

COURT FILE NUMBER 2303 04003
COURT COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE EDMONTON

Clerk's Stamp

APPLICANTS FREDRICK NORTH, FRED NORTH TRUST, TEMOR HOLDINGS LTD., and TEMOR PARTNERSHIP by its general partner TEMOR HOLDINGS LTD. and TEMOR HOLDINGS LTD.

RESPONDENTS AARON DAVISON, SCOTT CABLE, CHRISTOPHER KEOWN, CORALYNNE KEOWN, JAMIE CABLE, VENTURES NORTH FINANCIAL GROUP LIMITED PARTNERSHIP by its general partner VENTURES NORTH FINANCIAL GROUP INC., VENTURES NORTH FINANCIAL GROUP INC., OSOYOOS MOUNTAIN ESTATES INC., T "N" T TANK & TRAILER REPAIR LIMITED PARTNERSHIP by its general partner T "N" T TANK & TRAILER REPAIR LTD., T "N" T TANK & TRAILER REPAIR LTD., T "N" T TANK & TRAILER REPAIR GRANDE PRAIRIE LIMITED PARTNERSHIP by its general partner T "N" T TANK & TRAILER REPAIR GRANDE PRAIRIE GP LTD., T "N" T TANK & TRAILER REPAIR GRANDE PRAIRIE GP LTD., MOONLIGHT SYSTEMS INC., LIGHTVU INC., DIGITAL EDGE MEDIA INC., HILL 7 LLOYD DEVELOPMENT INC., CHRIS L. KEOWN PROFESSIONAL CORPORATION, 1417691 ALBERTA LTD., OPTIMUM CONCRETE & FOUNDATIONS LTD., 2135974 ALBERTA LTD., TRELLIS STEEL CONSTRUCTION LTD., 2202474 ALBERTA LTD., BLUE LOBSTER HOLDINGS LTD., SILENT BEAR HOLDINGS LTD., ANGRY ELEPHANT HOLDINGS LTD., 1981670 ALBERTA LTD., 2092013 ALBERTA LTD., ABC CORPORATION, DEF CORPORATION, GHI CORPORATION, JOHN DOE, and JANE DOE

DOCUMENT **FIRST REPORT OF THE RECEIVER OF DIGITAL EDGE MEDIA INC., LIGHTVU INC., AND MOONLIGHT SYSTEMS INC.**

June 10, 2024

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1.0 INTRODUCTION

1. This is the First Report of the receiver, Ernst & Young Inc. (“**EYI**” or the “**Receiver**”) of Moonlight Systems Inc., LightVu Inc. and Digital Edge Media Inc. (the “**Moonlight Debtors**”). EYI was appointed as Receiver on August 31, 2023. By means of the Interim Receiver Manager Order of Justice J.A. Fagnan granted on March 3, 2023 and filed on March 6, 2023 (the “**IRO**”), EYI was initially appointed as Interim Receiver and Manager, pursuant to section 13(2) of the *Judicature Act*, RSA 2000, c.J-2, 99(a), section 242 of the *Business Corporations Act*, RSA 2000, c.B-9, and section 65(7) of the *Personal Property Security Act*, RSA 2000, c.P-7, of the following entities:
 - a. Ventures North Financial Group Limited Partnership by its general partner Ventures North Financial Group Inc. (“**VNFG LP**”) and Ventures North Financial Group Inc. (together, the “**VNFG Entities**”);
 - b. Osoyoos Mountain Estates Inc. (“**OMEI**”);
 - c. T “N” T Tank & Trailer Repair Limited Partnership by its general partner T “N” T Tank & Trailer Repair Ltd. (“**TNT LP**”), T “N” T Tank & Trailer Repair Ltd. (“**TNT Ltd.**”; and, together with TNT LP, the “**TNT LP Entities**”), T “N” T Tank & Trailer Repair Grande Prairie Limited Partnership by its general partner T “N” T Tank & Trailer Repair Grande Prairie GP Ltd. (“**TNT GP LP**”), T “N” T Tank & Trailer Repair Grande Prairie GP Ltd. (“**TNT GP Ltd.**”; and, together with TNT GP LP, the “**TNT GP Entities**”) (the TNT LP Entities and the TNT GP Entities are collectively referred to as the “**TNT Entities**”); and
 - d. Moonlight Debtors;

(collectively, the “**Companies**”).
2. The Receiver is aware that the persons identified as Respondents in the style of cause in these proceedings are a larger group of persons than those persons defined as the “Respondents” on page 2 of the IRO. For clarity, EYI was initially appointed as Interim Receiver only with respect to the entities defined above as the Companies, which corresponds to the definition on page 2 of the IRO, and not over the broader group of persons named as Respondents in the style of cause.
3. As further particularized below, the appointment of EYI as Interim Receiver of the Companies was extended through to August 31, 2023. By means of Orders granted by Associate Chief Justice K.G. Nielsen on August 31, 2023:
 - a. EYI was appointed as equitable receiver of the current and future assets, undertakings and properties of the Moonlight Debtors pursuant to section 13(2) of the *Judicature Act*, RSA 2000,

c.J-2, 99(a), section 242 of the *Business Corporations Act*, RSA 2000, c.B-9, and section 65(7) of the *Personal Property Security Act*, RSA 2000, c.P-7 (the “**Moonlight Receivership Order**”);

- b. EYI was appointed as receiver of the current and future assets, undertakings and properties of OMEI pursuant to section 243 of the *Bankruptcy and Insolvency Act*, RSC 1985, c. B-3 (the “**BIA**”) (the “**OMEI Receivership Order**”); and
 - c. the Interim Receiver’s appointment pursuant to the IRO and the ARIRO was extended to November 30, 2023, over the TNT Entities and VNFG Entities.
4. By means of the Order of Justice D.R. Mah granted on November 2, 2023 and filed on November 29, 2023, EYI was appointed as receiver of the assets, undertakings and properties of the VNFG Entities pursuant to section 243 of the BIA (the “**VNFG Receivership Order**”).
 5. By means of the Order (Discharging Interim Receiver) of Justice D.R. Mah granted on November 8, 2023, EYI was discharged as interim receiver of the TNT Entities (the “**Discharge Order**”).
 6. By reason of its appointment as equitable receiver of the Moonlight Debtors, the appointment of EYI as interim receiver of the Moonlight Debtors has been brought to a conclusion. EYI is seeking a formal Order discharging EYI as Interim Receiver of the Moonlight Debtors (discussed in the Eighth Report of the interim receiver, dated June 10, 2024).
 7. By reason of its appointment as receiver of OMEI pursuant to section 243 of the BIA, the appointment of EYI as interim receiver of OMEI has been brought to a conclusion. EYI is seeking a formal Order discharging EYI as interim receiver of OMEI (discussed in the Eighth Report of the Interim Receiver, dated June 10, 2024).
 8. By reason of its appointment as receiver of the VNFG Entities pursuant to section 243 of the BIA, the appointment of EYI as interim receiver of the VNFG Entities has been brought to a conclusion. EYI is seeking a formal Order discharging EYI as interim receiver of the VNFG Entities (discussed in the Eighth Report of the Interim Receiver, dated June 10, 2024).
 9. For clarity, EYI is currently appointed in the within Action in the following capacities:
 - a. As Equitable Receiver in respect of the Moonlight Debtors; and
 - b. As BIA Receiver in respect of OMEI and the VNFG Entities.

10. The purpose of this first report of the Receiver (the “**First Report**”) is to provide this Court with information and recommendations by the Receiver in respect of the following:
- a. the Receiver’s activities since August 31, 2023 (the “**Receivership Date**”), including a statement of receipts and disbursements of the Receiver from the Receivership Date to May 31, 2024;
 - b. the Receiver’s request for approval of the professional fees incurred by the Receiver and its legal counsel;
 - c. the Receiver’s request for approval of the activities and conduct of the Receiver;
 - d. a description of the agreement between Canada Revenue Agency (“**CRA**”) and the Receiver with respect to payment of the professional fees of the Receiver and its legal counsel;
 - e. a description of the remaining efforts to be undertaken by the Receiver to complete the administration of the Receivership;
 - f. the request for discharge of the Receiver following the Receiver’s completion of the administration of the estate; and
 - g. the Receiver’s recommendations regarding the matters described above.

2.0 TERMS OF REFERENCE AND DISCLAIMER

11. In preparing this First Report, the Receiver has been provided with, and has relied upon certain information, including unaudited financial information of the Companies, books and records, and discussions with the Companies’ current and former employees and contractors (collectively, the “**Information**”).
12. Except as described in this First Report, the Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Canadian auditing standards pursuant to the Chartered Professional Accountants of Canada Handbook.
13. All references to dollars are in Canadian dollars.
14. Capitalized terms not defined herein are as defined in the ARIRO and the Moonlight Receivership Order.

3.0 ACTIVITIES OF THE RECEIVER

15. Since the granting of the Moonlight Receivership Order, the Receiver has:
- prepared the Receiver's Report and Notice to Creditors pursuant to subsections 245(1) and 246(1) of the Bankruptcy and Insolvency Act (the "**Receiver's Notice**"), completed mailing of these documents to all known creditors with claims of \$250.00 or more, filed a copy of the Receiver's Notice with the Superintendent of Bankruptcy, and posted a copy of the Receiver's Notice to the Receiver's Website;
 - prepared correspondence to former employees of the Moonlight Debtors with respect to their eligibility to receive payment under the *Wage Earner Protection Program Act*;
 - facilitated the recovery and realization of certain of the Moonlight Debtors property that was held by a third party;
 - worked with CRA to confirm priority claims owing from the Moonlight Debtors to CRA, and entered the Administrative Agreement with CRA (discussed further herein); and
 - prepared and distributed T4 slips to former employees of the Moonlight Debtors and CRA.

Statement of Receipts and Disbursements

16. The following is a summary of the receipts and disbursements that have occurred from the Receivership Date up to May 31, 2024 (the "**Reporting Period**").

Moonlight Debtors Statement of Receipts and Disbursements August 31, 2023 to May 31, 2024 \$CAD, unaudited		Exhibit 1.0
	Notes	
Opening cash balance	A	80,662
Receipts		
Asset sale	B	27,371
Earned interest	C	<u>1,141</u>
Total receipts		28,513
Disbursements		
Filing fees paid to Official Receiver	D	<u>(226)</u>
Total disbursements		(226)
Cash on hand		108,949

17. Notes to the Receiver's Statement of Receipts and Disbursements are as follows:

- a. at the Receivership Date the Receiver held \$80,662, which was the net proceeds from the interim receiver's realization of the Moonlight Debtors' property;
- b. the receiver recovered and realized upon certain of the Moonlight Debtors' inventory that was held by a third party;
- c. the Receiver earned interest on the Moonlight Debtors' cash; and
- d. the Receiver paid filing fees to the Official Receiver in the amount of \$75 for each of the Moonlight Debtors.

4.0 APPROVAL OF PROFESSIONAL FEES

18. Fees of the Receiver and its legal counsel, MLT Aikins LLP ("**MLT**"), incurred since the Receivership Date are as follows:

- a. The Receiver's fees and costs total \$16,424 (excluding GST); and
- b. MLT's fees and costs total \$578 (excluding GST)

(together, the "**Professional Fees**").

19. Copies of the Receiver's invoice contains confidential information and is not attached but is available to this Court if requested.

20. The Receiver estimates that additional professional fees necessary to complete the administration of the Receivership will be approximately \$10,000 (the "**Anticipated Professional Fees**").

21. The Receiver respectfully requests that this Court approve the Professional Fees and the Anticipated Professional Fees.

5.0 APPROVAL OF THE RECEIVER'S ACTIVITIES

22. The Receiver respectfully requests that this Court approve of its conduct and activities described in this First Report (the "**Conduct**").

6.0 CRA ADMINISTRATIVE AGREEMENT

23. The Moonlight debtors owe approximately \$128,000 in priority amounts to His Majesty the King in Right of Canada, including:

- a. approximately \$92,000 in net unremitted goods and services tax owed by the Moonlight Debtors as at the Receivership Date (the “**GST Claim**”). CRA performed a trust examination and confirmed this amount; and
 - b. the employee portion of source deductions deducted but unremitted, income tax withholdings, plus employee premiums for Employment Insurance and Canada Pension Plan Contributions, which amounts form a deemed trust claim (the “**Deemed Trust Claim**”) pursuant to s. 227 of the *Income Tax Act* in the amount of approximately \$36,000. CRA performed a trust examination and confirmed this amount.
24. The Receiver notes that the estimated total realizable assets of the Moonlight Debtors consists of a cash balance of \$108,949, while the priority GST Claim and Deemed Trust Claim totals \$128,000.
25. The Receiver has entered an agreement with CRA to allow the Receiver to claim reasonable administrative costs estimated to be approximately \$45,000 (the “**Administrative Agreement**”).
26. The Receiver estimates that approximately \$30,000 will be retained by the Receiver for payment of the Professional Fees and the Anticipated Professional Fees, and approximately \$79,000 will be distributed to CRA as settlement of the Deemed Trust Claim and GST Claim.

7.0 REMAINING ACTIVITIES

27. The following tasks must be resolved in order to complete the administration of the Moonlight Debtors receivership proceedings:
- a. settling the unpaid administrative costs and professional fees of the Receiver and the Receiver’s legal counsel;
 - b. issuing distributions for the Deemed Trust Claim and the GST Claim; and
 - c. collecting approximately \$22,000 from the Government of Alberta, which is owed to the Moonlight Debtors under the Alberta Jobs Now program (the “**AB JNP Receivable**”). The Receiver notes that the AB JNP Receivable was mistakenly paid by the Government of Alberta into the Moonlight Debtors old bank account held at Servus Credit Union, which is in an overdraft position. The Receiver is working to collect the AB JNP Receivable; however, the Receiver cautions that collectability is uncertain. In the event the Receiver collects the AB JNP Receivable, the proceeds will be distributed to CRA for payment of the Deemed Trust Claim and GST Claim

(collectively, the “**Remaining Activities**”)

8.0 DISCHARGE OF RECEIVER

28. Upon completion of the Remaining Activities, the Receiver will have completed its administration of the Moonlight Debtors receivership.
29. Accordingly, the Receiver is requesting its discharge upon:
- a. completion of the Remaining Activities; and
 - b. filing of a completion certificate by the Receiver (the “**Completion Certificate**”)

(the “**Discharge**”).
30. The Receiver is not aware of any reason why it should not receive a Discharge.
31. The Proposed Completion Certificate is attached as Exhibit A to the Receiver’s Application for a Discharge order (the “**Conditional Discharge Order**”).

9.0 RECEIVER’S RECOMMENDATIONS

32. The Receiver respectfully recommends that this Court:
- a. approve the Professional Fees and the Anticipated Professional Fees;
 - b. approve the Receiver’s Conduct; and
 - c. approve the proposed Conditional Discharge Order.

Dated at Calgary, Alberta this 10th day of June, 2024.

ERNST & YOUNG INC.

Licensed Insolvency Trustee
acting solely in its capacity as Receiver of the Moonlight Debtors
and not in its personal or corporate capacity



Neil Narfason, CPA, CA, CIRP, LIT, CBV, ICD.D
President

A handwritten signature in black ink, appearing to be 'MHA' with a stylized flourish at the end.

Matt Hanrahan, CPA, CIRP
Director