

COURT FILING NUMBER 1701-03799

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

PLAINTIFF ROYAL BANK OF CANADA

DEFENDANTS GABRIEL CONSTRUCTION LTD., GABRIEL CONSTRUCTION (ALBERTA) LTD. and SASKALTA ENVIRONMENTAL SOLUTIONS INC.

DOCUMENT **SECOND REPORT OF THE COURT APPOINTED RECEIVER AND MANAGER OF GABRIEL CONSTRUCTION LTD., GABRIEL CONSTRUCTION (ALBERTA) LTD. and SASKALTA ENVIRONMENTAL SOLUTIONS INC.**

DATED AUGUST 22, 2017

PREPARED BY DELOITTE RESTRUCTURING INC.

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TABLE OF CONTENTS

INTRODUCTION	1
Purpose	1
Terms of Reference	2
BACKGROUND	2
POWERS OF THE RECEIVER.....	3
RECEIVER’S ACTIVITIES SINCE THE FIRST REPORT	3
ASSET REALIZATIONS	4
Regina Property	4
Unfinished Contracts	4
Contech Monies	5
Construction Equipment and Auction Process.....	6
Private Asset Sales.....	6
THE HONDURAS PROPERTY.....	7
Foreign Investment	7
Listing Agreement	8
Operations of Gabriel S.A. and Bank Transfers from GCAL.....	8
Next Steps	9
STATEMENT OF RECEIPTS AND DISBURSEMENTS	9
CONCLUSIONS AND RECOMMENDATIONS.....	10

APPENDICES

- Appendix "A" – Receiver’s Statement of Receipts and Disbursements from March 21, 2017 to August 16, 2017
- Appendix "B" – Extracts from draft unaudited October 2016 financial statements of GCAL
- Appendix "C" – KYC Company Search Report Reference CD17094-16 in relation to Construcciones Gabriel, S.A.
- Appendix "D" – Exclusive Multiple Listing Service Agreement for the Honduras Property
- Appendix "E" – Expression of interest dated April 30, 2012 for the "Promoción de Alianzas Publico-Privadas"

INTRODUCTION

- 1) Pursuant to an Order (the "**Receivership Order**") of the Court of Queen's Bench of Alberta (the "**Court**") dated March 21, 2017 (the "**Date of Receivership**"), Deloitte Restructuring Inc. was appointed as receiver and manager (the "**Receiver**"), without security, of all assets, undertakings and properties of Gabriel Construction Ltd. ("**GCL**"), Gabriel Construction (Alberta) Ltd. ("**GCAL**") and SaskAlta Environmental Solutions Inc. ("**SaskAlta**") (collectively, the "**Companies**" or the "**Group**"). The Court proceedings in which the Receiver was appointed are referred to herein as the "**Receivership Proceedings**".
- 2) The Receivership Order was granted as a result of an application by Royal Bank of Canada ("**RBC**") which was owed approximately \$2.6 million by the Group at the Date of Receivership (the "**RBC Indebtedness**"). RBC holds various registered security over all of the Group's present and after-acquired real and personal property, along with various personal guarantees (collectively, the "**RBC Security**"). The loans provided by RBC to GCL, GCAL and SaskAlta were cross guaranteed and cross collateralized by each of the Companies.
- 3) Following the issuance of the Receivership Order, the Receiver issued a statutory Notice and Statement of the Receiver for each of GCL, GCAL and SaskAlta (the "**Notices to Creditors**") pursuant to subsections 245(1) and 246(1) of the *Bankruptcy and Insolvency Act (Canada)*.
- 4) On June 1, 2017, the Receiver filed its first report with the Court (the "**First Report**") summarizing the Receiver's activities from the Date of Receivership to May 30, 2017. The First Report also provided details of the proposed sale of the Group's construction related equipment/inventory and office furniture/equipment (collectively, the "**Equipment**") via an auction process. A copy of the First Report is posted on the Receiver's website along with the other receivership notices, orders and other materials.
- 5) In addition to the First Report, the Receiver also prepared a confidential supplement to the First Report dated June 1, 2017 (the "**First Confidential Report**") which is currently sealed in the Court file.
- 6) This is the Receiver's second report to Court (the "**Second Report**"). Unless otherwise provided, all other capitalized terms not defined in this Second Report are as defined in the First Report and the Receivership Order.

Purpose

- 7) The purpose of this Second Report is to:
 - a) Provide the Court with an update on the Receiver's activities since May 30, 2017;
 - b) Provide the Court with the Receiver's statement of receipts and disbursements since the Date of Receivership to August 16, 2017 (the "**Receiver's R&D**"); and

- c) Respectfully recommend that the Court:
- i. Approve the reported activities of the Receiver as set out herein in respect of administering the Receivership Proceedings;
 - ii. Approve the Receiver's R&D, a copy of which is attached hereto as **Appendix "A"**; and
 - iii. Approve an Order authorizing and approving a declaration stating that the Spring Water property at Camp Bay Road, Roatan, Honduras (the **"Honduras Property"**), registered in the name of Construcciones Gabriel, S.A. (**"Gabriel S.A."**) forms part of the Property (as defined in the Receivership Order) of GCAL and these Receivership Proceedings, and is subject to these Receivership Proceedings and the Receiver's powers and authority respecting the same.

Terms of Reference

- 8) In preparing this Second Report, the Receiver has relied upon unaudited financial and other information prepared by the Group's current and former employees, the Group's books and records, and discussions with the Group's former employees and various third parties with knowledge of the Companies and their assets and operations. 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 this information. The Receiver may refine or alter its observations as further information is obtained or brought to its attention after the date of the Second Report.
- 9) All dollar amounts in this Second Report are in Canadian dollars, unless otherwise indicated.

BACKGROUND

- 10) GCL operated as a construction general contracting company, specializing in commercial, industrial and institutional construction projects in the Province of Saskatchewan (**"SK"**).
- 11) GCL is majority owned by the former principal of the Group, Mr. Gabriel Grenier (**"Mr. Grenier"**) who holds approximately 86% of the voting shares and GCL in turn owns 100% of GCAL and SaskAlta. GCL operated from premises owned by GCL that are located at 234-11th Avenue East, in Regina, SK (the **"Regina Property"**).
- 12) GCAL operated as a construction general contracting company, specializing in commercial, industrial and institutional construction projects in Alberta (**"AB"**). GCAL operated from a property formerly owned by Mr. Grenier, which is located in a rural area close to Cremona, AB (the **"Cremona Property"**).
- 13) SaskAlta specialized in the management of industrial, commercial and municipal hazardous and non-hazardous waste, and primarily provided dredging, pumping, desludging and dewatering services. SaskAlta operated from the Cremona Property and shared employees with GCAL.

- 14) Mr. Grenier is the sole director of GCAL and is a joint director of GCL with Ms. Sonia Grenier. The corporate search for SaskAlta did not provide any director information.
- 15) As detailed in the First Report, as a result of declining revenues and financial losses incurred by GCAL and SaskAlta, the Group began to experience financial difficulties in early 2016. Despite attempts to rationalize the business and liquidate some of the Group's Equipment in order to improve liquidity, the Group continued to experience cash flow difficulties. Ultimately this culminated in Mr. Grenier's decision to cease operations of the Group and to terminate all of the Group's employees on March 10, 2017.
- 16) RBC, the principal and first ranking secured creditor of the Group, was concerned about the status of the Group's Equipment and ongoing construction contracts. As a result, RBC took steps to have a Receiver immediately appointed over the Group.

POWERS OF THE RECEIVER

- 17) The Receiver's powers are detailed in paragraph 3 of the Receivership Order and include, among others, the power to take and maintain possession and control of the assets of the Group; the power to manage, operate and carry on the business of the Group; and, the power to market and sell the assets of the Companies (subject to Court approval if any one transaction exceeds \$100,000 or if the aggregate of transactions exceed \$200,000).

RECEIVER'S ACTIVITIES SINCE THE FIRST REPORT

- 18) Since the First Report, the Receiver has, among other things:
 - a) Continued to market for sale the Regina Property and to liaise with the Receiver's appointed listing broker, Colliers International ("**Colliers**"), in respect of this marketing process;
 - b) Entered into settlement discussions and agreements related to the collection of outstanding accounts receivable and the settlement of deficiency claims on several of the Group's construction projects;
 - c) Obtained an order of the Court for the release of the Net Lien Monies (as defined at paragraph 32 of this Second Report);
 - d) Continued its investigations into Gabriel S.A. and the Honduras Property;
 - e) Arranged for the payment of rent and the transportation of various construction Equipment located at storage facilities in AB and SK;
 - f) Completed the sale of the Group's remaining construction Equipment, inventory, and office furnishings via a combination of private sales and an auction process;
 - g) Attended the Cremona Property and Regina Property (collectively, the "**Operating Properties**") to arrange for the archiving of the Group's books and records, and to enable Canada Revenue Agency to undertake trust audits;

- h) Liaised with multiple asset finance companies to obtain buy-out quotes, and to assess the level of equity in certain financed Equipment. When it was determined that there was no equity in the financed Equipment, the Receiver wrote to the relevant finance companies to release its respective interest in same;
- i) Arranged for the extension of insurance coverage for the Group's assets; and
- j) Liaised with various creditors, subcontractors and bonding companies relating to the Group's outstanding liabilities and the unfinished construction contracts and those with outstanding accounts receivable (collectively, the "**Unfinished Contracts**").

ASSET REALIZATIONS

Regina Property

- 19) The Regina Property was constructed in 1960 and incorporates approximately 4,811 sq. ft. of office/warehouse space, in addition to a large gated and fenced yard.
- 20) On May 15, 2017, the Receiver appointed Colliers as listing broker. Colliers is actively marketing the Regina Property with a list price of \$840,000, and details are posted on Colliers' website.
- 21) Colliers has undertaken approximately thirteen (13) viewings of the Regina Property with various potential buyers. The marketing effort was initially hampered by the amount of equipment and inventory located at the Regina Property which impacted the visual presentation of the building and yard. After completing the sale of the Equipment and office furniture and cleaning the premises, interest in the Regina Property has improved.
- 22) To date, no offers have been received in respect of the Regina Property. However, Colliers is currently working closely with a qualified owner operator, among other parties, and expects to receive offer(s) in due course. Any offers received on the Regina Property will be subject to Court approval.

Unfinished Contracts

- 23) Prior to the Group ceasing to operate on March 10, 2017, the Group was engaged on several bonded and non-bonded construction contracts in SK and AB. As a result of the abrupt closure of the business, several of these contracts were only partially completed.
- 24) The Receiver has reviewed various books and records, reports, contracts, invoices and correspondence related to the Unfinished Contracts. The Receiver also entered into discussions with multiple owners of the projects, in addition to bonding companies, Mr. Grenier and former employees of the Group, in order to assess the status of the projects and the best method to realize value from the Unfinished Contracts. In total, the Receiver reviewed forty-seven (47) Unfinished Contracts.

- 25) Several of the Unfinished Contracts had significant arrears owing by the Group to subcontractors used on the projects and consequently multiple liens had been filed against these projects. As a result, many of the Unfinished Contracts were uneconomic to complete and, where applicable, the Receiver consented to allowing the bonding companies to take over the completion of the projects and to deal with the liens pursuant to the labour and material bonds. The Receiver is continuing to monitor these projects and expects to receive appropriate reporting from the bonding companies in respect of any potential profits.
- 26) The Receiver engaged Trans Canada Contracting Inc. ("**Trans Canada**") to complete a project in SK which was bonded by Echelon Insurance Company (the "**Surety**"). Following the completion of the project, the Receiver recovered proceeds under the contract in the amount of \$50,730. In accordance with the provisions of paragraph 32 of the Receivership Order, these monies have subsequently been released from trust to the Receiver following the receipt by the Surety of the original bonds from the owner of the project.
- 27) To date the Receiver has entered into settlement discussions and agreements related to outstanding accounts receivable and deficiency claims on ten (10) different Unfinished Contracts.
- 28) As at the Date of Receivership, the Group had accounts receivable of approximately \$2.39 million and holdbacks receivable of approximately \$0.65 million. Since the First Report, the Receiver has realized a further \$121,400 in accounts receivable (inclusive of the Net Lien Monies described at paragraph 32 of this Second Report). In total, the Receiver has realized approximately \$265,100 in accounts receivable since the Date of Receivership.
- 29) Further realizations will be contingent on the amount of liens filed, ongoing negotiations and potential profits in respect of the Unfinished Contracts.

Contech Monies

- 30) The Receiver became aware of an amount of \$70,000 (the "**Lien Monies**") having been paid by GCAL in trust to Gowling WLG (Canada) LLP ("**Gowling WLG**") in order that a lien registered by Contech Electric Ltd. be removed from title to certain lands where GCAL was undertaking a construction project.
- 31) On May 26, 2017, the Receiver filed an application with the Court to have the Lien Monies released by Gowling WLG to the Receiver, for the benefit of the Receivership estate.
- 32) On July 6, 2017, the Court granted an order directing Gowling WLG to pay to Torys LLP the Lien Monies, less an amount of \$1,638 (the "**Net Lien Monies**") to be retained by Gowling WLG to cover a portion of its legal fees in relation to this matter, in an amount negotiated between the parties.
- 33) The Receiver is now in receipt of the Net Lien Monies of \$68,362 which are included in the Receiver's R&D as realizations from accounts receivable.

Construction Equipment and Auction Process

- 34) The Group owned a significant amount of construction related Equipment which was primarily located at the Operating Properties. Certain Equipment was also located at several job sites and storage facilities in AB and SK.
- 35) The Receiver engaged Century Services Corp. ("**Century**") to view the Group's Equipment, and to undertake an appraisal of the Equipment (the "**Century Appraisal**"). A copy of the Century Appraisal was attached to the First Confidential Report as Appendix "A".
- 36) Following a proposal process, and pursuant to an order of the Court dated June 7, 2017, the Receiver engaged Maynards Industries Canada Ltd. ("**Maynards**") to sell the majority of the remaining Equipment via a Court approved auction process.
- 37) The Receiver obtained quotes and arranged for the haulage of the Equipment which remained at project sites and at storage facilities back to the Operating Properties and/or to an alternate storage site owned by Maynards in Estevan, SK.
- 38) Maynards held onsite and online auctions at the Cremona Property and the Regina Property on July 18 and July 19, 2017, respectively. The auctions achieved gross sale proceeds of \$1,117,900 inclusive of the buyer's premiums.
- 39) The costs of the auctions included \$87,500 in respect of Maynard's share of the buyer's premium, \$46,900 in respect of advertising, travel/accommodations and third party labour, and \$12,800 in respect of Equipment transport.
- 40) In total, net proceeds from the auctions amounted to approximately \$970,700 which, based on the Group's asset register, was allocated \$390,600 to GCAL, \$222,600 to GCL and \$357,500 to SaskAlta after allocation of costs.

Private Asset Sales

- 41) In order to maximize realizations from the construction Equipment located at remote project sites, the Receiver entered into three (3) private sales (the "**Private Sales**") since the First Report for total sales proceeds of \$139,450 (plus applicable taxes), as set-out below:
 - a) Sale of various GCL owned construction Equipment located at Saskatoon Waste Water Treatment Plant, SK to Trans Canada;
 - b) Sale of various GCAL owned construction Equipment at Miette Hot Springs, AB to Trans Canada; and
 - c) Sale of GCAL owned site trailer at Miette Hot Springs, AB to Westpro Infrastructure Ltd. (the "**Miette Trailer Sale**").
- 42) The Receiver notes that for each of the Private Sales, the combined purchase price for the Equipment was within the appraised value range provided by Century when accounting for the costs of hauling the Equipment and additional storage costs which were avoided by entering into the Private Sales.
- 43) Each of the Private Sales have been completed and the proceeds are shown in the Receiver's R&D, with the exception of the Miette Trailer Sale, for which the proceeds are in transit to the Receiver as at the date of the Second Report.

- 44) A buyer's premium commission was paid to Maynards in the amount of \$6,900 in respect of the Private Sales in accordance with the terms of the auction services agreement between Maynards and the Receiver.
- 45) The Receiver has now completed the sale of all of the Group's Equipment. Total realizations from the sale of the Group's Equipment have amounted to \$1,172,400 when including proceeds from the Miette Trailer Sale and after deducting lease payouts in the amount of \$100,900. This compares to the Century Appraisal of approximately \$1,130,000, after adjusting for leased assets with no equity.

THE HONDURAS PROPERTY

Foreign Investment

- 46) The draft unaudited October 2016 financial statements of GCAL (the "**October Financials**") show an investment on the balance sheet in the amount of \$2,078,264 (the "**Foreign Investment**"). According to Note 5 in the October Financials, the Foreign Investment "consists of advances made to a foreign company related by virtue of common ownership". In addition, the notes state that "these advances are unsecured, non-interest bearing and without fixed terms of repayment". Included as **Appendix "B"** to this Second Report are extracts from the October Financials showing the GCAL balance sheet and Note 5 related to the Foreign Investment.
- 47) The Receiver has discussed the Foreign Investment with Mr. Grenier. Based on these discussions, the Receiver understands that monies were advanced without any formal written agreements over several years from GCAL to Gabriel S.A. for the purposes of developing a resort at the Honduras Property.
- 48) Further searches of GCAL's books and records undertaken by the Receiver have identified bank payment remittances which indicate that the advances in relation to the Foreign Investment were made from GCAL to Gabriel S.A. In addition, payments were made directly from GCAL to suppliers and service providers in Honduras in order to settle certain of the costs incurred by Gabriel S.A. (refer to paragraph 58 for more details).
- 49) A KYC Company Search Report Reference CD17094-16 dated April 13, 2017, obtained by Torys LLP through Company Documents Ltd, in respect of Gabriel S.A., is attached as **Appendix "C"** to this Second Report. This search report states that Gabriel S.A. is a privately and closely-held corporation and lists GCAL and GCL as "related companies". It also states that Mr. Gabriel acts as the President and CEO of Gabriel S.A., and is the controlling shareholder.
- 50) Based on searches and investigations made through Torys LLP, it is apparent that Gabriel S.A. is the registered owner of the Honduras Property.

- 51) Mr. Grenier has informed the Receiver that monies advanced by GCAL were used to construct a 5,000 sq. ft. beachfront villa, and to develop various infrastructure (primarily roads and utilities) on the Honduras Property. The Receiver also understands that the original objective of Mr. Grenier was to develop a residential resort community, with several homes located on the Honduras Property. However, the development of the resort has been delayed, in part due to waiting for an appropriate permit from the relevant authorities. The Honduras Property's resort marketing website indicates that the villa sits on approximately eight (8) acres on the coast of Roatan.

Listing Agreement

- 52) The Honduras Property was listed for sale in June 2016 through an Exclusive Multiple Listing Service Agreement between Mr. Grenier as "an Administrator of legal Honduran S.A." (the seller), and Central American M,M&C, S.A., a Honduran Corporation doing business as RE/MAX Bay Islands/Western Sunsets and RE/MAX Bay Islands ("**RE/MAX**"). The RE/MAX sales listing agreement is attached as **Appendix "D"** to this Second Report. The Honduras Property was listed at a suggested value of US\$1,150,000.
- 53) Based on discussions with Mr. Grenier, the Receiver understands that the Honduras Property has failed to sell. The Honduras Property is still being marketed for sale through the RE/MAX website (https://www.roatan-realestate.com/idx/Camp-Bay-Road-Sweet-Water-Roatan-mls_16-356/) and was last updated on June 24, 2017. It is not clear if the listing agreement with RE/MAX has been renewed since this date.
- 54) Mr. Grenier has also stated to the Receiver that there is a mortgage on the Honduras Property that is held by a Honduran bank, but the Receiver has not been provided any supporting documents as at the date of this Second Report, and Mr. Grenier was unable/unwilling to provide any further information related to the value of the mortgage or the name of the mortgagee.

Operations of Gabriel S.A. and Bank Transfers from GCAL

- 55) In reviewing the Group's books and records, the Receiver found that Mr. Grenier, on behalf of GCAL, issued an expression of interest dated April 30, 2012 for the "Promoción de Alianzas Publico-Privadas" (the "**Expression of Interest**"). The Expression of Interest indicates Gabriel S.A.'s interest to participate in the Viability of a Private-Public Partnerships (P3) Infrastructure Construction Project for building the main road from Punte Gorda Junction to Camp Bay, with the Government of Honduras, Island of Roatan and the Communities of Diamond Rock, Punta Blanca, Camp Bay.
- 56) While the Expression of Interest concerns Gabriel S.A.'s interest, the Expression of Interest is on GCAL letterhead and references the contact information and address for GCAL, as well as refers the reader to the general website for GCAL and GCL as a whole (www.gabrielconstruction.ca). Also, while the Expression of Interest does reference separate entities (Gabriel S.A. and GCAL), it does so in a way so as to conflate the entities as one and the same (stating "[o]ur company is a Honduran Construction Company and specializes in commercial, industrial & institutional construction projects in both Honduras and Canada"). The Expression of Interest is attached as **Appendix "E"** to this Second Report.

- 57) Based on records of the Group, the Receiver understands that Gabriel S.A. retained Wendy Rosa Gale (also known as Wineday Rosa Gale) of Roatan, Honduras as their Roatan site office clerk as of March 1, 2010, and via a signed authorization letter dated November 4, 2010 to Banco Atlantida French Harbour, authorized Wendy Rosa Gale, with account number 3201193335, to receive money transfers from the GCAL office in Canada. The letter to Banco Atlantida French Harbour indicates that Gabriel S.A. is "currently doing construction work in Camp Bay and need[s] to be able to pay for labour and material in Roatan, Honduras". The letter is authorized and signed by Ms. Sonia Grenier, Director/Controller of GCAL.
- 58) During the course of reviewing the Group's books and records, the Receiver identified many emails, invoices and receipt of money transfers evidencing payments from GCAL to Gabriel S.A., Wineday Gale, and direct to suppliers in Honduras. These documents indicate that the money transfers relate to payroll expenses, electrician costs, supply and delivery of concrete, pool installation/servicing, amongst other items. The documents name Gabriel S.A., GCAL and Mr. Grenier (personally) as service recipients. Money transfers were also made by GCAL to cover the utilities for the Honduras Property which names Gabriel S.A. as the account holder on the invoices.
- 59) In the course of the Receiver's discussions with Mr. Grenier, the information provided to the Receiver with respect to the Honduras Property has been limited, inconsistent, and in some cases contradictory. Further, the Receiver has had general difficulty, since the Date of Receivership, in reaching Mr. Grenier to discuss the Honduras Property and matters relating to the Receivership Proceedings. This lack of access and cooperation has contributed to the necessity of the present Application being brought by the Receiver.

Next Steps

- 60) The Receiver is continuing its investigations into Gabriel S.A. and the Honduras Property in order to consider the best method to realize value from the Foreign Investment (and the Honduras Property), to the extent possible, for the benefit of the Group's creditors.
- 61) From the Receiver's investigations, it is apparent that Gabriel, S.A. and the Companies are all owned and operated by Mr. Grenier and have been effectively operated and treated as one by Mr. Grenier. Accordingly, based on legal advice received from Torys LLP, and given the significant potential value of the Honduras Property and the connection between the Gabriel Companies and Gabriel, S.A., the Receiver respectfully requests that the Honduras Property be declared to form a part of the Property subject to Receivership Proceedings in AB.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

- 62) Attached as Appendix "A" to this First Report is the Receiver's R&D.
- 63) As at August 16, 2017, the Receiver's gross receipts, including the draws on the Receiver's borrowing facility amounted to approximately \$1,664,300 and the Receiver continues to hold approximately \$1,079,700 in trust.
- 64) Since the Date of Appointment to August 16, 2017, the Receiver has made disbursements totalling approximately \$584,600, including, amongst other items, Receiver's fees and disbursements, Receivers' legal fees, auction commissions and costs, insurance premiums, subcontractor fees, lease payouts and utilities.

- 65) The Receiver notes that included in the disbursements made to date are payments made in respect of utility charges associated with the Cremona Property. These payments amount to approximately \$2,700 and relate, in part, to costs incurred prior to the Date of Receivership. The Receiver believes that the payment of these costs was justified as these expenditures were primarily associated with preserving and protecting assets of the Group, and were necessary in order to secure the ongoing cooperation of Mr. Grenier and the use of the Cremona Property for storage of the Equipment.

CONCLUSIONS AND RECOMMENDATIONS

- 66) Based on the foregoing, the Receiver respectfully requests that the Court:
- i. Approve the actions of the Receiver reported herein in respect of administering the Receivership Proceedings;
 - ii. Approve the Receiver's R&D as attached hereto as Appendix "A"; and
 - iii. Approve an order authorizing and approving a declaration stating that the Honduras Property forms part of the Property in the Receivership Proceedings.

All of which is respectfully submitted at Calgary, Alberta this 22nd day of August, 2017.

DELOITTE RESTRUCTURING INC.

In its capacity as Court-Appointed Receiver and Manager of Gabriel Construction (Alberta) Ltd., Gabriel Construction Ltd. and SaskAlta Environmental Solutions Inc. and not in its personal or corporate capacities



Jeff Keeble, CA, CIRP, LIT, CBV
Senior Vice-President

APPENDICES

Appendix "A"

Receiver's Statement of Receipts and Disbursements from March 21, 2017 to August 16, 2017

Gabriel Construction (Alberta) Ltd., Gabriel Construction Ltd., and
SaskAlta Environmental Solutions Inc., all in Receivership

Interim Statement of Receipts and Disbursements
For the Period March 21, 2017 to August 16, 2017

Description	Gabriel Construction (Alberta) Ltd.	Gabriel Construction Ltd.	SaskAlta Environmental Solutions Inc.	Total	Notes
Receipts					
Collections of accounts receivable	\$ 97,956	\$ 167,103	\$ -	\$ 265,059	
Equipment rental income	28,571	-	-	28,571	
GST and PST collected	4,279	8,795	-	13,073	
Interest	13	21	1	35	
Receiver borrowings from RBC	100,000	-	-	100,000	1
Transfer of funds from GCAL	(60,000)	40,000	20,000	-	1
Sale of equipment/inventory	498,344	352,351	404,110	1,254,804	
WCB and other refunds	1,884	853	-	2,737	
Total receipts	671,047	569,122	424,111	1,664,280	
Disbursements					
Appraisal fee	\$ -	\$ 20,000	\$ -	\$ 20,000	
Auctioneer's commissions and costs	57,601	49,803	46,626	154,030	
Contractor services	5,786	25,130	-	30,917	
Filing fees	70	70	70	210	
Fuel and utilities	2,882	1,912	2,944	7,737	
GST/PST paid	9,738	14,924	134	24,796	
Insurance premiums	21,733	15,537	13,596	50,866	
Lease payouts	56,651	44,260	-	100,911	
Property taxes	-	7,714	-	7,714	
Receiver's fees	-	116,084	-	116,084	
Receiver's legal fees	49,794	-	-	49,794	
Security	-	720	-	720	
Storage fees and clean up costs	-	4,400	-	4,400	
Transportation costs	-	16,440	-	16,440	2
Total disbursements	\$ 204,255	\$ 316,994	\$ 63,370	\$ 584,620	
Excess of receipts over disbursements	\$ 466,792	\$ 252,128	\$ 360,740	\$ 1,079,660	

Notes:

- 1 The Royal Bank of Canada has provided \$100,000 in Receiver borrowings to date.
- 2 Paid to Winch-It by GCL on behalf of SaskAlta.

Appendix "B"

Extracts from draft unaudited October 2016 financial statements of GCAL

GABRIEL CONSTRUCTION (ALBERTA) LTD.

Financial Statements

Year Ended October 31, 2016

(Unaudited)

Draft for discussion purposes only

Prepared by	Reviewed by
RN 2/23/17	

REVIEW ENGAGEMENT REPORT

To the Shareholder of Gabriel Construction (Alberta) Ltd.

We have reviewed the balance sheet of Gabriel Construction (Alberta) Ltd. as at October 31, 2016 and the statements of loss and deficit and cash flow for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the company.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for private enterprises.

Calgary, Alberta
March 1, 2017

HAMILTON & ROSENTHAL
CHARTERED ACCOUNTANTS LLP

GABRIEL CONSTRUCTION (ALBERTA) LTD.

Balance Sheet
 October 31, 2016
 (Unaudited)

	2016	2015
ASSETS		
Current		
Accounts receivable	\$ 824,804	\$ 2,684,303
Prepaid expenses and deposits	12,537	18,355
	<u>837,341</u>	2,702,658
Property, plant and equipment (Note 4)	1,366,279	2,030,390
Investment (Note 5)	2,078,263	2,056,246
Future income taxes recoverable	684,476	505,032
	<u>\$ 4,966,359</u>	<u>\$ 7,294,326</u>
LIABILITIES		
Current		
Bank indebtedness (Note 6)	\$ 472,784	\$ 1,001,284
Accounts payable	740,433	1,563,344
GST payable	17,722	13,652
Employee deductions payable	13,859	17,129
Due to directors (Note 7)	687,722	570,159
Current portion of long term debt	10,078	70,041
Callable debt due in one year	-	148,645
	<u>1,942,598</u>	3,384,254
Callable debt due thereafter	-	96,647
	<u>1,942,598</u>	3,480,901
Due to related parties (Note 8)	7,194,920	6,685,304
Long term debt	-	124,018
	<u>9,137,518</u>	<u>10,290,223</u>
SHAREHOLDER'S DEFICIENCY		
Share capital (Note 9)	100	100
Contributed surplus	80,924	80,924
Deficit	<u>(4,252,183)</u>	<u>(3,076,921)</u>
	<u>(4,171,159)</u>	<u>(2,995,897)</u>
	<u>\$ 4,966,359</u>	<u>\$ 7,294,326</u>

GABRIEL CONSTRUCTION (ALBERTA) LTD.

Notes to Financial Statements

Year Ended October 31, 2016

(Unaudited)

5. INVESTMENT

Investment consists of advances made to a foreign company related by virtue of common ownership. These advances are unsecured, non-interest bearing and without fixed terms of repayment.

6. BANK INDEBTEDNESS

Bank indebtedness includes a revolving demand facility to an authorized maximum of \$1,250,000, bearing interest at a rate of prime plus 1.40% per annum secured by a general security agreement, guarantees and postponements of claim in the amounts of \$125,000 and \$500,000 signed by the directors, a guarantee and postponement of claim in the amount of \$3,671,000 signed by Gabriel Construction Ltd., a collateral mortgage in the amount of \$600,000 on property held by Gabriel Construction Ltd., and priority agreements between the bank, the borrower and other lending institutions.

The banking agreement with the Royal Bank of Canada (RBC) contains certain restrictive covenants with respect to the maintenance of certain financial ratios. At October 31, 2016, the Company was not in compliance with such covenants.

The accompanying financial statements have been prepared on the going concern assumption that the company will be able to realize its assets and discharge its liabilities in the normal course of business. This assumption is based on the continuing support of the bank and the postponement of amounts due to related parties.

7. DUE TO DIRECTORS

The amounts due to directors are unsecured, non-interest bearing and without fixed terms of repayment.

8. DUE TO (FROM) RELATED PARTIES

The long term amounts due to (from) related parties are unsecured, non-interest bearing and consist of the following:

	<u>2016</u>	<u>2015</u>
Gabriel Construction Ltd. (related by common ownership)	\$ 7,621,888	\$ 7,230,059
SaskAlta Environmental Solutions Inc. (related by common ownership)	<u>(426,968)</u>	<u>(544,755)</u>
	<u>\$ 7,194,920</u>	<u>\$ 6,685,304</u>

Appendix "C"

**KYC Company Search Report Reference CD17094-16
in relation to Construcciones Gabriel, S.A.**



13 April 2017

KYC Company Search Report

Ref: CD170404-16

RE: CONSTRUCCIONES GABRIEL SA

Our local agent has undertaken the requested corporate research in Honduras and we can now provide the following report details;

Company Name Construcciones Gabriel S.A.

Construcciones Gabriel S.A. is a small organization in the engineering services industry located in La Ceiba, Honduras.

Year Founded 2008
Address Barrio El Centro, 1ra. Calle, Edificio MID
La Ceiba
Atlantida
Honduras
Tel: +504 96397750
Fax +504 96397750

Legal Status Privately-held corporation (Closely-held corporation) duly incorporated, organized and existing according to the laws of the Republic of Honduras.

A Closely-held corporation (also known as Closed Joint-Stock Corporation) is a company in which a small group of shareholders controls the majority of the shares.

Formation date 2008

Company status ACTIVE - GOOD STANDING

SHARE CAPITAL STRUCTURE & OWNERSHIP : (in HNL Honduran Lempiras)

AUTHORIZED NOMINAL CAPITAL	HNL 1.000.000
ISSUED CAPITAL	HNL 1.000.000
PAID-IN CAPITAL	HNL 1.000.000

Subject's share capital is split into nominative shares with a par value of HNL 100

It is a privately-owned company whose shares are no traded on the Stock Exchange, and whose controlling shareholder is the President of the Board

MANAGEMENT:

President & CEO

Gabriel GRENIER

This person is a Honduran/Canadian citizen who also operates construction and contracting companies in Canada since 1986.

No negative occurrences on subject's principals are recorded.

PRINCIPAL ACTIVITIES Subject is a civil engineering, construction and contracting company specializing in providing a wide range of engineering consulting services, project management and execution, general contracting services for all types of commercial and architectural projects, steel buildings for commercial and industrial applications, renovation & restoration projects for institutional and commercial projects, structural repairs and improvements, civil sub-contracting, etc.

Reputation

Well-known company of good reputation.

An active company in its line.

Good market position.

Management standard

The management consists of well-known businessmen of good repute, and with years of experience in related fields.

Traditional methods of management with good forward planning, and well defined corporate policy

Approximate Annual Sales

USD 4.300.000

Purchases

Local sources: 40 % - Overseas (imports): 60 %

Imports from

U.S.A., Canada, Germany, France, PR China

Imports (in U.S. Dollars)

USD 800.000

BANKERS

- Banco del País
- Banco Atlántida

Bank sources consulted confirm the subject company as their client.

Its usual banking transactions comprise checking accounts -properly managed and without bounced (NSF) checks recorded-; foreign trade operations through L/C, secured credit facilities, etc.

Bank officers declined further comment per banking privacy policy, although no negative information was reported to date.

INSURERS

Seguros Continental S.A

REAL ESTATE PROPERTIES : Owns premises at the head address where its offices are located.
Barrio El Centro, La Ceiba.

RELATED COMPANIES:

- ▶ GABRIEL CONSTRUCTION LTD.,
- ▶ GABRIEL CONSTRUCTION ALBERTA LTD.

Both companies are located at #234, 11th., Avenue East, Regina SK S4N 6G8, CANADA

CREDIT REPORT

A trade survey has been undertaken among the company's domestic commercial credit grantors at the time this report was produced with the following results :

Type of creditors	Traders, Mfrs. & service suppliers
Known since	2008
Buying terms	30-day O/A
Paying record	PROMPT
Payment Patterns	Good bill-pay habits, within agreed terms, no complaints
NSF checks	NO
Delayed payments	NO
Non-payments	NO
Commercial Morality	GOOD - Commitments are respected
Creditors assessment	Good
Repayment Capacity	Moderate

Negative occurrences & fact checks

defaults	No
delinquencies	No
legal suits	No
judgments	No
collection claims	No
protested items	No
returned checks	No
detrimental record	No
adverse references	No

FINANCIAL INFORMATION

Financial information was not available from any sources.

End of Report.

Information in the above report and any attachments has been provided by our local agents and it is believed to be accurate and factual as of the above date.

We have no reason to doubt any of the information supplied, however we accept no responsibility for any errors within this report.

Appendix "D"

Exclusive Multiple Listing Service Agreement for the Honduras Property

Exclusive Multiple Listing Service Agreement

Seller: Gabriel Grenier as an Administrator of legal Honduran S.A.



Description of Property: +/- 5000 sf home in Camp Bay

Document Numbers:

Cadastral Number:

1. **CONSIDERATION AND TERM OF CONTRACT.** This agreement is entered into this on June 25 2016 by and between Central American M,M & C, S.A a Honduran Corporation DBA RE/MAX Bay Islands/Western Sunsets and RE/MAX Bay Islands (RE/MAX- "the BROKER"), and the above mentioned SELLER(S) ("the SELLER"). The BROKER hereby agrees to exclusively market the property, herein after described, and to use best efforts to find a buyer. The SELLER grants to the BROKER the exclusive right to sell the property for the 12 months from June 28, 2016 to June 27, 2017.

2. **AUTHORIZED SELLER.** The SELLER represents and warrants that they are the exclusive holders of the interest to be conveyed hereunder, or that they are the duly authorized agents of the holders of said interest and are specifically empowered to enter into this Contract and to convey the interest set forth.

2. **PRICE/TERMS.** The SELLER agrees to sell the property for the sum of U.S. \$ 1,150,000 (One Million One Hundred Fifty Thousand Dollars) to be paid in cash or upon terms and conditions as the SELLER may hereafter accept. It is understood and agreed that the BROKER and the independent contractor have provided an estimate of market value of the property and a suggested listing price. Neither broker nor the independent contractor can assure that the property does not now or will not in the future have a different value or potential sales price.

4. **MULTIPLE LISTING.** The SELLER acknowledges that the Multiple Listing Service (MLS) and the offering of cooperation and compensation to other BROKERS have been fully explained and the BROKER is authorized to Multiple List the Property. RE/MAX Bay Islands will advertise each listing on several web sites and will introduce 'new listings' in it's monthly newsletter with a readership of +/- 5,000. 'Hot Deals', 'Motivated Seller' and 'below market' valued properties will also be marketed via the 'VIP Investors Club'.

5. **Professional Fees.** The SELLER agrees to pay the BROKER at closing, cash Professional Fees as follows – 5% of the selling price will be paid to the Sales Brokerage that presents the accepted agreement. (Purchasers Brokerage)

4% will be paid to the Listing Company, Central American M,M, & C., S.A. dba RE/MAX Bay Islands or RE/MAX Western Sunsets.

1% to RE/MAX franchising corporations as a result of franchise fees paid by RE/MAX Bay Islands and/or RE/MAX Western Sunsets for various Franchise Fees, Co-Op advertising, Broker and Agent monthly fees, Annual Fees and Franchise Fees.

Total Professional Fees paid to RE/MAX Franchisor & Franchisee at Closing – 10% AG Seller's Initial

If listing has a sale price of over one million dollars the commission rate will be 7.5%. Under the million dollars will generate a 10% listing as noted above.

The above outlined Fees will be due and payable if a buyer is obtained for the Property by anyone, during the term of this Contract at the price and terms set forth in a separate document provided by the Seller or upon any other price and terms agreed upon by the SELLER.

- The SELLER refuses to sell when a ready, willing and able buyer is produced at price and terms.
- The SELLER refuses or is unable to complete a sale pursuant to the terms of a duly executed Purchase Agreement or such other equivalent agreement signed by the SELLER.

Seller Initials: AG

Broker Initials: AG

c. The SELLER, or anyone, sells (or enters into a contract to sell or receives a deposit) within 60 days from the termination or expiration of this Contract to anyone to whom the property has been shown or introduced during the term of this Contract. Broker/Agent will provide a list of Clients that this clause may apply.

6. **DOCUMENTATION.** The SELLER agrees to provide to the BROKER all the documentation and information related to the Property including copies of:
- o the registered Title Deeds Escritura Publica and any recorded exceptions to title
 - o a stamped Certificacion Catastral in the name of the Seller suitable for closing
 - o a survey of the property prepared and stamped by a Honduras licensed surveyor
 - o Municipal paid property tax receipts for current year
 - o Latest Covenants, Conditions and Restrictions and/or Home Owner Association Regulations for the Property (if applicable).
 - o a description of any current or threatened law suits
 - o SELLER's ID (Passport, Residency card, Honduras ID)
 - o SELLER's RTN Certificate

Note: Signer(s) of Listing Agreement must have sufficient powers to sell the Property;

- o either because they personally are the named legally registered owner, or
- o have been granted a registered Power of Attorney to represent the SELLER, or
- o by powers granted to them by the Constitution of the Honduran Corporation (if applicable).

7. **TITLE.** The SELLER represents the title of the Property to be good and marketable title and SELLER will execute and deliver a Title Deed, Land Contract or other instruments of assignment or conveyance as shall be required. SELLER is to deliver possession of the property at closing. The SELLER agrees to transfer the Property to the Purchaser at closing of the sale with the usual merchantable title free of encumbrances, tenancies, liens for real estate taxes or other, and mortgages (except those that are in accordance with the Contract of Sale.)

8. **SHOWING/SIGNS.** BROKER is hereby authorized to photograph, and publish such photographs, of the Property. BROKER shall have access to the buildings on the Property for the purpose of showing the same at reasonable hours with a 24 hour notice arranged with the caretaker and may, with the Seller's approval, retain a key. BROKER may erect a sign on the property and remove all other "for sale" signs that may be present upon effective date of this agreement.

9. **HEIRS.** The covenants herein shall bind the heirs, personal representatives, administrators, executors, assigns and successors of the respective parties

10. **FORM OF ACCEPTANCE.** Faxed and emailed signatures shall have the same validity as original signatures.

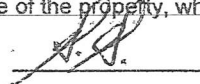
11. **GOVERNING AUTHORITY.** This Listing Agreement will be governed by the laws of the Republic of Honduras. Any dispute related to this contract that derives directly or indirectly from the same, in its extension, application, interpretation or any other subject, will be ruled under the arbitration proceeding on the Conciliation and Arbitration Centre of the Tegucigalpa Chamber of Commerce, according to law, by the institutional procedure, and the bylaw of the before mentioned Centre.

12. **DEFAULT.** If a sale is not consummated because of the SELLER'S refusal to perform, then the full amount of Professional Fees shall be due and payable upon such refusal. If a sale is not consummated because of the BUYER'S failure to perform and the deposit made is forfeited, SELLER agrees that 50% of the deposit (but not in excess of the amount of full Professional Fees) shall be retained by the BROKER in full payment for services rendered in this transaction.


13. **CANCELLATION.** This contract can be CANCELLED or REVOKED only by mutual consent of both BROKER and SELLER in writing.


14. **BINDING CONTRACT.** This Contract shall be binding upon execution by SELLER or SELLERS' agents and the BROKER.

15. **OTHER CONDITIONS:** The SELLER agrees to pay Honduras Capital Gains Tax at the prevailing rate at the time of the execution of any sale of the property, which at this time it is believed to be 4%.

 Seller Initials

16. **SALES TAX :** According to Honduran Law the Seller understands that they are hiring a Company to market their property and that there is a 15% Sales Tax on those Professional Fees.

Seller Initials: 

Broker Initials: 

17. **ACKNOWLEDGMENT.** The SELLER has read, acknowledges, and accepts the terms of this Contract and has received a completed copy of this Contract.

Seller(s): GABRIEL GRENIER Date: JUNE 25-2016
SONIA GRENIER-(403-586-4636)

Ph. 403-335-8398 cell 403-479-3430 email: gabriel@gabrielsonstruction.ca
Bus: 403-461-1385

Agent Name: Annie Miles Email ajanusia@yahoo.com Phone 504 9996-8252

Broker Approval Lawrence E. Schlessler

Seller Initials: 

Broker Initials: 

Appendix "E"

**Expression of interest dated April 30, 2012
for the "Promoción de Alianzas Público-Privadas"**



To: Congreso Nacional de Honduras

**The Honorable Deputado Islas de la Bahía,
Presidente Comisión de Turismo**

Mr. Romeo Silvestri

Dear Sir,

Expression of Interest for the Promoción de Alianzas Publico-Privadas

Gabriel Construction S.A. is pleased to express our interest to Participate in the Viability of a Private-Public Partnerships (P3) Infrastructure Construction Project for Building the main road from Punte Gorda Junction to Camp Bay, with the Government of Honduras, Island of Roatan and the Communities of Diamond Rock, Punta Blanca, Camp Bay.

Our company is a Honduran Construction Company and specializes in commercial, industrial & institutional construction projects in both Honduras and Canada.

Gabriel Construction has twenty seven years industry experience in large scale projects of this kind.

Please find documentation concerning Gabriel Construction on our website:
www.gabrielconstruction.ca.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Gabriel Grenier", is written over a horizontal line. The signature is fluid and cursive.

Gabriel Grenier
President

Dated: April 30, 2012