Clerk's Stamp

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JUDICIAL CENTRE OF EDMONTON
Clerk of the Court of Queen's Bench

COURT FILE NUMBER	2003-03284
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	EDMONTON
PLAINTIFF	ROYAL BANK OF CANADA
DEFENDANT	COPPERLINE EXCAVATING LTD., 1496986 ALBERTA LTD., AND SPRUCE CREEK CONTRACTING LTD.
DOCUMENT	**SUPPLEMENT TO THE RECEIVER'S FIRST REPORT** **JUNE 25, 2020**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<u>RECEIVER</u> ERNST & YOUNG INC. 10423 - 101 Street, Suite 1400 PO Box 44 Edmonton, Alberta T5H 0E7 Attention: Matt McCulloch / Dan McCulloch Telephone: 780-638-6642 / 780-441-4695 Fax: 780-428-8977 Email: matt.mcculloch@ca.ey.com dan.mcculloch@ca.ey.com <u>COUNSEL</u> SHAREK LOGAN van LEENEN LLP 2100, 10060 Jasper Avenue Edmonton, Alberta T5J 3R8 Attention: David Archibold Telephone: 780-413-3100 Fax: 780-413-3152 Email: darchibold@sharekco.com

TABLE OF CONTENTS

SCHEDULES

INTRODUCTION AND PURPOSE OF THE REPORT

1. On Friday, June 19, 2020, Jim Pattison Industries Ltd. ("**JPI**") contacted the Receiver and requested that the following assets (the "**JPI Assets**") be removed from the Asset Sale Process:

   a) a 2019 Ford Super Duty F-350 pick-up truck with serial number 1FVHG5CY3GHHA9338; and,

   b) a 2019 Ford Super Duty F-350 pick-up truck with serial number 1FVHG5CY3EHFU8782.

2. The Receiver had an application filed and served to approve of the sale of the Copperline assets for Monday, June 22, 2020.

3. JPI claims that the JPI Assets are under true leases and not financing leases and, therefore, should be released back to JPI for disposition.

4. Due to the last-minute dispute, the Receiver was unable to resolve the dispute or file a supplemental report prior to the application. In the interest of not delaying the approval of the Purchase Offer received from Infinity and the Receiver's proposed Interim Distribution, the Receiver agreed to remove the JPI Assets from the Asset Sale Process, pending the determination of the claims of JPI or agreement of the parties.

5. At the June 22, 2020 application the Receiver advised the Court that it would provide a supplemental report (the "**Supplement to the Receiver's First Report**") to the Court (and certain stakeholders as requested and as deemed appropriate by the Receiver) with an amended Interim Distribution (the "**Amended Interim Distribution**"), removing the JPI Assets as agreed by the Receiver and JPI. It was Ordered that no additional application would be required to approve the distributions to creditors as the variation between the Amended Interim Distribution and the previously contemplated interim distribution were minor and the Receiver was permitted to proceed with a distribution upon the filing of the Supplement to the Receiver's First Report.

DISCLAIMER

6. In preparing this Supplement to the Receiver's First Report, the Receiver has relied upon

the Companies' unaudited financial information, the Companies' books and records, certain financial information prepared by the Companies, and discussions with the Companies' Management. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information provided. Accordingly, the Receiver expresses no opinion or other form of assurance on the information contained in this report or relied upon in its preparation.

7. This report should be read in conjunction with any other materials filed with the Court. All reports and Orders, save for items directed to be sealed for confidentiality purposes, are available on the Receiver's website established for these proceedings that is located at www.ey.com/ca/copperline.

8. Unless otherwise stated, all references to monetary amounts contained herein are expressed in Canadian currency. Capitalized terms used herein, not otherwise defined, are as defined in the previous reports of the Receiver or other materials filed in connection with these proceedings.

RECEIVER'S AMENDED INTERIM DISTRIBUTION

9. By removing the JPI Assets from the sale the purchase price that Infinity is required to pay is reduced by $67,000 from $1,320,000 to $1,253,000.

10. Attached as **Schedule "A"** to this report is a copy of the Receiver's Amended Interim Distribution. In addition, attached as **Schedule "B"** to this report is an amended analysis prepared by the Receiver within which the Receiver has quantified the gross amount it believes should be payable to the Secured Lessors, prior to any cost allocations.

11. For the Court's ease of reference, the Amended Interim Distribution provides for:

- An interim distribution to RBC of $1,590,270.07;
- Net of costs, payment to Secured Lessors of $628,664.92 as follows:

Brandt:	$ 178,207.58
CWB:	$ 26,317.00
John Deere:	$ 408,190.64
Meridian:	$ 5,949.70

and,

- A reserve of $250,000.00 to cover future professional fees and as a contingency for unexpected expenses and claims.

Respectfully submitted this 25th day of June 2020.

Ernst & Young Inc.
In its capacity as Receiver of
Copperline Excavating Ltd.
and not in its Personal Capacity

Per:

Dan McCulloch, CIRP, LIT
Vice President

Schedule "A"

Schedule A
Copperline Excavating Ltd. - in Receivership
Ernst & Young Inc., Receiver
Receiver's Amended Interim Distribution
As At June 1, 2020

	Totals	RBC	Brandt	CWB	John Deere	Meridian	NOTES
Realizations to Date:							
Cash	65,038.32	65,038.32					
Accounts receivable	1,163,379.80	1,163,379.80					
Sale of assets	1,761,125.60	991,839.52	218,069.45	32,203.65	499,495.62	19,517.36	1
Insurance refund	25,976.16	25,976.16					
Rental income	1,119.80	1,119.80					2
Miscellaneous refunds & interest	4,552.13	4,552.13					
Balances for Allocation Purposes	3,021,191.81	2,251,905.73	218,069.45	32,203.65	499,495.62	19,517.36	
Proposed Allocation %	100.000%	74.537%	7.218%	1.066%	16.533%	0.646%	3
Proposed Allocated Costs (paid to date)	515,944.38	384,569.46	37,240.84	5,499.58	85,301.42	3,333.08	3
Less:							
Receiver's unbilled WIP	36,312.44	27,066.20	2,621.03	387.06	6,003.56	234.58	
Proposed Net Distribution	2,468,934.99	1,840,270.07	178,207.58	26,317.00	408,190.64	15,949.70	
Less:							
Hold back (Contingency)	250,000.00	250,000.00					4
Proposed Interim Distribution	**2,218,934.99**	**1,590,270.07**	**178,207.58**	**26,317.00**	**408,190.64**	**15,949.70**	

Schedule A - Notes

NOTE

1 Sale of Assets:
This amount includes the sale of assets to Proline Power Corp. ($310,000.00), the sale of various assets outside of the Asset Sale Process ($198,125.60), and the Purchase Offer submitted by Infinty to purchase the remaining Copperline assets as part of the Asset Sale Process ($1,253,000.00).

2 Rental Income:
This amount relates to rental income received from the Rental Property owned by 149 AB.

3 The Proposed Allocation % is based on each creditor's respective recovery.

4 Hold Back (Contingency):
This amount is to cover any contingency that may arise (if any), the unbilled time and costs of preparing this report and the associated schedules, and for future costs of the Receiver and its counsel in relation to completing the administration of this proceeding.

Schedule “B”

Schedule B
Copperline Excavating Ltd. - in Receivership
Receiver's Amended Balances for Allocation Purposes to Secured Lessors

SECURED LESSOR	ASSET				SALE PRICE *(Note 1)*	INFINITY FLV *(Note 2)*	% OF TOTAL INFINITY FLV *(Note 3)*	ADJUSTED INFINITY FLV *(Note 4)*	PROVEN SECURED CLAIMS	PROPOSED BALANCES FOR ALLOCATION PURPOSES *(Note 5)*	
	YEAR	MAKE	MODEL	VIN							
Brandt	2017	Ditch Witch /Dir Drill	JT10	DWPJT10XCH0000304		80,000.00	6.2306%	78,069.45	110,341.53	**218,069.45**	*(Note 8)*
	2017	Ditch Witch /Dir Drill	JT20	DWPJT20XEH0001277	140,000.00	0.00	0.0000%	0.00	161,740.96		
CWB	2017	Brandt	USD814	2BYDP2CB7JR000845		6,500.00	0.5062%	6,343.14	110,328.14	**32,203.65**	
	2017	DW SK755 w/ Bucket	Ditch Witch	DWPSK755VH0001172		20,000.00	1.5577%	19,517.36			
		DW Vibrator Plow SK5VP	Ditch Witch	DWPSK5VPH0001172		3,500.00	0.2726%	3,415.54			
		DW Trencher SK5 w/48" boom	Ditch Witch	DWPSK5TRPJ0001604		3,000.00	0.2336%	2,927.60			
John Deere	2017	John Deere Excavator	85G	1FF085GXLHJ019201		55,000.00	4.2835%	53,672.75	28,639.26	**499,495.62**	*(Note 9)*
	2017	John Deere Excavator	26G	1FF026GXCHK262822		27,500.00	2.1418%	26,836.37	70,876.79		
	2017	John Deere Excavator	26G	1FF026GXLHK262878		30,000.00	2.3365%	29,276.04			
	2014	John Deere Backhoe	310K	1T0310SKAEE262415		35,000.00	2.7259%	34,155.38	43,238.58		
	2014	John Deere Backhoe	310K	1T0310SKJEE262717		35,000.00	2.7259%	34,155.38	44,175.79		
	2014	John Deere Backhoe	310SK	1T0310SKKEE262702		35,000.00	2.7259%	34,155.38	43,238.58		
	2014	John Deere Backhoe	310SK	1T0310SKHEE262787		35,000.00	2.7259%	34,155.38	43,238.58		
	2014	Ditch Witch /Dir Drill	JT30	CMWJT30XHE0000117		100,000.00	7.7883%	97,586.81	155,468.28		
	2017	Ditch Witch /Dir Drill	JT10	DWPJT10XHH0000250		80,000.00	6.2306%	78,069.45	80,892.11		
	2018	John Deere /Skid Steer	331G	1T0331GKCJE325473		45,000.00	3.5047%	43,914.06	63,396.59		
	2018	John Deere /Backhoe	310SL	1TO310SLJJD328661		60,000.00	4.6730%	58,552.09	131,452.09		
Meridian	2017	Brandt	UBT822	2BYUT2EB7HR000301		7,500.00	0.5841%	7,319.01	17,408.15	**19,517.36**	
	2017	Brandt	UPR1124D	2BYUP2GB9JR000405		12,500.00	0.9735%	12,198.35	19,634.01		

Total Infinity FLV	Infinity Purchase Offer
1,283,985.00	**1,253,000.00**
(Note 6)	*(Note 7)*

Schedule B - Notes

NOTE

1 This amount is the proceeds received from the sale of the asset prior to the Asset Sale Process.

2 Theses amounts were provided to the Receiver by Infinity and represent Infinity's internal valuation of each of Copperline's assets which were used to quantify Infinity's Purchase Offer.

3 These amounts represent a percentage for each asset as a percentage of the total internal valuation assigned to the assets by Infinity.

4 The Adjusted Infinity FLV was calculated by applying the % of Total Infinity FLV to the Infinity Purchase Offer *(Note 7)*.

5 These figures are either the accepted proven claim amount (where the claim amount accepted by the Receiver was less than the Adjusted Infinity FLV), or the Adjusted Infinity FLV and Sale Price, where the accepted claim amount exceeded the Adjusted Infinity FLV and Sale Price.

6 This amount is the total of Infinity's internal valuation of Copperline's assets which were used to quantify Infinity's Purchase Offer, and is higher than Infinity's Purchase Offer.

7 This amount represents Infinity's Purchase Offer, and is lower than Infinity's total internal valuation of Copperline's assets.

8 This amount is the sum of $140,000.00 and $78,165.19.

9 This amount is the sum of $28,639.26, $26,836.37, $29,276.04, $34,155.38, $34,155.38, $34,155.38, $34,155.38, $97,586.81, $78,069.45, $43,914.06 and $58,552.09.