

COURT FILE NUMBER 1603 09140
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE EDMONTON
PLAINTIFF ROYAL BANK OF CANADA
DEFENDANT GRAHAM BROTHERS CONSTRUCTION GROUP LTD.
DOCUMENT **NINTH REPORT OF THE RECEIVER,
DELOITTE RESTRUCTURING INC.,
DATED MARCH 15, 2017**



ADDRESS FOR SERVICE
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INTRODUCTION

1. On March 18, 2016, the Defendant, Graham Brothers Construction Group Ltd. ("Graham Brothers") filed a Notice of Intention to Make a Proposal, at which time Deloitte Restructuring Inc. ("Deloitte") was named as Proposal Trustee. Graham Brothers subsequently failed to file a proposal, and was deemed bankrupt on May 17, 2016, at which time Deloitte became the Trustee in Bankruptcy of Graham Brothers.
2. By way of Order granted on May 25, 2016, Deloitte (the "Receiver") was appointed Receiver over the property of Graham Brothers in this Action. A second Order was granted at that time which provided that the rights and obligations of Deloitte as Trustee are transitioned to this Action and become the rights and obligations of Deloitte as Receiver.
3. This is the Ninth Report of the Receiver, the purpose of which is to seek Court approval to sell the remaining construction equipment.

4. At the date of the Receiver's appointment, Graham Brothers' construction equipment was located at two sites. One being the Graham Brothers yard in Edmonton, Alberta and the other at a Manitoba Hydro worksite in remote, northern Manitoba. Most of the Alberta based equipment has been sold pursuant to previous Court Orders. This residual Alberta based equipment together with the Manitoba based construction equipment are the subject of the Receiver's proposed sale. Once this equipment is sold, the only remaining assets to be sold will be two antique steam locomotives located in Manitoba.

RESIDUAL ALBERTA BASED EQUIPMENT

5. The only remaining Alberta based equipment to be sold is a lead system (the "Lead System") manufactured by American Piledriving Equipment, Inc. ("APE"), a company based in the United States. The Receiver has had limited private interest in the Lead System, which is used for deep foundation construction.

MANITOBA BASED EQUIPMENT

6. Prior to the receivership, Graham Brothers was working on a major contract (the "Keewatinohk Project") with Mortenson Canada Corporation ("Mortenson") to install helical piles for Manitoba Hydro at a remote site located approximately 775 kilometers northeast of Winnipeg. The worksite had unique requirements such as challenging geology and permafrost that dictated the use of both conventional and specialized equipment. As with the previously discussed Lead System, other specialized equipment (hydraulic helical pile drivers and clamps) were purchased from APE for use on the Mortenson contract.
7. Graham Brothers ceased operations prior to the receivership while contemplating a proposal to creditors under its Notice of Intention to Make a Proposal. Taking into account the specialized nature of the equipment and, in consultation with the Receiver, which was acting as the Proposal Trustee at the time, Graham Brothers considered the following alternatives to deal with the Manitoba based construction equipment:
 - a. selling the Manitoba equipment en bloc to Mortenson or another contractor working on the Keewatinohk Project as such a buyer would be motivated to avoid the delay and expense in renting or purchasing replacement equipment and transporting same to a remote worksite;
 - b. holding an onsite auction to expose the equipment to the various contractors at the Keewatinohk Project site and to entice contractors that may be interested in assuming Graham Brothers' role in the project;
 - c. demobilizing and transporting the Manitoba equipment to Edmonton to prepare for later realization by way of private sale or public auction; and/or;

- d. renting the Manitoba equipment to Mortenson until the project's completion.
8. Graham Brothers attempted to solicit a private buyer of the Manitoba construction equipment en bloc, but was not able to do so.
9. It was determined that an onsite auction of the Manitoba construction would be difficult to arrange due to expected resistance from Mortenson who could restrict access to the site over concerns with security and contract disruption..
10. Although Mortenson was not interested in purchasing the Manitoba construction equipment, it was motivated to minimize any further delay to the Keewatinohk Project. As a result, Graham Brothers and Mortenson entered into an agreement to rent the Manitoba equipment commencing April 2016 on a monthly basis. This rental agreement continued after the Receiver's appointment as the Manitoba equipment could still be sold after the rental was over in addition to the rental revenue increasing estate realizations for the benefit of creditors.
11. The rental of equipment was initially expected to run until September 2016, but was extended by Mortenson and the Receiver until December 16, 2016. In total, \$1,777,952 of rental revenue has been realized. During this time period the Receiver, with consent of the Court, sold some of the Manitoba construction equipment to third parties.
12. Since the expiration of the rental arrangement, the Receiver has transported the remaining Manitoba construction equipment to Edmonton.

PROPOSED SALES PROCESS FOR EQUIPMENT

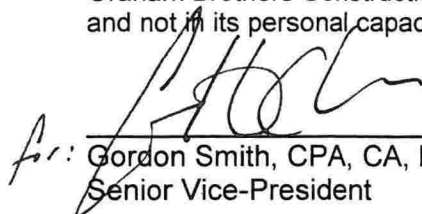
13. Former management of Graham Brothers has assisted the Receiver since its appointment in considering a sales process to maximize the realizations from the sale of the remaining equipment. This assistance includes demobilizing the Manitoba equipment, undertaking repairs in preparation for sale, identifying potential private buyers, showing the assets to potential buyers, and various other activities.
14. The Receiver has further explored a private sale of some of the equipment to APE as APE would be intimately familiar with its own products and could make an offer taking into account its ability to resell the equipment through its sales network. APE inspected the equipment in early 2017, but has shown no further interest in acquiring some or all of the equipment.
15. The Receiver believes that all private sale options to dispose the remaining equipment have been explored and that a public auction with a high degree of exposure to relevant buyers would yield the best result.

16. The Receiver approached Michener Allen Auctioneering Ltd. ("Michener Allen"), Osman Auction Inc. ("Osman Auction"), and Ritchie Bros. Auctioneers (Canada) Ltd. ("Ritchie Bros.") for auction proposals to sell the remaining construction equipment. Proposals were submitted by all three auctioneers and have been reviewed by the Receiver. The Receiver believes that the Ritchie Bros. proposal is superior to the other two proposals. A summary of the proposals received is attached as Appendix "D" to the Confidential Addendum to the Receiver's Ninth Report.
17. Previously, on May 6, 2016 Graham Brothers obtained an appraisal from Ritchie Bros. Auctioneers (Canada) Ltd. ("Ritchie Bros.") of all the Manitoba construction equipment, including assets that have subsequently been sold by the Receiver.
18. On March 14, 2017, by way of email, Fourpoints Industrial Services Inc. ("Fourpoints") provided an offer to acquire those assets included in the Ritchie Bros. proposal. The Receiver is continuing its efforts to finalize the sale of the assets to Fourpoints, however there is no certainty that a sale to them will be concluded.
19. As the Receiver has obtained offers to purchase the assets from more than one prospective purchaser, and to ensure the best purchase price for the benefit of the creditors, the Receiver has outlined the details of the offers received to date in a separate Confidential Addendum to the Receiver's Ninth Report (the "Confidential Addendum").
20. To ensure the Receiver is soliciting competitive offers from prospective purchasers, the Receiver proposes to maintain the confidentiality of the Confidential Addendum until such a time as a sale of the assets has been concluded.
21. Given that discussions with Fourpoints are in progress and that the next Ritchie Bros. auction occurs on April 25 to April 28, 2017 and that there would be significant costs for the Receiver to hold on to the assets beyond this date (e.g. rental of storage facilities) the Receiver is now seeking an Order from the Court permitting the sale of the assets to any party not related to the debtor for an amount of not less than that which would be received by the Receiver under the Ritchie Bros. proposal.

All of which is respectfully submitted.

DELOITTE RESTRUCTURING INC.,

In its capacity as Court appointed Receiver of
Graham Brothers Construction Group Ltd.
and not in its personal capacity.



For: Gordon Smith, CPA, CA, LIT, CBV, CFE
Senior Vice-President