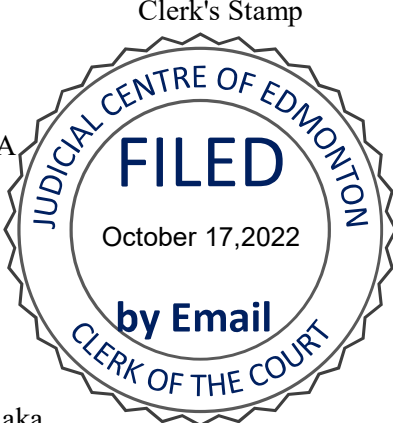


ESTATE FILE NUMBER 2013 – 02132
COURT COURT OF KING’S BENCH OF ALBERTA
JUDICIAL CENTRE EDMONTON
APPLICANT BUSINESS DEVELOPMENT BANK OF CANADA
RESPONDENTS P7 CONSTRUCTION LTD., 1619904 ALBERTA LTD., HYOUNG JOON YOON aka JASON YOON, SUNG SOO CHOI aka RICHARD CHOI and EUNG CHANG KIM
DOCUMENT **SECOND REPORT OF THE RECEIVER
BDO CANADA LIMITED
OCTOBER 17, 2022**



REW ent

RECEIVER
BDO Canada Limited
110, 5800- 2nd Street SW
Calgary, Alberta T2H 0H2
Attention: Kevin Meyler / Breanne Scott
Phone: 403-536-8526 / 403-213-5432
Fax: 403-640-0591
Email: kmeyler@bdo.ca / brscott@bdo.ca

RECEIVER’S COUNSEL
Caron & Partners LLP
2120, 237 – 4th Avenue SW
Calgary, Alberta T2P 4K3
Attention: R.J. Daniel Gilborn
Phone: 403-260-1575
Fax: 403-237-0111
Email: dgilborn@caronpartners.com

**SECOND REPORT OF THE RECEIVER
BDO CANADA LIMITED
OCTOBER 17, 2022**

TABLE OF CONTENTS

INTRODUCTION.....	3
TERMS OF REFERENCE	4
CORPORATE STRUCTURE.....	4
ACTIVITIES OF THE RECEIVER.....	5
CLOSING OF THE HOTEL TRANSACTION	6
INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS.....	6
PROPOSED INTERIM DISTRIBUTION	7
LIMITED FINANCIAL INVESTIGATION AND BANKRUPTCY APPLICATIONS	8
POST-RECEIVERSHIP PAYMENT	8
PROFESSIONAL FEES.....	9
RECOMMENDATIONS.....	10

APPENDICES

Appendix A – Corporate Registry Searches of the Companies

Appendix B – Receiver’s Certificate re Closing of Hotel Sale

Appendix C – Interim R&D

Appendix D – Post Receivership Payment Evidence and Correspondence

Appendix E – Professional Fee Summary

INTRODUCTION

1. On May 21, 2021, the Business Development Bank of Canada (“**BDC**”) sought and obtained an Order (the “**Receivership Order**”) from the Court of King’s Bench of Alberta (the “**Court**”) appointing BDO Canada Limited as the Receiver and Manager (the “**Receiver**”) of all the assets, undertakings, and property of P7 Construction Ltd. (“**P7**”) and 1619904 Alberta Ltd. (“**161**” or collectively with P7, the “**Companies**”).
2. On December 1, 2021, the Receiver filed its first report (the “**First Report**”) in this matter seeking and obtaining, *inter alia*, the approval of the sale of the Hotel to 2242227 Alberta Ltd. (“**224 Alberta**” or the “**Purchaser**”).
3. The purpose of this report (the “**Second Report**”) is to provide information to the Court in respect of:
 - (a) A summary of the activities of the Receiver following the First Report;
 - (b) An update on the sale of the Hotel to 224 Alberta, which closed effective May 5, 2022;
 - (c) A statement of receipts and disbursements to October 14, 2022;
 - (d) Details of the Proposed Interim Distribution (defined herein);
 - (e) An update on the potentially reviewable transactions identified by the Receiver and the related bankruptcy applications filed by BDC;
 - (f) Details of a Post-Receivership Payment (defined herein) made to Mr. Sung Soo Choi (aka Richard Choi) (“**Mr. Choi**”), a former director and/or officer of the Companies, contrary to the terms of the Receivership Order;
 - (g) Details of the professional fees incurred by the Receiver and its legal counsel; and
 - (h) The Receiver’s recommendations thereon, as applicable.
4. All references to currency are in Canadian dollars unless otherwise noted.
5. Capitalized terms not defined in this Second Report are as defined in the Receivership Order or the First Report, as the context may require.
6. This Second Report, together with other information regarding these proceedings, will be posted on the Receiver’s website at: <https://www.bdo.ca/en-ca/extranets/p7-construction-ltd-and-1619904-alberta-ltd/>.

TERMS OF REFERENCE

7. In preparing this Second Report, the Receiver has relied upon unaudited financial information contained in the books and records of the Companies, and discussions with employees and former management of the Companies. The Receiver has reviewed the said financial information and records for reasonableness, internal consistency and use in the context in which it was provided, and in consideration of the nature of evidence provided to this Honourable Court. However, the Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the same in a manner that would wholly or partially comply with Canadian Auditing Standards pursuant to the Chartered Professional Accountants Handbook, and accordingly the Receiver expresses no opinion or other form of assurance in respect of the financial information referred to in the First Report.
8. The information contained in this Second Report is not intended to be relied upon by any party in respect of the Companies.

CORPORATE STRUCTURE

9. Based on relevant corporate searches of the Alberta Registries, dated May 13, 2021, both of which are attached hereto as **Appendix “A”**:
 - (a) P7 was incorporated in the Province of British Columbia and extra-provincially registered in the Province of Alberta on May 4, 2011;
 - (b) The Directors of P7 are not listed, but Sung Soo Choi is listed as the primary agent for service.
 - (c) 161 was incorporated in the Province of Alberta on July 22, 2011. P7 holds 100% of the voting shares of 161; and
 - (d) The Directors of 161 are listed as Mr. Choi and Hyoungh Joon Yoon.
10. The substantial asset of the Companies was a 108-room limited-service hotel located at the address of 4404 52 Ave, Bonnyville, Alberta, operating as a Holiday Inn Express & Suites (the “**Hotel**”). The Hotel was operated under a licensing agreement with Holiday Hospitality Franchising, Inc. (the “**Franchisor**”) dated May 19, 2011.
11. P7 was the owner of the real property associated with the Hotel and 161 was the related operating company.

ACTIVITIES OF THE RECEIVER

12. Subsequent to the First Report, the Receiver's activities have included, *inter alia*:
- (a) Continuing to operate the Hotel until closing of the sale to 224 Alberta, which included but was not limited to:
 - i. Administering the accounts payable, human resources, accounts receivable and banking functions on behalf of the Hotel;
 - ii. Liaising with Hotel employees to respond to maintenance requirements and other operational activities on an 'as required' basis; and
 - iii. Monitoring and responding to evolving public health regulations impacting the Hotel arising from the COVID-19 pandemic.
 - (b) Negotiating three extensions to the closing date of the Hotel sale, together with an increase to the purchase price to partially account for the increased professional fees and other costs required to extend the Receiver's operation of the Hotel;
 - (c) Closing the transaction with 224 Alberta effective May 5, 2022, including finalizing the accounting and post-closing statement of adjustments;
 - (d) Corresponding with representatives of the Franchisor to advise of the Receiver's termination of the Licensing Agreement, and calculation / payment of the final amounts owed by the Receiver to the Franchisor;
 - (e) Corresponding with certain parties, through legal counsel, in relation to a post-receivership payment made and other potentially reviewable transactions identified by the Receiver, both of which are further outlined herein;
 - (f) Corresponding with Canada Revenue Agency ("CRA") with respect to the Companies' eligibility to and receipt of funds from the COVID-19 pandemic subsidy programs available;
 - (g) Reviewing and preparing a CRA return for withholding tax related to the post-receivership operations of the Hotel. The Receiver has yet to submit its final return and remittances as of the date of this Second Report but advises that the amount outstanding is not expected to exceed \$10,000;
 - (h) Providing updates to stakeholders as required; and
 - (i) Attending to various other administrative matters as it pertains to the receivership.

CLOSING OF THE HOTEL TRANSACTION

13. As indicated, after negotiating and agreeing to three (3) extensions to the closing date, as requested by the Purchaser in the circumstances, the sale of the Hotel closed effective May 5, 2022.
14. A copy of the Receiver's Certificate upon closing of the Hotel sale as filed with the Court on May 6, 2022, is attached as **Appendix "B"**.
15. As described above, in consideration of the increased professional costs of the Receiver continuing to operate the Hotel during the period of the above-referenced extensions, the Purchaser agreed to increase the purchase price by \$40,000.

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

16. An interim statement of receipts and disbursements to October 14, 2022 (the "**Interim R&D**") is attached as **Appendix "C"** to this Second Report, showing that the Receiver is holding \$3,669,487 of cash in trust as at that date.
17. As indicated in the Interim R&D, the Receiver is proposing a cash holdback of \$60,000 ("**Cash Holdback**"), which would result in net distributable proceeds of \$3,609,487 ("**Distributable Proceeds**").
18. The Receiver believes that the Cash Holdback is necessary and more than sufficient for the purposes of filing and remitting the CRA withholding tax related to the post-receivership operation of the Hotel (currently estimated not to exceed \$10,000) and other professional fees in relation to:
 - (a) Continued negotiations and / or communications in respect of the potentially reviewable transactions, as applicable;
 - (b) Issuing the Proposed Interim Distribution (defined below);
 - (c) Finalizing the outstanding excise tax matters related to withholding taxes on payments made to the Franchisor;
 - (d) Preparing for and attending to a final Court application for final distribution and / or the conclusion of the receivership proceedings;
 - (e) Further steps the Receiver may take regarding Mr. Choi (as discussed below); and

- (f) Dealing with stakeholder communications and other matters as it pertains to the receivership proceedings and conclusion thereof.

PROPOSED INTERIM DISTRIBUTION

19. A summary of the Companies' creditors is provided in the First Report, noting that the super priority amounts in relation to section 81.4 of the *Bankruptcy and Insolvency Act* and all property taxes owed on the Hotel have been paid by the Receiver. Accordingly, the following is a summary of the creditors with trust or secured claim over the Companies' assets, as known by the Receiver:

- (a) As illustrated by the Interim R&D, the Receiver borrowed funds from BDC pursuant to a Receiver Certificate issued and these funds have been repaid by the Receiver;
- (b) The Canada Revenue Agency ("CRA") against 161 on account of:
 - i. Unpaid employee source deductions totalling \$9,840.73, representing a deemed trust; and
 - ii. Unpaid goods and services tax ("GST") totalling \$4,458.25, representing a deemed trust, absent a concurrent bankruptcy;
- (c) Based on a statement provided by BDC, it is owed approximately \$7,640,800 as at September 30, 2022 by the Companies which was / is secured by a collateral mortgage on the Hotel and a personal property registration over all present and after-acquired personal property of the Companies. As indicated in the First Report, the Receiver's independent legal counsel confirmed BDC's security over the assets of the Companies to be valid and enforceable, subject to the customary qualifications; and
- (d) Agriculture Financial Services Corporation registered security at the PPR on January 5, 2012, over all present and after-acquired personal property and registered a second mortgage on title of the Hotel on December 20, 2011 in the amount of \$700,000.

20. The Receiver is therefore proposing the following distribution (the "**Proposed Interim Distribution**") of the Distributable Proceeds:

- (a) CRA – \$9,840 on account of employee source deductions owed;

(b) CRA – \$4,458 on account of GST owed; and

(c) BDC – remainder of approximately \$3,595,189 on account of its secured indebtedness.

21. Future proposed distributions arising from any unused portion of the Cash Holdback are anticipated to be dealt with at the Receiver’s discharge application in due course, however given the deficiency expected on BDC’s secured indebtedness against the Companies, it is not anticipated that there will be a distribution to any unsecured creditors of the Companies.

LIMITED FINANCIAL INVESTIGATION AND BANKRUPTCY APPLICATIONS

22. As indicated in the First Report, the Receiver’s preliminary review of the available financial and banking information of the Companies indicated that there may be some reviewable transactions pursuant to the *Bankruptcy and Insolvency Act* (the “**BIA**”).
23. On August 17, 2021, BDC initiated bankruptcy applications with respect to both 161 and P7 for the purposes of crystalizing the look-back period for these potential reviewable transactions pursuant to the BIA. The bankruptcy applications were adjourned *sine die*, pending the Receiver’s further investigations and / or attempt at negotiations with parties to the potentially reviewable transactions.
24. Since the First Report, the Receiver continued its investigations, and in consultation with BDC, corresponded with parties to the potentially reviewable transactions in an attempt to resolve and reach a negotiated recovery outside of a bankruptcy proceeding. However, to date, there has been no resolution or recovery of these amounts. Accordingly, the Receiver understands that BDC will be proceeding with the bankruptcy applications in due course.

POST-RECEIVERSHIP PAYMENT

25. As a result of the Receiver’s continued review and investigation into certain of the banking information available as outlined above, it became aware of a \$10,000 payment issued from P7’s bank account to Mr. Choi, who as set out above, is a former director and / or officer of the Companies, all occurring on May 25, 2021 (the “**Post-Receivership Payment**”), i.e., the payment from P7’s bank account was following the date of the Receivership Order and therefore contrary to the terms of this order.
26. Included as **Appendix “D”** to this Second Report are the following documents in relation to the Post-Receivership Payment:

- (a) An excerpt from P7's bank statement for the period of May 21 to May 31, 2021, showing the \$10,000 debit / transfer payment made to bank account number "6537912" on May 25, 2021. Based on correspondence from TD Bank in response to enquiries made by the Receiver pursuant to the Receivership Order, the Receiver understands that bank account number "6537912" is the personal bank account of Mr. Sung Choi; and
 - (b) A letter from legal counsel to Mr. Choi, dated May 13, 2022 in response to correspondence from the Receiver's legal counsel requiring repayment of the \$10,000, which indicates "*the post-receivership payment in the amount of \$10,000 was made in direct contradiction to the Receivership Order and as such this withdrawal shall be promptly returned forthwith to BDO Canada Limited in their role as receiver*".
27. The Receiver, through its legal counsel, has demanded payment of this Post-Receivership Payment; however, to date, has not received repayment of these funds from Mr. Choi.
28. Accordingly, the Receiver is seeking an order from the Honourable Court, requiring Mr. Choi to remit payment in the amount of \$10,000 forthwith to the Receiver. In the alternative, the Receiver is seeking relief under the contempt rules for Mr. Choi's breach of the Receivership Order.

PROFESSIONAL FEES

29. The Receiver and its counsel have rendered billings with professional fees in the total amount of \$271,571 and \$50,616 (excluding GST), respectively (collectively, the "**Professional Fees**"). The Professional Fees are further summarized in **Appendix "E"**.
30. The Receiver believes the Receiver's billings and related fees are appropriate and reasonable in the circumstances given, *inter alia*:
- (a) The Receiver's involvement in and management of the Hotel's operations over the approximately eleven-and-a-half-month period;
 - (b) The negotiation and closing of the sale of the Hotel, including multiple extensions resulting in an increase of \$40,000 to the purchase price to account for incremental professional fees associated with operating the Hotel for an extended period of time;

- (c) The completion of the CRA audits and various applications and receipts for various government incentives, as well as the filing of final GST returns; and
 - (d) The investigations, correspondence and attempted negotiations in respect of the potentially reviewable transactions identified by the Receiver.
31. It is the Receiver's opinion that its counsel's services have been necessarily incurred and duly authorized, and that the hours and rates charged are fair and reasonable in the circumstances.
32. Based on the foregoing, the Receiver respectfully recommends that this Honourable Court approve the Professional Fees as outlined. The invoices of the Receiver and the Receiver's legal counsel, which are privileged, will be provided to the Court in a sealed envelope so the Court may review same.

RECOMMENDATIONS

33. The Receiver respectfully recommends that this Honourable Court approve:
- (a) The Receiver's activities as outlined in this Second Report;
 - (b) The Interim R&D, Cash Holdback and Proposed Distribution;
 - (c) An order directing the immediate payment of the Post-Receivership Payment to the Receiver; and
 - (d) The Professional Fees.

All of which is respectfully submitted this 17th day of October 2022.

BDO Canada Limited

In its capacity as Receiver of P7 Construction Ltd. and 1619904 Alberta Ltd.
and not in its personal or corporate capacity.

Per:



Kevin Meyler, CA, CIRP, LIT
Senior Vice President



Breanne Scott, CPA, CIRP, LIT
Vice President

APPENDIX “A”

Government of Alberta ■ Corporation/Non-Profit Search

Corporate Registration System

Date of Search: 2021/05/13
 Time of Search: 11:13 AM
 Search provided by: BDO DUNWOODY LIMITED, Edmonton
 Service Request Number: 35441651
 Customer Reference Number: W

Corporate Access Number: 2116048493

Business Number:

Legal Entity Name: P7 CONSTRUCTION LTD.

Legal Entity Status: Active
Extra-Provincial Type: Other Prov/Territory Corps
Registration Date: 2011/05/04 YYYY/MM/DD
Date Of Formation in Home Jurisdiction: 2010/05/26 YYYY/MM/DD
Home Jurisdiction: BRITISH COLUMBIA
Home Jurisdiction CAN: BC0881988

Head Office Address:

Street: C/O NORTH ROAD LAW & NOTARY PUBLIC #208-4501 NORTH
City: BURNABY
Province: BRITISH COLUMBIA
Postal Code: V3N4R7
Email Address: TAX2471@GMAIL.COM

Primary Agent for Service:

Last Name	First Name	Middle Name	Firm Name	Street	City	Province	Postal Code	Email
CHOI	SUNG SOO		P7 CONSTRUCTION LTD	2520 2ND AVE	EDSON	ALBERTA	T7E1N9	

Holding Shares In:

Legal Entity Name
EASTERN GATE CONSTRUCTION LTD.
1619904 ALBERTA LTD.

Other Information:

Filing History:

List Date (YYYY/MM/DD)	Type of Filing
2011/05/04	Register Extra-Provincial Profit / Non-Profit Corporation
2021/01/20	Change Address
2021/03/28	Attorney for Service converted to Agent for Service

The Registrar of Corporations certifies that, as of the date of this search, the above information is an accurate reproduction of data contained in the official public records of Corporate Registry.



Government of Alberta ■ Corporation/Non-Profit Search

Corporate Registration System

Date of Search: 2021/05/13
Time of Search: 11:14 AM
Search provided by: BDO DUNWOODY LIMITED, Edmonton
Service Request Number: 35441665
Customer Reference Number: w

Corporate Access Number: 2016199040
Business Number: 802121400
Legal Entity Name: 1619904 ALBERTA LTD.

Legal Entity Status: Active
Alberta Corporation Type: Numbered Alberta Corporation
Registration Date: 2011/07/22 YYYY/MM/DD

Registered Office:

Street: 9716 - 45 AVENUE
City: EDMONTON
Province: ALBERTA
Postal Code: T6E5C5

Records Address:

Street: 9716 - 45 AVENUE
City: EDMONTON
Province: ALBERTA
Postal Code: T6E5C5

Email Address: I.RYU@JEONLAW.CA

Directors:

Last Name: CHOI
First Name: SUNG
Middle Name: SOO
Street/Box Number: 20174 - 68A AVENUE
City: LANGLEY
Province: BRITISH COLUMBIA

Postal Code: V2Y0B7
Last Name: YOON
First Name: HYOUNG JOON
Street/Box Number: 120-12160 HORSESHOE WAY
City: RICHMOND
Province: BRITISH COLUMBIA
Postal Code: V7A4V5

Voting Shareholders:

Legal Entity Name: P7 CONSTRUCTION LTD.
Corporate Access Number: 2116048493
Street: 12160 HORSESHOE WAY UNIT 120
City: RICHMOND
Province: BRITISH COLUMBIA
Postal Code: V7A4V5
Percent Of Voting Shares: 100

Details From Current Articles:

The information in this legal entity table supersedes equivalent electronic attachments

Share Structure: SEE ATTACHED SCHEDULE.

Share Transfers Restrictions: NO SHARES OF THE CORPORATION SHALL BE TRANSFERRED TO ANY PERSON WITHOUT THE APPROVAL OF THE BOARD OF DIRECTORS BY RESOLUTION PASSED AT A DULY CONSTITUTED MEETING OF THE BOARD.

Min Number Of Directors: 1

Max Number Of Directors: 7

Business Restricted To: THERE SHALL BE NO RESTRICTIONS ON THE BUSINESS WHICH THE CORPORATION MAY CARRY ON.

Business Restricted From: THERE SHALL BE NO RESTRICTIONS ON THE BUSINESS WHICH THE CORPORATION MAY CARRY ON.

Other Provisions: SEE ATTACHED SCHEDULE.

Associated Registrations under the Partnership Act:

Trade Partner Name	Registration Number
HOLIDAY INN EXPRESS BONNYVILLE	TN16200313

Other Information:

Last Annual Return Filed:

File Year	Date Filed (YYYY/MM/DD)
2020	2021/03/24

Filing History:

List Date (YYYY/MM/DD)	Type of Filing
2011/07/22	Incorporate Alberta Corporation
2012/01/16	Change Address
2015/03/03	Change Director / Shareholder
2020/02/20	Update BN
2021/03/24	Enter Annual Returns for Alberta and Extra-Provincial Corp.

Attachments:

Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
Share Structure	ELECTRONIC	2011/07/22
Other Rules or Provisions	ELECTRONIC	2011/07/22

The Registrar of Corporations certifies that, as of the date of this search, the above information is an accurate reproduction of data contained in the official public records of Corporate Registry.



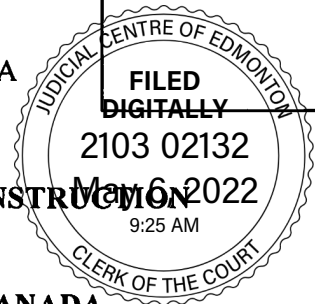
APPENDIX “B”

Clerk's Stamp

Form of Receiver's Certificate

COURT FILE NUMBER 2103-02132
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE EDMONTON

In the Matter of the Receivership of P7 CONSTRUCTION LTD. et al



APPLICANT **BUSINESS DEVELOPMENT BANK OF CANADA**

RESPONDENTS **P7 CONSTRUCTION LTD., 1619904 ALBERTA LTD., HYOUNG JOON YOON aka JASON YOON, SUNG SOO CHOI aka RICHARD CHOI and EUNG CHANG KIM**

FILING PARTY **BDO CANADA LIMITED in its capacity as the Court-appointed Receiver of P7 CONSTRUCTION LTD. and 1619904 ALBERTA LTD.**

DOCUMENT **RECEIVER'S CERTIFICATE**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

Caron & Partners LLP
2120, 237 – 4th Avenue SW
Calgary, AB T2P 4K3
Tel: (403) 262-3000
Fax: (403) 237-0111
Attention: R.J. Daniel Gilborn / Lucinda A. Wong
Solicitors for BDO Canada Limited
Email: dgilborn@caronpartners.com / lwong@caronpartners.com
File No. 60899-000

RECITALS

- A. Pursuant to an Order of the Honourable Justice G.S. Dunlop of the Court of Queen's Bench of Alberta, Judicial District of Edmonton (the "Court") dated May 21, 2021, BDO Canada Limited was appointed as the receiver (the "Receiver") of the undertakings, property and assets of P7 Construction Ltd. and 1619904 Alberta Ltd. (collectively, the "Debtor").
- B. Pursuant to an Order of the Court dated December 9, 2021 (the "Sale Approval and Vesting Order"), the Court approved the Agreement of Purchase and Sale made as of December 1, 2021 (the "Purchase Agreement") between the Receiver and 2242227 Alberta Ltd. (the "Purchaser")

and provided for the vesting in the Purchaser (or its nominee) of the Debtor's right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Receiver to the Purchaser (or its nominee) of a certificate confirming (i) the payment by the Purchaser (or its nominee) of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in the Purchase Agreement have been satisfied or waived by the Receiver and the Purchaser (or its nominee); and (iii) the Transaction has been completed to the satisfaction of the Receiver.

C. Unless otherwise indicated herein, capitalized terms have the meanings set out in the Purchase Agreement.

THE RECEIVER CERTIFIES the following:

1. The Purchaser (or its nominee) has paid and the Receiver has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Purchase Agreement;
2. The conditions to Closing as set out in Article 7 of the Purchase Agreement have been satisfied or waived by the Receiver and the Purchaser (or its nominee) (as applicable); and
3. The Transaction has been completed to the satisfaction of the Receiver.
4. This Certificate was delivered by the Receiver at 11:59am on the 5th day of May, ~~2021~~ 2022

**BDO Canada Limited in its capacity
of Court-appointed Receiver of P7
Construction Ltd. and 1619904
Alberta Ltd, and not in its personal or
corporate capacity.**

Per: 

Name: Breanne Barker

Title: Vice President / Senior Manager

APPENDIX “C”

**In the Matter of the Receivership of P7 Construction Ltd. and 1619904 Alberta Ltd.
Interim Statement of Receipts and Disbursements
For the period May 21, 2021 to October 14, 2022**

Cash receipts:

Sale of Hotel	\$ 4,075,000
Hotel revenue	1,608,114
Receiver's borrowings	325,000
GST collected	76,305
Government subsidies	26,234
Interest earned on funds in trust	23,481
GST refund	2,037
Miscellaneous other receipts	1,895

Total cash receipts	<u>6,138,066</u>
----------------------------	------------------

Cash disbursements:

Employee payroll	518,687
Repayment of Receiver's borrowings	325,000
Receiver's fees and disbursements	271,571
Franchise fees	245,870
Property taxes	208,765
Utilities/Cable/Internet	195,121
Food and beverage	164,452
Insurance	140,578
Commission on sale of Hotel	91,688
Alberta Tourism Levy	52,392
Legal fees and disbursements	50,616
Repairs and maintenance	47,740
GST remitted	45,685
Other commission/bank fees	36,002
GST paid on disbursements	35,329
Office/cleaning supplies/misc.	31,713
Workers Compensation	4,635
Super priority wages paid	2,588
Filing fees/Ascend fees	146

Total cash disbursements	<u>2,468,579</u>
---------------------------------	------------------

Cash held in trust at October 14, 2022	<u>\$ 3,669,487</u>
-----------------------------------------------	----------------------------

Cash Holdback	(60,000)
---------------	----------

Distributable Proceeds	<u>\$ 3,609,487</u>
-------------------------------	----------------------------

Proposed Interim Distribution

CRA - employee source deductions	(9,840)
CRA - GST	(4,458)
BDC	(3,595,189)
	<u>(3,609,487)</u>

APPENDIX “D”

BR #: 9070 ACCOUNT: 52xx97 BMA - BAS SHORTNAME: P7 CONSTRUCT
FROM: 05 / 21 / 2021 TO: 06 / 10 / 2021 ACCESS TO FUNDS AMT: N/A

FN DATE	TRANS DESCRIPTION	TRANS AMOUNT	BALANCE
_ 05/21/2021	CANADA FED	27,810.28 CR	
_ 05/21/2021	JW293 TFR-TO 6537912	20,000.00 DR	
_ 05/21/2021	JW343 TFR-FR 5227649	30,000.00 CR	
_ 05/21/2021	JW350 TFR-TO 6537912	30,000.00 DR	
_ 05/21/2021	JW461 TFR-TO C/C	3,000.00 DR	
_ 05/21/2021	JW472 TFR-TO 6537912	10,000.00 DR	
_ 05/21/2021	JW512 TFR-FR 5227649	20,000.00 CR	
_ 05/21/2021	JW521 TFR-TO 4023728	20,000.00 DR	5,407.85
_ 05/25/2021	RZ535 TFR-FR 5227649	10,000.00 CR	
_ 05/25/2021	RZ552 TFR-TO 6537912	10,000.00 DR	
_ 05/25/2021	RZ561 TFR-TO C/C	2,000.00 DR	3,407.85
_ 05/31/2021	MONTHLY PLAN FEE	5.00 DR	
_ 05/31/2021	SERVICE CHARGE	10.00 DR	3,392.85



DRYSDALE BACON
McSTRAVICK LLP
LAWYERS

Coquitlam
Suite 211
1015 Austin Avenue
Coquitlam, BC
V3K 3N9
Tel: 604.939.8321
Fax: 604.939.7584
www.dbmlaw.ca

Our File No. 44423-1

May 13, 2022

Caron & Partners LLP

Fifth Avenue Place – West Tower
2120, 237 – 4th Avenue, S.W.
Calgary, Alberta T2P 4K3

Attention: R.J. Daniel Gilborn

Dear Mr. Gilborn:

Re: 1619904 Alberta Ltd. and P7 Construction Ltd., in Receivership

We write to you in our capacity as the solicitors for Mr. Richard Choi and in response to your letter dated April 7, 2022 regarding a receivership order granted by the Court of the Queen's Bench of Alberta to your client, BDO Canada Limited, in its sole capacity as the court-appointed receiver and manager of 1619904 Alberta Ltd. ("**161**") and P7 Construction Ltd. (the "**P7**" or collectively with 161, the "**Companies**") (the "**Receivership Order**").

Firstly, the post-receivership payment in the amount of \$10,000 was made in direct contradiction to the Receivership Order and as such this withdrawal shall be promptly returned forthwith to BDO Canada Limited in their role as receiver.

Secondly, the sale of the vehicle made on May 13, 2021 by P7 to 1844060 Alberta Ltd. was made to an arms-length third party individual. Although Mr. Wongdong Choi, the sole-director and shareholder of 1844060 Alberta Ltd., has the same last name as my client, he is not the nephew of my client but rather an unrelated third party. As such this sale of the vehicle was not a transfer at undervalue and is not a reviewable transaction.

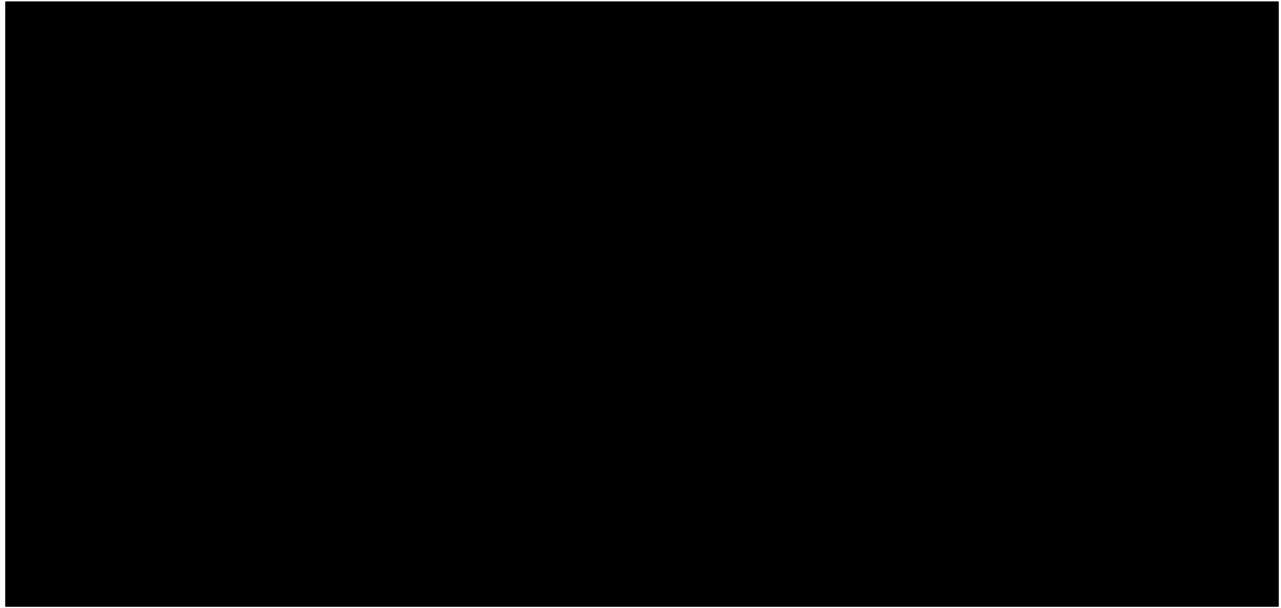
Thirdly, we contend that the transactions made to my client in the aggregate amount of \$751,000 made as between September 8, 2020 and May 21, 2021, amount to reviewable transactions for the benefit of P7's creditors. This money was then transferred to N&C Enterprises Ltd. ("**N&C**") and is currently held in the accounts of N&C.

BDO Canada Limited had a total indebtedness of approximately \$5,900,000.00 alongside Agriculture Financial Services Corporation ("**AFSC**") total indebtedness of approximately \$700,000.00. The total shareholders loans within P7 totals approximately \$5,465,315.00.

Upon the sale of the Holiday Inn Express Bonnyville the total net proceeds shall be payable to BDO Canada Limited and AFSC, which sale shall net approximately \$5,000,000.00. This shall bring the total

indebtedness of these companies down to approximately \$1,600,000.00. Can you please provide me with an update regarding the sale of the Holiday Inn Express Bonnyville.

As there is no subordination or priority agreement, the net losses beyond the sale of the Holiday Inn Express Bonnyville shall be proportionate to the total losses of each party. Therefore, the aggregate amounts returned for the distribution of the Companies creditors shall be distributed on an aggregate basis to each party's total losses.



Yours very truly,

DRYSDALE BACON MCSTRAVICK LLP

Handwritten signature of Alexander Huxtable.

Per:

Alexander Huxtable

:ah

APPENDIX “E”

1619904 Alberta Ltd. and P7 Construction Ltd.
Summary of Professional Fees and Disbursements

Invoice Number	Invoice Date	Amount	GST	Total
<i>Receiver's Fees and Disbursements</i>				
CINV1343498	31-Aug-21	\$ 78,420.00	\$ 3,921.00	\$ 82,341.00
CINV1499496	16-Dec-21	90,926.00	4,546.30	95,472.30
CINV1975092	30-Sep-22	102,225.01	5,111.25	107,336.26
		<u>\$ 271,571.01</u>	<u>\$ 13,578.55</u>	<u>\$ 285,149.56</u>
<i>Legal Fees and Disbursements</i>				
127075	31-May-21	\$ 2,682.86	\$ 134.14	\$ 2,817.00
127617	30-Jun-21	8,550.13	427.51	8,977.64
128063	31-Jul-21	2,065.20	101.76	2,166.96
130197	31-Dec-21	14,320.50	711.53	15,032.03
130648	31-Jan-22	3,299.31	164.46	3,463.77
130967	28-Feb-22	2,631.62	131.09	2,762.71
131388	31-Mar-22	2,774.55	138.73	2,913.28
132003	27-May-22	7,078.03	353.81	7,431.84
132574	30-Jun-22	1,950.40	97.52	2,047.92
133530	31-Aug-22	848.00	42.40	890.40
133992	30-Sep-22	4,414.90	220.75	4,635.65
		<u>\$ 50,615.50</u>	<u>\$ 2,523.70</u>	<u>\$ 53,139.20</u>