

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 **FOURTH REPORT OF THE RECEIVER,
 DELOITTE RESTRUCTURING INC.,
 DATED AUGUST 10, 2016**

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT

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**Service will be accepted by delivery or fax. No
other form of service will be accepted.**

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 fourth report of the Receiver, the purpose of which is to seek approval to disburse funds to creditors.
4. The Amended Supplemental Third Report of the Receiver provides further background regarding the Receiver's appointment and activities to date.

5. In accordance with a June 23, 2016 Court Order the Receiver has distributed \$132,908.00 to Caterpillar Financial Services Limited, \$76,259.00 to Coast Capital Equipment Finance, \$60,623.10 to CIT Financial Ltd. and \$2,342,938.90 to the Royal Bank of Canada.
6. Paragraph 3(d) of the June 23, 2016 Court Order required the Receiver to hold \$21,184.00 for a potential claim by Roynat Inc., \$155,355.00 for a potential claim by National Leasing Group Inc. and \$57,521.00 for a potential claim by Lease Plus Financial Services Inc.
7. Sharon Fisher of Meridian Onecap Credit Corp. ("Meridian") has filed an Affidavit in the Proposal Proceedings (as defined in paragraph 2 of the Receiver's Supplemental Third Report) claiming Graham Brothers is indebted to Meridian:
 - for \$823.69 plus ongoing interest charges pursuant to a lease previously entered into between Graham Brothers and Lease Plus Financial that was assigned to Roynat Inc. and then assigned to Meridian (the "First Meridian Lease"); and
 - for \$6,380.45 plus ongoing interest pursuant to a lease previously entered into between Graham Brothers and Roynat Inc. that was assigned to Meridian (the "Second Meridian Lease").

The Receiver has been informed by the Receiver's Counsel that, in their opinion, Meridian has first priority over equipment as described in the First Meridian Lease and the Second Meridian Lease.

The Receiver plans to return assets secured by the First Meridian Lease (a photocopier) to Meridian. The Receiver has realized \$21,184.00 from the sale of assets secured by the Second Meridian Lease and proposes to pay Meridian \$6,380.45 plus applicable interest charges from May 17, 2016 to the date of payment.

8. Anna Neustaedter of National Leasing Group Inc. ("National") has filed an Affidavit claiming Graham Brothers is indebted to National:
 - for \$106,604.82 plus ongoing interest charges pursuant to a lease previously entered into between Graham Brothers and National (the "First National Lease"); and
 - for \$21,421.22 plus ongoing interest pursuant to a lease previously entered into between Graham Brothers and National (the "Second National Lease").

The Receiver has been informed by the Receiver's Counsel that, in their opinion, National has first priority over equipment as described in the First National Lease and the Second National Lease.

The Receiver realized \$104,500.00 from the sale of asserts secured by the First National Lease and \$50,854.00 from the sale of assets secured by the Second National Lease.

The Receiver proposes to pay National \$104,500.00 in respect of the First National Lease and \$21,421.22 plus applicable interest charges from June 1, 2016 to the date of payment in satisfaction of the Second National Lease

9. Alison McInnes of Diamond International Trucks Ltd. ("Diamond") has filed an Affidavit claiming Graham Brothers is indebted to Diamond for \$4,405.85 (the "Diamond Lease").

The Receiver has been informed by the Receiver's Counsel that, in their opinion, Diamond has first priority over equipment as described in the Diamond Lease.

The Receiver realized \$57,521.00 from the sale of assets secured by the Diamond Lease. These are the funds described in paragraph 6 above that the Receiver is holding in trust for Lease Plus Financial Services Inc. The Receiver now believes that Lease Plus Financial Services Inc. has no claim against Graham Brothers.

The Receiver proposes to pay Diamond \$4,405.85 in satisfaction of the Diamond Lease.


10. The Receiver has been informed by the Receiver's Counsel that Caterpillar Financial Services Limited claims that they should have been paid the gross realizations of \$152,500.00 from the sale of assets sold via auction versus the net realizations of \$132,908.00 (a difference of \$19,592.00). Caterpillar Financial Services Limited also claims that they are entitled to rental revenue of \$23,600.00 in possession of the Receiver from the rental of assets secured by Caterpillar Financial Services Limited. The Receiver proposes to hold \$43,192.00 (\$19,592.00 + \$23,600.00) in trust pending further directions from the Court.
11. The Company owns vehicles that are financed by Ford Credit Canada, which continue to be rented to a third party. To date the Receiver has received \$9,480.00 from the rental of these vehicles. The Receiver proposes to hold these funds and future rental income from these vehicles in trust pending further directions from the Court.
12. Subsequent to the date of the Receiver's Amended Supplemental Third Report dated June 22, 2016 the Receiver has collected \$3,320,502.78 from income tax refunds, \$600,701.80 from the sale of equipment and \$574,191.03 from the rental of equipment. In addition, there is \$306,227.75 in the Receiver's legal counsel's trust account from the settlement of realizations from the sale of real property.
13. The Receiver anticipates significant proceeds from:
 - the future sale of construction equipment;
 - the future sale of two steam locomotives;
 - the future collections of accounts receivable;
 - realizations on the sale of assets owned by Daysland Backhoe and Trucking Ltd. (the assets have been sold and entitlement to funds is currently being evaluated);
 - income tax refunds on post March 31, 2016 income tax filings; and
 - future rental of construction equipment.

The Receiver is not yet in a position to estimate the quantum of recoveries from the above matters, however it is expected that the combined total recoveries will exceed \$2 million.

14. After payment of amounts noted above in paragraphs 7, 8, 9, 10 and 11, the Receiver will have approximately \$5.5 million in its trust account (plus future recoveries from those items noted in paragraph 13 above). The Receiver's legal counsel advises the Receiver that the Royal Bank of Canada has a priority charge on all but \$211,082.00 of these funds (the exception being GST realizations).
15. Paragraphs 50 to 57 of the Amended Supplemental Third Report of the Receiver provides particulars as to indebtedness owing by Graham Brothers to the Royal Bank of Canada and the Royal Bank of Canada's priority to assets of Graham Brothers
16. On July 29, 2016 The Royal Bank of Canada provided an updated payout statement indicating a balance owing of \$2,169,103.62. This payout includes \$5,000.00 estimated legal fees for closure of their file.
17. The Receiver proposes to pay the Royal Bank of Canada \$2,169,103.62 plus financing charges subsequent to July 29, 2016 plus reasonable adjustments to the accrued legal fees for closure of their file.

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.



Gordon Smith, CPA, CA, LIT, CBV, CFE