

COURT FILE NUMBER 1101-12490

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

PLAINTIFF Sprott Resource Lending Corp.

DEFENDANTS MCL Development Corp., Regional Water Services Ltd., Medallion Development Corporation and Jeffery Colvin

DOCUMENT RECEIVER'S FINAL REPORT TO THE COURT IN RESPECT OF MCL DEVELOPMENT CORP.

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INTRODUCTION

1. On November 8, 2011, the Court of Queen's Bench of Alberta (the "Court") issued an order (the "Receivership Order") appointing RSM Richter Inc., (now Ernst & Young Inc. ("EY")) as the Receiver and Manager (the "Receiver") of i) the real property of MCL Development Corp. ("MCL" or the "Company") as described in the Receivership Order; and ii) all of MCL's current and future personal property pertaining or relating to or used in connection with the MCL Real Property.
2. The Receiver listed MCL's Real Property in the Mon Terra development north of Cochrane, Alberta for sale in early 2012. Several offers were received for the property; however, all offers contained significant due diligence requirements such that a sale of MCL's Real Property was not possible.
3. The major issue identified by prospective purchasers was in respect of Regional Water Services Ltd. ("RWS"). RWS owned and operated the water system at the Mon Terra development. RWS provided the public water utility service to the homeowners that had built or purchased homes in the Mon Terra development. RWS was related to MCL.
4. RWS was incurring negative cash flows and was also experiencing water quality and water safety issues. Stabilization of RWS's operation was required before prospective purchasers would purchase MCL's Real Property.
5. The Receiver was approached by a prospective purchaser who was interested in purchasing the RWS water utility. In order to facilitate a sale, on August 6, 2014 the Court issued an order (filed on August 19, 2014) appointing EY as the Receiver of RWS and simultaneously approved a sale and vesting order approving the sale of the water utility to 1812234 Alberta Ltd. ("181").
6. On October 2, 2014 MCL made an assignment into bankruptcy and EY was appointed as the trustee.
7. As it appeared that MCL's Real Property was not saleable to a third party, Sprott Resource Lending Corp. ("Sprott"), MCL's secured creditor, agreed to a transaction in respect of MCL's Real Property with Crerar HAL Investments Inc. ("Crerar").
8. On December 24, 2014 MCL filed a proposal which was funded by Crerar. The proposal was accepted by the required majority of creditors and the MCL Real Property was transferred to Crerar.



Purpose of this Report

9. The purpose of this report ("Final Report") is to:
- a) Summarize the activities of the Receiver since the First Report; and
 - b) Respectfully recommend that this Honourable Court:
 - i. Approve the Receiver's actions to date;
 - ii. Approve the fees and disbursements of the Receiver and those of its legal counsel incurred over the course of the receivership (including their respective anticipated further fees);
 - iii. Approve the discharge of the Receiver after disbursement of all funds held and concluding administrative matters; and
 - iv. Provide such further and other relief that the Court considers just and warranted in the circumstances.

Documents filed in these Proceedings

10. The Receiver has posted documents filed with the Court in these proceedings on its website at <http://documentcentre.eycan>.

Currency

11. All currency references in this Final Report are in Canadian dollars.

Terms of Reference

12. In developing this Final Report, the Receiver has relied upon unaudited financial information prepared by the Company's management, the Company's books and records and discussions with its management. The 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 pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of the information. Future-oriented financial information relied upon in this Report is based on management's assumptions regarding future events. Actual results achieved may vary from this information and these variations may be material, and as such the



Receiver expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report, or relied upon by the Receiver in preparing this Report.

BACKGROUND

13. The MCL Real Property comprised approximately 347 acres of bare land located approximately three kilometers north of the town of Cochrane, Alberta. The land development is known as Mon Terra on Cochrane Lakes.
14. The Mon Terra development is comprised of approximately 620 acres made up of 5 Phases. Phases 1 and 2 are the only Phases that have been improved from bare land and are not owned by MCL.
15. The vision for Mon Terra is to develop an estate community with large lots, open spaces with lakeside boardwalks, scenic lookouts and an extensive network of parks and pathways.
16. In order to develop Mon Terra from raw land into an estate community, it was necessary to develop a water system and waste water system. MCL obtained approval from the Province of Alberta under the *Environmental Protection and Enhancement Act* to withdraw water from the Bow River. MCL also received required approvals to construct, operate and reclaim a water works system and a waste water collection system within Mon Terra.
17. MCL completed a raw water pump station, approximately eight kilometers of underground piping to bring water to the Mon Terra site and completed a waste water and sewer line to take waste water and sewage from Mon Terra to the Town of Cochrane.
18. All approvals and the water utility facility were transferred by MCL to RWS.
19. Additional background information on MCL is included in the affidavit of Narinder Nagra included in the materials filed by Sprott supporting its application for the appointment of a Receiver that is posted on the Receiver's website.



RECEIVER'S ACTIONS

20. The following is an update on the Receiver's activities from the date of the First Report:

- a) Monitored the transfer of the water utility to 181;
- b) Monitored the transfer of the Real Property to Crerar;
- c) Completing interim reports to the Office of the Superintendent of Bankruptcy;
- d) Drafting, reviewing and finalizing this Final Report; and
- e) Various additional matters required in connection with the ongoing administration of the receivership.

PROFESSIONAL FEES

Receiver's Fees and Disbursements

21. The Receiver has been paid approximately \$5,217.50 (excluding GST). The Receiver has outstanding invoices totaling \$34,471.05 (excluding GST). The accounts of the Receiver are calculated based on hours spent at rates established by each professional based on their qualifications and experience.

22. The Receiver has work in progress of approximately \$1,300.00 (excluding GST) and estimates that it will incur additional fees and expenses of approximately \$2,500.00 in connection with this Final Report, Court application, finalizing all administrative matters and its discharge.

Legal Fees and Disbursements

23. The Receiver's legal counsel, Norton Rose Fulbright Canada LLP ("Norton Rose") has billed \$15,916 (including GST) to August 19, 2015. The accounts of Norton Rose are calculated based on hours spent at rates established by each professional based on their qualifications and experience.

24. Norton Rose estimates \$2,500.00 to satisfy its work in process and future anticipated fees and expenses.



CONCLUSION AND RECOMMENDATION


25. The Receiver has concluded the majority of its administration of the receivership. Upon disbursing the remaining funds, completing the final GST returns, providing a final report to the Official Receiver and closing the Receiver's trust accounts, the Receiver is not aware of its services being required for any further purpose herein, and is therefore of the view that it should be discharged from its mandate.

26. Based on the foregoing, the Receiver respectfully recommends that this Honourable Court grant the relief detailed in Section 9 b) of this Final Report and such further and other relief as this Honourable Court deems appropriate in the circumstances.

* * *

All of which is respectfully submitted this 4th day of December, 2015.

ERNST & YOUNG INC.
IN ITS CAPACITY AS RECEIVER AND MANAGER OF
MCL DEVELOPMENT CORP.



Robert J. Taylor, FCA, CIRP
Senior Vice-President

**Final Statement of Receipts and Disbursements
IN THE MATTER OF THE RECEIVERSHIP OF
MCL DEVELOPMENT CORP.
Ernst & Young Inc.**

Estate Number: 1101-12490
C\$, unaudited

Advance from secured creditor	\$ 108,899.53	
Total Receipts		108,899.53
Net operating expenses	\$ 43,092.34	
Receiver's fees and costs	39,688.55	
Legal fees	15,158.23	
Property taxes	3,060.39	
GST paid on disbursements	2,975.54	
Insurance	549.00	
Advance to Trustee	300.00	
Filing fees paid to Official Receiver	70.00	
Bank charges	15.48	
Total Disbursements		104,909.53
Balance in the Estate (to be used to pay Receiver's fees and costs and Legal fees with any remaining balance to be paid to the secured creditor)		<u>\$ 3,990.00</u>

