Clerk's stamp:

CLERK OF THE COURT
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JUDICIAL CENTRE
OF CALGARY

COURT FILE NO.	1801- 17912
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PLAINTIFF	ATB FINANCIAL (FORMERLY ALBERTA TREASURY BRANCHES)
DEFENDANTS	HUGHSON TRUCKING INC., LEROY CHRISTIAN HUGHSON, DARREN JAMES HUGHSON, AND JUSTIN LEE HUGHSON
DOCUMENT	**STATEMENT OF CLAIM**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**BLAKE, CASSELS & GRAYDON LLP** 3500, 855 – 2nd Street S.W. Calgary, AB T2P 4J8 Attn: Ryan Zahara/James Reid Telephone: 403-260-9628/403-260-9731 Facsimile: 403-260-9700 Email: ryan.zahara@blakes.com/james.reid@blakes.com File Ref.: 81518/158

NOTICE TO DEFENDANTS

You are being sued. You are a defendant.

Go to the end of this document to see what you can do and when you must do it.

STATEMENT OF FACTS RELIED ON:

The Parties

1. The Plaintiff, ATB Financial, formerly Alberta Treasury Branches ("**ATB**"), is not a chartered bank. ATB is regulated entirely by the Government of Alberta under the authority of the *ATB Financial Act*, RSA 2000, c A-45.2, and the *Alberta Treasury*

Branches Regulation, Alta Reg 187/1997. ATB is a financial institution and crown corporation owned by the Province of Alberta.

2. The Defendant, Hughson Trucking Inc. ("**Hughson**"), is a company incorporated pursuant to the laws of the Province of Alberta with its registered office in Lethbridge, Alberta.

3. The Defendant, Leroy Christian Hughson ("**LCH**"), is a resident of Lethbridge, Alberta and is a director of Hughson.

4. The Defendant, Darren James Hughson ("**DJH**"), is a resident of Milk River, Alberta and is a director of Hughson.

5. The Defendant, Justin Lee Hughson ("**JLH**") is a resident of Milk River, Alberta and is a director of Hughson.

The Loans and Security

6. Hughson and ATB are party to a Commitment Letter dated January 31, 2018 (the "**Commitment Letter**" and together with the "**Forbearance Agreement**" dated November 19, 2018, which amends the Commitment Letter, the "**Amended Commitment Letter**"), pursuant to which ATB made available certain demand credit facilities (the "**Facilities**").

7. The Facilities that ATB has made available to Hughson include:

    (a) Credit Facility #1 (revolving);

    (b) Credit Facility #2 (revolving);

    (c) Credit Facility #3 (Mastercard);

    (d) Term Loan #1;

    (e) Term Loan #2; and

    (f) Term Loan #3.

8. Hughson and ATB are also party to an equipment loan and security agreement dated January 15, 2016 (the "**2016 Equipment Loan Agreement**") and an equipment loan and security agreement dated February 1, 2018 (the "**2018 Equipment Loan Agreement**" and together with the 2016 Equipment Loan Agreement, the "**Equipment Loan Agreements**"). The Equipment Loan Agreements represent funds advanced to Hughson for the financing and acquisition of specific pieces of equipment.

9. As at December 12, 2018, the amount owing to ATB by Hughson pursuant to the Facilities was $5,525,554.12 (the "**Indebtedness**"), with interest accruing on the Indebtedness at $896.38 per diem.

10. The Indebtedness is secured by the following instruments (collectively, the "**Security**"):

    (a) a general security agreement between Hughson and ATB dated May 25, 1999;

    (b) a debenture granted by Hughson to ATB and dated May 25, 1999 in the amount of $165,000.00 (the "**Debenture**");

    (c) an amending agreement/supplemental mortgage granted by Hughson to ATB and effective March 30, 2007;

    (d) an amending agreement granted by Hughson to ATB and effective June 10, 2010, which amends the mortgage to secure the amount of $250,000.00;

    (e) an amending agreement granted by Hughson to ATB effective July 9, 2013, which amends the mortgage to secure the amount of $500,000.00;

    (f) the 2016 Loan Equipment Agreement; and

    (g) the 2018 Loan Equipment Agreement.

The Continuing Guarantees

11. On June 17, 2010, LCH signed a continuing guarantee in favour of ATB, which unconditionally guaranteed the Indebtedness owed by Hughson to ATB up to $600,000.00 plus interest and expenses.

12. On July 17, 2015, LCH signed another continuing guarantee in favour of ATB, which unconditionally guaranteed the Indebtedness owed by Hughson to ATB up to $300,000.00 plus interest and expenses.

13. On June 17, 2010, DJH signed a continuing guarantee in favour of ATB, which unconditionally guaranteed the Indebtedness owed by Hughson to ATB up to $300,000.00 plus interest and expenses.

14. On June 17, 2010, JLH signed a continuing guarantee in favour of ATB, which unconditionally guaranteed the Indebtedness owed by Hughson to ATB up to $300,000.00 plus interest and expenses.

The Default and Demand

15. Hughson has been experiencing financial issues for the past several months and has been unable to meet its obligations to ATB as they become due. Hughson has committed events of default pursuant to the Commitment Letter and the Forbearance Agreement.

16. Over the past month, the relationship between ATB and Hughson has deteriorated significantly due the failure of Hughson to complete a transaction to repay the obligations to ATB in full.

17. On November 19, 2018, ATB demanded repayment of the Indebtedness owed by Hughson (the "**Demand**") in accordance with section 244 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 ("**BIA**").

18. On November 19, 2018, ATB and Hughson entered into a forbearance agreement (the "**Forbearance Agreement**"). As part of the Forbearance Agreement, Hughson provided an executed a form of Consent Receivership Order and agreed to complete certain milestones associated with the transaction with Tri-Line Carriers LP. Hughson also waived the 10-day notice period under section 244 of the BIA as part of the terms of the Forbearance Agreement.

19. Hughson breached the terms of the Forbearance Agreement and committed a Terminating Event by failing to close an asset purchase transaction with Tri-Line Carriers LP by

December 1, 2018. This resulted in the termination of the Forbearance Agreement and ATB's Security becoming valid and enforceable.

20. Hughson has also refused, failed, neglected, or been unable to pay the Indebtedness within the notice period set out in the Demand and, in addition to the existing Defaults, has committed another event of default of the terms of the Amended Commitment Letter and Security.

21. As a result of the failure to comply with the Demand, Hughson has breached its obligation to repay the Indebtedness to ATB pursuant to the terms of the Amended Commitment Letter and the Security.

REMEDY SOUGHT:

22. ATB seeks the following relief:

(a) judgement against Hughson for the Indebtedness, together with any costs and interest thereon at the rate or rates in effect until judgment in this Action;

(b) judgement against LCH in the amount of the $900,000.00 plus interest and expenses, together with any costs interest thereon at the rate or rates in effect until judgment in this Action;

(c) judgement against DJH and JLH in the amount of the $300,000.00 each, plus interest and expenses, together with any costs interest thereon at the rate or rates in effect until judgment in this Action;

(d) the appointment of a receiver and manager pursuant to section 243 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, over all current and future assets, undertakings, and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof, of Hughson;

(e) costs of this action on a solicitor and own client basis; and

(f) such further and other relief as this Honourable Court may allow.

NOTICE TO THE DEFENDANTS

You only have a short time to do something to defend yourself against this claim:

20 days if you are served in Alberta

1 month if you are served outside Alberta but in Canada

2 months if you are served outside Canada.

You can respond by filing a statement of defence or a demand for notice in the office of the clerk of the Court of Queen's Bench at Calgary, Alberta, AND serving your statement of defence or a demand for notice on the plaintiff's address for service.

WARNING

If you do not file and serve a statement of defence or a demand for notice within your time period, you risk losing the law suit automatically. If you do not file, or do not serve, or are late in doing either of these things, a court may give a judgment to the plaintiff against you