE RECEIVER'S RECOMMENDATIONS AND CONCLUSIONS

30. Based on the matters outlined in this report the Receiver respectfully requests an Order or Orders that:

a) approves the actions of the Receiver to date, including the actions of the Receiver as set out in this Report;

b) approves the sale of the Properties and chattels located thereon in accordance with the Commercial Purchase Contract, the details of which are included as a schedule to the Confidential Supplement to the Receiver's Third Report;

c) vests title to Properties and chattels located thereon to the Purchaser in accordance with the Commercial Purchase Contract, and;

d) deems any chattels on the Properties owned by third parties that have not been removed by October 5, 2019 as abandoned and confirms that such chattels shall form part of the assets transferred to the Purchaser under the Commercial Purchase Contract.

All of which is respectfully submitted.

Dated at the City of Edmonton, this 20th day of September, 2019

Ernst & Young Inc.
In its capacity as Receiver of
Four Winds Hotels Management Corp. and R. Hoyda Management Corp.
and not in its personal or corporate capacity

Per:

Bob Sword, CPA-CA, CIRP
Senior Manager
For:
Matt McCulloch, CPA, CA, CIRP, Licensed Insolvency Trustee
Senior Vice-President

SCHEDULE A

Four Winds Hotels Management Corp. - in Receivership
Ernst & Young Inc., Receiver
Statement of Receipts and Disbursements
For the Period October 31, 2017 to August 31, 2019

Receipts:	
Cash in bank - October 31, 2017	$ 28,123.64
Pre-receivership accounts receivable recoveries	5,868.81
VLT and Lottery revenue	1,540,553.78
Sales revenue	1,383,021.70
VLT / Lottery commissions	310,205.87
GST collected	70,337.07
GST refunds	1,231.69
Interest earned	1,700.49
Miscellaneous recoveries	15,926.80
Recovery of security costs	6,841.80
Insurance proceeds	22,105.62
Deposit on Purchase subject to Court approval	100,000.00
Receiver's certificates	450,000.00
Total Receipts	**$ 3,935,917.27**
Disbursements:	
AGLC payments re: VLT and Lottery revenue	$ 1,541,106.66
Liquor purchases	759,324.19
Grocery purchases	167,821.41
Payroll costs	699,284.67
Utilities - net of refunds	142,005.10
Repairs and maintenance	20,876.16
Insurance	70,788.00
Interest and bank charges	53,588.23
Office expenses	11,036.91
Fuel and sundry costs	3,672.21
Licenses and fees	2,950.00
Advertising	715.00
GST paid	72,927.38
Real estate appraisal fees	2,500.00
Legal fees	4,932.50
Receiver's fees and costs	272,674.52
Receivership filing fees	70.00
Total Disbursements	**$ 3,826,272.94**
Unrestricted cash on hand - August 31, 2019	**$ 9,644.33**
Restricted cash on hand - August 31, 2019	**100,000.00**

SCHEDULE B

R. Hoyda Management Corp. - in Receivership
Ernst & Young Inc., Receiver
Statement of Receipts and Disbursements
For the Period October 31, 2017 to August 31, 2019

Receipts:	
Cash in bank - October 31, 2017	$ 14,637.56
Pre-receivership accounts receivable recoveries	46,936.20
Miscellaneous recoveries	171.26
Sales revenue	746,938.58
GST collected	4,539.64
GST refunds	14,804.15
Interest earned	192.28
Receiver's certificates	375,000.00
Total Receipts	$ **1,203,219.67**
Disbursements:	
Groceries and consumables	$ 557,402.63
Freight	30,727.11
Payroll costs	223,547.46
Utilities	72,978.19
Repairs and maintenance	7,410.11
Insurance	13,128.77
Office expenses	101.52
Bank charges and interest	31,316.67
Licenses and fees	3,187.18
Advertising	1,133.00
GST paid	19,495.52
Real estate appraisal	2,500.00
Receiver's fees and costs	228,247.45
Receivership filing fee	70.00
Total Disbursements	$ **1,191,245.61**
Cash on Hand - August 31, 2019	$ **11,974.06**

SCHEDULE C

Bob Sword

From: Matt McCulloch
Sent: August 27, 2019 4:14 PM
To: Sam Mraiche; Bob Sword
Cc: Eddy Abdallah; moea@myecanada.com; Dan McCulloch
Subject: RE: FW: Four Winds Hotels Management Corp. & R. Hoyda Management Corp. - in Receivership

Importance: High

Sam and Eddy,

Further to our various email messages and other correspondence, it was agreed that the remaining All 4 Water assets being stored in High Level were to be removed the first week of August, 2019. My understanding is that this did not occur, if I am mistaken, my apologies, please let me know. If I am correct, and the assets remain on site, there are a number of pressing matters that need to be addressed:

1.) There is an offer now pending on the premises and we are negotiating currently. If this offer is ultimately accepted, the assets need to be removed immediately. The potential purchaser has indicated in its offer that any of the "non-included assets" that have not been removed from the site by the possession date will become part of the property purchased. Now although this isn't necessarily possible from the purchaser's perspective, as the Receiver, if there is an issue with the removal of the All 4 Water remaining assets, we will apply to Court for an Order stipulating that should MYE fail to remove the assets by the possession date, that MYE will have been deemed to have abandoned the assets to the benefit of the purchaser. This is not because we are trying to be difficult or unreasonable, but we are certainly not going to jeopardize or lose a sale on this property on account of the MYE assets that have not been removed, but should have been by this time.

2.) Rent for August 2019. The receiver will need to be paid rent for the month of August 2019 on account of the assets not being removed as agreed. For September 2019 and onwards (if agreed to by the Receiver and MYE) rent will be charged by the Receiver on a per diem basis provided an agreement is reached, and MYE confirms it will remove the assets on terms agreeable to the Receiver.

3.) The tentative closing date for the pending offer is currently expected to be the end of September but could be possibly later. If the assets are not removed prior to the closing date, you are at risk of losing the assets.

Feel free to call either myself or Bob to discuss further.

Yours truly,

Matt McCulloch, CPA, CA, CIRP, Licensed InsolvencyTrustee
Partner & Senior Vice President*| Corporate Restructuring & Insolvency
Ernst & Young Inc.
EPCOR Tower, 10423 - 101 Street, Suite 1400, PO Box 44, Edmonton AB T5H 0E7
Direct: 780 638 6642 | Fax: 780 428 8977 | matt.mcculloch@ca.ey.com
Website: http://www.ey.com
Assistant: Michelle Jameson | Phone: 780 441 4693 | michelle.jameson@ca.ey.com
Paraprofessional: Trina Sorbara | Phone 780 412 2393 | trina.m.sorbara@ca.ey.com
* Services provided through Matthew McCulloch Professional Corporation.

From: Sam Mraiche <smraiche@myecanada.com>
Sent: Thursday, August 22, 2019 12:12 PM
To: Bob Sword <Bob.Sword@ca.ey.com>
Cc: Eddy Abdallah <eddya@myecanada.com>; moea@myecanada.com; Dan McCulloch <Dan.McCulloch@ca.ey.com>; Matt McCulloch <Matt.McCulloch@ca.ey.com>
Subject: Re: FW: Four Winds Hotels Management Corp. & R. Hoyda Management Corp. - in Receivership

Eddy,

Can you please give us an update on the move

Regards,

Sam Mraiche

On Thu, Aug 22, 2019 at 10:10 AM Bob Sword <Bob.Sword@ca.ey.com> wrote:

Good morning Eddy;

This is a follow up on my e-mail of August 7, 2019 (copy below). As of today we have not had a response. The rent for the month of August is now past due in the amount of $2,625.00 including the GST and rent for September 2019 will be due in ten days. Attached is a statement of account in that regard.

Have you determined a timeline for the removal of the equipment currently in storage in High Level? If so, please advise us so we can make arrangements with our security to facilitate the removal.

Regards,

Bob Sword

Bob Sword, CPA-CA, CIRP | Senior Manager | Corporate Restructuring and Insolvency

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From: Bob Sword
Sent: Wednesday, August 7, 2019 11:28 AM
To: Eddy Abdallah <eddya@myecanada.com>
Cc: smraiche@myecanada.com; moea@myecanada.com
Subject: FW: Four Winds Hotels Management Corp. & R. Hoyda Management Corp. - in Receivership
Importance: High

Good day Eddy;

Further to Matt McCulloch's e-mail below, it is now the 7th of August. Have you made arrangements to remove the assets currently in storage in High Level? Please contact me as soon as possible to confirm when this will be done and the names of those that will be picking up the assets so I can advise our security who will be there and when. If you are unable to make arrangements in the next few days, please let me know. In the event you are unable to remove the assets, please consider this as your invoice for rent for the month of August 2019 in the amount of $2,500.00 plus GST of $125.00 (total of $2,625.00).

Thank you.

Regards,

Bob Sword

Bob Sword, CPA-CA, CIRP | Senior Manager | Corporate Restructuring and Insolvency

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From: Matt McCulloch
Sent: Monday, July 15, 2019 12:49 PM
To: Sam Mraiche <smraiche@myecanada.com>; Bob Sword <Bob.Sword@ca.ey.com>; Eddy Abdallah <eddya@myecanada.com>
Cc: moea@myecanada.com
Subject: RE: Four Winds Hotels Management Corp. & R. Hoyda Management Corp. - in Receivership
Importance: High

Good Afternoon Everyone,

Further to my call with Sam this morning, I confirm that given the High Level wild fires situation, the evacuation of the town, the infrequent billing of the rent on our part and based on the representation by Sam and Eddy that the assets will be removed the first week of August, 2019, we will not be pursuing the outstanding rent as indicated in Bob's earlier email. This said, as discussed on the phone this morning, and I need to ensure we are clear, if the assets are not removed as indicated in the first week of August, 2019, we will be required to collect rent in the amount of $2,500/month plus taxes etc commencing August 1, 2019 forward. Obviously, if the assets are removed in the first week of August as indicated above, we will not charge any rent for August.

Bob – I will be away when the asset removal is to occur, so could you please make arrangements with Eddy and our site security (as required) to ensure the assets are removed from the premises as indicated above.

Yours truly,

Matt McCulloch, CPA, CA, CIRP, Licensed InsolvencyTrustee

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