



312, 9707 – 110 Street  
Edmonton, Alberta T5K 2L9  
T 780.414.1133  
F 780.413.9666  
www.alger.ca

ESTATE NUMBER: 24-115186

IN THE MATTER OF THE BANKRUPTCY OF  
CRATER ENTERPRISES LTD.

TRUSTEE'S PRELIMINARY REPORT

ALGER & ASSOCIATES INC.  
Trustee in Bankruptcy

**BACKGROUND**

On June 25, 2009 Crater Enterprises Ltd. (“Crater”/the “Company”) filed an assignment in bankruptcy and Alger & Associates Inc. (“Alger”) was named as Trustee (the “Trustee”) of the bankrupt estate.

Crater’s primary business operation was a coal hauler for the Grande Cache Coal Corporation (“GCC”) coal mine situated in Grande Cache. We summarize below the salient historical financial operating results based on our review of the books and records:

	2004	2005	2006	2007	2008
	\$,000's	\$,000's	\$,000's	\$,000's	\$,000's
Revenues	8,012	8,871	13,630	11,477	16,040
Expenses	9,337	9,087	11,756	10,432	14,578
Earnings (Loss) from Operations	(1,325)	(216)	1,874	1,045	1,462

During 2007 and 2008 the Company acquired specialized equipment it required to complete the GCC contracts.

In September 2008 GCC did not renew its contract with the Company. Given the specialized nature of the equipment, the Company was unable to find alternate sources of work for it. Also, efforts to sell this equipment were unsuccessful.

In April 2009 Crater consigned the majority of its equipment to Ritchie Bros. Auctioneers on an Agreement for Purchase and Sale for \$4,316,253 plus GST. We understand that the subsequent auction sale did not generate sufficient proceeds to fully payout the secured creditor claims on the encumbered assets.

The Company operated from an office and shop complex it owns in Grande Cache, Alberta. Mr. Terry Coray of Grande Cache, Alberta is the sole director and shareholder of Crater.

## SECTION A – ASSETS

### Accounts Receivable

We attach as Appendix 1, a schedule of the outstanding accounts receivable totaling \$1,415,198 as at June 25, 2009 and provide the following comments:

- Canada Revenue Agency (“CRA”) served Enhanced Requirements to Pay on GCC for unremitted payroll source withholdings and GST amounts owing to CRA of \$164,512 and \$285,228 respectively. CRA also served its Requirement to Pay on GCC for unpaid corporate taxes of \$177,533 which was withdrawn by CRA as at the date of bankruptcy;
- GCC is disputing the amount owing to Crater with respect to outstanding fuel tax rebates of \$350,000 owing to Crater which GCC is claiming are payable to them as they paid the fuel accounts on Crater’s behalf;
- There is an ongoing dispute between GCC and Crater with respect to GCC’s termination of the Crater contract in September 2008; and,
- We requested that the Company’s legal counsel, Field LLP, provide to the Trustee an opinion on the merits of the claims of GCC and Crater as against each other.

### Equipment and Rolling Stock

The Company’s equipment consists of:

- Office equipment and furnishings;
- Shop equipment;
- Heavy equipments parts and inventory;
- Rolling stock consisting of highway tractors, dump trailers buses and vehicles.

As indicated previously, the majority of the equipment was sold to Ritchie Bros Auctioneers. The remaining rolling stock is subject to security agreements as indicated in the secured creditor section of this report. Based on our review, there is no equity in the financed equipment for the benefit of the estate.

The Trustee completed an inventory of the office furnishings and equipment on site and is comparing it to the Company’s books and records to ensure completeness. Auction proposals will be obtained for the remaining equipment.

### Real Property

We attach as Appendix 2, a schedule of the land and buildings owned by Crater which indicates an estimated realized value of \$5,440,000 to \$6,125,000 based on appraisals obtained or values of comparable properties.

The shop, industrial lands and office building are currently listed with Re-max Realty of Grande Prairie. We are currently reviewing the listing agreements to determine if the listing prices are appropriate in order to complete a sale of the properties on a timely basis.

## **SECTION B – SECURED CREDITORS**

We attach as Appendix 3 a schedule of the secured creditors and provide the following comments:

- CRA filed its trust claim in the amount of \$164,075 for unremitted source withholdings. We requested that CRA complete their final payroll audit to determine the proper amount outstanding;
- CRA served its Enhanced Requirement to Pay on Grande Cache Coal Corporation prior to the bankruptcy claiming unremitted GST of \$285,208. We requested that CRA complete their final payroll audit. At the time of preparing this report CRA has not filed its Proof of Claim for GST;
- Royal Bank of Canada (“RBC”) hold a General Security Agreement securing all present and after acquired property of the Company. RBC filed a secured proof of claim for \$3,167,712;
- Based on our review of the remaining rolling stock that is encumbered by various secured lenders, we do not anticipate any equity available to the bankrupt estate.

RBC has advised that it will be applying for an Order appointing Alger as Receiver to realize on its security over the real property. We are obtaining an independent legal opinion on the validity and enforceability of the RBC security as against the Trustee.

## **SECTION C – CONSERVATORY AND PROTECTIVE MEASURES**

On June 26, 2009, the Trustee attended the Company's premises in Grande Cache and conducted the following activities:

- Took appropriate steps to secure and inventory the company's assets;
- Notified the Company's insurer of the bankruptcy and requested they add the Trustee as a named insured and additional loss payee;
- Attended at the various land and buildings owned by Crater;
- Reviewed the Company's current books and records and took possession of those records required for our administration; and,
- Notified Canada Revenue Agency and Workers' Compensation Board of the bankruptcy and requested they complete their final payroll and GST audits.

## SECTION D – PROVABLE CLAIMS

Claims filed to date with the Trustee are summarized as follows:

	Total Claims Filed to Date	As per Statement of Affairs
	\$	\$
Secured	4,640,209	5,011,000
Unsecured	<u>1,087,059</u>	<u>2,169,397</u>
	<u>5,727,268</u>	<u>7,180,397</u>

We attached as Appendix 4, a schedule of the Proofs of Claim filed to date. Since the date of the bankruptcy, we are not aware of any material changes in the nature or amount of the liabilities of the Company.

## SECTION E – LEGAL PROCEEDINGS

The Trustee proposes to retain Emery Jamieson LLP as legal counsel to provide an opinion of the validity of the RBC security and to assist the Trustee in its administration of the bankrupt estate.

## SECTION F – REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

The Trustee is conducting a cursory review of the Company's books and records and at this time is not aware of any reviewable transactions which prior to the bankruptcy.

## SECTION G – ANTICIPATED REALIZATIONS AND PROJECTED DISTRIBUTION

We attach as Appendix 5, a preliminary Statement of Affairs for the Company indicating estimated funds available for distribution after payment of the priority and secured creditor claims of \$2,160,000 to \$3,207,000 before ongoing fees and costs and interest charges.

## SECTION H – OTHER MATTERS

### Rental Income

The Trustee entered into an agreement with T.E.C. Industries Inc. (“TEC”), a related company owned by Mr. Coray, to manage the 17 residential rental properties owned by Crater to collect the monthly rents, pay the monthly utilities and attend to repairs and maintenance as required, summarized as follows:

	\$
• Monthly revenue based on 17 units at \$1,000 per month	17,000
• Less: Estimated monthly utilities (Alta Gas, Direct Energy and Town of Grande Cache)	(7,000)
Monthly management fee based on 20% of net rents collected	(2,000)
• Estimated monthly payment by TEC to Trustee	<u>8,000</u>

The Company also rents a portion of the industrial lands to two tenants for \$3,000 per month.

### Forestland Ready Mix Concrete

On December 18, 2008, Crater entered into an agreement with Heyn Construction Ltd. to purchase the operating assets of Forestland Ready Mix (“Forestland”). The purchase price of \$1.22 million was paid by TEC. Based on our discussions with the Company’s accountants, it was Crater’s intention to transfer the assets from Crater to TEC prior to the Company’s year end (June 30<sup>th</sup>); however, with the pending bankruptcy this transfer did not occur.

We were initially advised by the Company that the Forestland assets had been purchased by TEC; however, upon obtaining a copy of the sale agreement it indicates that Crater was the purchaser. We are reviewing this matter with Mr. Coray and his legal counsel to determine the beneficial owner of the Forestland assets.

### Trustee’s Bond

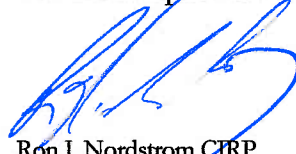
No bond was requested by the Official Receiver.

### Indemnity

Alger obtained from Mr. Coray an indemnity of \$25,000 in respect of the Trustee’s fees and costs in the event that there are insufficient realizations to pay the Trustee’s fees and costs.

**DATED** at Edmonton, Alberta this 29<sup>th</sup> day of July 2009.

**ALGER & ASSOCIATES INC.**  
Trustee for the Estate of  
Crater Enterprises Ltd.



Ron J. Nordstrom CIRP  
Senior Vice President

**CRATER ENTERPRISES LTD. - IN BANKRUPTCY**  
**SCHEDULE OF OUTSTANDING ACCOUNTS RECEIVABLE**

	<u>Current</u>	<u>1 - 30</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>&gt; 90</u>	<u>TOTAL</u>
(C-11)(C-17)	0.00	0.00	0.00	1,963.27	4,487.60	6,450.87
(C-15)	0.00	0.00	0.00	0.00	3,214.77	3,214.77
1369296 Alberta Ltd	0.00	0.00	236.27	0.00	0.00	236.27
1393610 Alberta Ltd .	0.00	0.00	0.00	0.00	266.77	266.77
Amarillo Contractors Ltd	0.00	0.00	0.00	1,288.95	0.00	1,288.95
Anand Enterprises Ltd	0.00	0.00	531.68	0.00	0.00	531.68
Anthony James Builders Ltd	0.00	0.00	3,345.49	0.00	0.00	3,345.49
Aseniwuhe Development Corporat	0.00	0.00	0.00	0.00	3,190.60	3,190.60
Asplundh Fire Protection Services	0.00	0.00	0.00	229.50	0.00	229.50
BJ Services	0.00	0.00	0.00	0.00	238.93	238.93
Cathedral Energy Services	0.00	0.00	0.00	593.38	0.00	593.38
Cinch Energy Corporation	0.00	0.00	0.00	0.00	932.80	932.80
CNRL MOBERLY	0.00	0.00	0.00	0.00	882.00	882.00
Deepwell Energy Services	0.00	0.00	3,436.10	3,573.29	0.00	7,009.39
Denis Grenier .	0.00	0.00	100.32	0.00	0.00	100.32
Early Bird Express	0.00	0.00	698.25	0.00	685.13	1,383.38
Eclipse Transport Ltd.	0.00	0.00	0.00	0.00	882.11	882.11
EXH Engineering Services Ltd	0.00	0.00	0.00	0.00	4,127.64	4,127.64
Formula Powell	0.00	0.00	0.00	350.79	0.00	350.79
GC Coal Corporation	0.00	104,610.22	0.00	67,909.80	1,180,770.28	1,353,290.30
Grande Cache Coal Corporations	0.00	0.00	0.00	0.00	3,118.49	3,118.49
Grande Cache Towing1	0.00	0.00	334.38	0.00	0.00	334.38
Hagg Bros.	0.00	0.00	401.89	0.00	0.00	401.89
Hewat Holdings	0.00	0.00	693.00	0.00	0.00	693.00
Jomax # 1 (Talisman Energy)	0.00	0.00	0.00	0.00	772.85	772.85
Klassen Brothers Construction	0.00	0.00	1,050.00	0.00	0.00	1,050.00
Ledcor Alberta Limited	0.00	0.00	1,126.55	0.00	2,143.05	3,269.60
Maple Leaf Loading Ltd	0.00	267.50	0.00	0.00	0.00	267.50
Metal Building Contractors Ltd	0.00	0.00	0.00	0.00	1,800.00	1,800.00
Millenium	0.00	0.00	0.00	0.00	3,951.62	3,951.62
Mullen Trucking	0.00	0.00	0.00	231.40	0.00	231.40
Northshore Rail Contracting	0.00	0.00	277.68	848.07	0.00	1,125.75
SHIK Contracting	0.00	0.00	0.00	0.00	1,126.38	1,126.38
Shuttle Valve Servicing Ltd	0.00	0.00	0.00	683.68	0.00	683.68
Top Gun Oilfield Services	0.00	0.00	0.00	0.00	2,238.62	2,238.62
Town of Gr. Cache	0.00	0.00	573.30	859.95	990.05	2,423.30
Western Star Grande Prairie	0.00	0.00	0.00	0.00	2,713.60	2,713.60
Wildhay	0.00	0.00	0.00	450.34	0.00	450.34
<b>TOTAL</b>	<u>0.00</u>	<u>104,877.72</u>	<u>12,804.91</u>	<u>78,982.42</u>	<u>1,218,533.29</u>	<u>1,415,198.34</u>

APPENDIX 2

CRATER ENTERPRISES LTD. - IN BANKRUPTCY  
SCHEDULE OF LAND AND BUILDINGS

Description	Legal Description	Civic Address	Appraised Value	Appraisal Date	List Price	Estimated Realizable Value	Notes
Shop	Lots 7, 8 & 9 Block 37 Plan 7822523	10303 - 97 Street Grande Cache, AB T0E 0Y0	900,000	10-Dec-08	900,000	700,000 - 850,000	
Industrial Land Undeveloped	Lots 2 & 3 Total 5.67 acres	99 Avenue and 98 Street Grande Cache, AB T0E 0Y0	1,104,700	16-Oct-08	1,099,000	800,000 - 950,000	
Crater Office	Lot 1, Block 1 Plan 2650RS	10001 - 99 Street Grande Cache, AB T0E 0Y0	295,000	16-Jun-01 (as complete)	699,000	550,000 - 625,000	
Staff House						175,000 - 200,000	(1)
Shand Park - (1 unit)					49,900	40,000 - 50,000	
House - Swann Drive						175,000 - 200,000	
Phase 6 Modular Homes 7 units	Lots 33 to 39 Block 46 Plan 972-2205	264 Maudley Crescent Grande Cache	\$170,000 per unit	4-Jul-08		1,100,000 - 1,200,000	(2)
Building - Spa		10006 - 99 Street Grande Cache, AB T0E 0Y0	775,000	16-Dec-08		650,000 - 700,000	
Terrace Ridge Condo's Unit No.'s 25 - 32		#25 to #32 - 97 Avenue Grande Cache	\$176,000 per unit	20-Jun-08		1,250,000 - 1,350,000	
Garden Centre							

5,440,000  
6,125,000

Notes:  
1. CIBC mortgage against property for \$40,000  
2. RBC has mortgage against 7 units for \$1.1M registered on Jan 9, 2009.

**CRATER ENTERPRISES LTD. - IN BANKRUPTCY**  
**SCHEDULE OF SECURED CLAIMS**

Security	Claim Amount	Estimated Realizable Value	Estimated Surplus (Deficiency)
	\$	\$	\$
Canada Revenue Agency - Deemed Trust Claim	164,075	164,075	0
<u>Royal Bank of Canada</u>			
General Security Agreement / Land Mortgages	3,200,000	5,200,000	2,000,000
<u>Canadian Imperial Bank of Commerce</u>			
Land Mortgage - Staff Residence	40,000	150,000	110,000
Workers' Compensation Board - Alberta	91,000	91,000	0
<u>John Deere Limited</u>			
2006 450 DLC John Deere Excavator	241,661	200,000	(41,661)
<u>Chrysler Financial</u>			
2006 Dodge Caravan	14,217	12,000	(2,217)
2006 Dodge 3500	44,773	31,000	(13,773)
2007 Dodge 3500	44,773	34,000	(10,773)
2007 Dodge 3500	50,764	34,000	(16,764)
	154,527	111,000	(43,527)
<u>Transportation Lease Systems Inc.</u>			
2007 GMC TC5500 Service Truck	83,702	80,000	(3,702)
2008 Porsche Cayenne	66,123	48,000	(18,123)
2008 E 350 Super Duty Wagon	34,155	21,000	(13,155)
2008 CE300 International ( Crew Bus)	68,296	60,000	(8,296)
2009 CE300 International (Crew Bus)	78,126	70,000	(8,126)
	330,402	279,000	(51,402)
<u>De Lage Landon</u>			
2009 Western Star	136,090	115,000	(21,090)
2009 Western Star	136,090	115,000	(21,090)
	272,180	230,000	(42,180)
<u>GE Canada Equipment Financing</u>			
2008 Trout River Trailer SC373	88,224	47,000	(41,224)
2008 Trout River Trailer SC373	88,224	47,000	(41,224)
2007 Trout River Trailer SC39L2	88,224	47,000	(41,224)
	264,671	141,000	(123,671)
<b>TOTAL</b>	4,758,515	6,566,075	1,807,560

**Alger & Associates Inc.**

**Claims Register  
(Standard)**

<i>Creditor Name</i>	<i>Proof of Claim?</i>	<i>Claim Status</i>	<i>Rank / Class</i>	<i>SOA Amount</i>	<i>Amount Filed</i>	<i>Admitted for Dividend</i>
<b>Secured creditors</b>						
1. Canada Revenue Agency Attn: G. Gaudet 10612 3219 RP0001	Yes	Admitted			164,075.24	
2. Chrysler Financial Attn: Bankruptcy Highway 7002445738	Yes	Admitted			44,772.85	
3. Chrysler Financial Canada 7001759773	Yes	Admitted			44,772.85	
4. Chrysler Financial Canada 7002498901	Yes	Admitted			50,764.15	
5. Chrysler Financial Services Canada Inc. 7001819038	Yes	Admitted			14,216.68	
6. Del Lage Landen Financial Services Attn: George Semanek 001-00117837-000	Yes	Secured asset released			294,782.57	
7. Field LLP Attn: Jean C. van der Lee	Yes	Admitted			22,379.04	
8. GE Capital Solutions 5879347001003	Yes	Admitted			264,671.13	
9. John Deere Credit Inc. Attn: Valerie Fontane	Yes	Admitted			241,660.78	
10. Royal Bank of Canada	Yes	Admitted			3,167,712.77	
11. Transportation Lease Systems Inc. Attn: Jim Cavin E0485	Yes	Admitted			330,401.00	
<b>Total : Secured creditors</b>					<b>4,640,209.06</b>	
<b>Unsecured creditors</b>						
1. 1138941 Alberta Ltd. o/a Hanson Petroleum Attn: Glen Hansen	Yes	Admitted		35,602.54	36,300.63	
2. 892115 Alberta Ltd. o/a Advantage Automotive Attn: Deborah Oddy	Yes	Admitted			20,238.68	20,238.68
3. Albright Refrigeration Attn: Keith	Yes	Contingent		44,560.32	44,446.99	
4. Arrow Welding & Industrial	Yes	Contingent		5,437.79	21,470.60	
5. Big Rig G.P. Ltd.	Yes	Contingent		261.22	8,987.54	8,987.54
6. Brandt Tractor Ltd. 78274944	Yes	Admitted		48,144.41	37,103.07	37,103.07
7. Canada Revenue Agency 10612 3219 RC0001	Yes	Admitted			177,849.30	177,849.30
8. Canada Revenue Agency Attn: G. Gaudet 10612 3219 RP0001	Yes	Admitted		627,000.00	23,485.05	
9. Caterpillar Financial Services Ltd.	Yes	Admitted			12,472.44	12,472.44
10. Chrysler Financial Attn: Bankruptcy Highway 7002445738	Yes	Admitted		44,000.00		

**Claims Register for Crater Enterprises Ltd. - Concluded**

<i>Creditor Name</i>	<i>Proof of Claim?</i>	<i>Claim Status</i>	<i>Rank / Class</i>	<i>SOA Amount</i>	<i>Amount Filed</i>	<i>Admitted for Dividend</i>
11. Clasik Hardware Inc. 1070 and 41	Yes	Admitted		9,425.91	5,211.61	5,211.61
12. Davco Solutions Inc.	Yes	Admitted		5,257.56	5,118.43	5,118.43
13. Decca Industries 119	Yes	Admitted		14,093.81	14,093.81	14,093.81
14. Del Lage Landen Financial Services Attn: George Semanek 001-00117837-000	Yes	Secured asset released		92,279.00		
15. Elite Controls Ltd.	Yes	Contingent		18,217.55	66,537.50	
16. Fountain Tire	Yes	Admitted		72,656.00	77,462.13	
17. GE Capital Solutions 5879347001003	Yes	Admitted		34,000.00		
18. Grande Central Station	Yes	Admitted		3,151.28	4,594.28	
19. Grandview Wash o/a 1176976 AB. Ltd.	Yes	Admitted		1,583.61	1,570.65	1,570.65
20. Great West Kenworth 1477	Yes	Admitted		831.21	831.21	
21. Grimshaw Trucking	Yes	Admitted		239.89	239.89	239.89
22. Imperial Oil Attn: Darleen Cormier	Yes	Admitted			28,584.87	
23. J. D. Nelson Radiator Co. Ltd	Yes	Admitted		1,677.90	1,677.90	1,677.90
24. John Deere Credit Inc. Attn: Valerie Fontane	Yes	Admitted		46,000.00		
25. Kaverit Steel & Crane	Yes	Contingent		1,911.00	1,911.00	
26. Leyman Distributors Ltd. 10881	Yes	Admitted		1,286.49	1,286.49	1,286.49
27. Mark's Hauling Ltd. 33971	Yes	Admitted		3,936.50	3,936.50	3,936.50
28. Michels Super A Foods #19	Yes	Admitted		695.78	761.23	761.23
29. Midfield Supply ULC Attn: Marty Weldrick	Yes	Admitted		33,639.66	33,639.66	
30. Northern Metallic Sales (GP) Ltd.	Yes	Contingent		4,551.75	1,546.55	
31. Purolator Courier Ltd.	Yes	Admitted		697.67	1,052.86	1,052.86
32. Rentco Equipment Ltd. CEL05	Yes	Admitted		30,013.79	34,827.58	34,827.58
33. Royal Bank of Canada	Yes	Admitted		3,300,000.00		
34. South Peace Distributors Ltd. 40021	Yes	Admitted		43,996.03	50,713.30	50,713.30
35. SR Electronics	Yes	Admitted		303.94	697.01	697.01
36. Strongco Equipment 135638	Yes	Admitted		366,744.41	366,744.41	366,744.41
37. Tranportaction Lease Systems Inc. Attn: Jim Cavin E0485	Yes	Admitted		80,785.00		
38. Vector Communications	Yes	Admitted		1,634.24	1,666.02	1,666.02
<b>Total : Unsecured creditors</b>				<b>4,974,616.26</b>	<b>1,087,059.19</b>	<b>746,248.72</b>
<b>Grand Total:</b>				<b>4,974,616.26</b>	<b>5,727,268.25</b>	<b>746,248.72</b>

**CRATER ENTERPRISES LTD.  
ESTIMATED STATEMENT OF AFFAIRS**

	<b>Estimated Realizable Value</b>	
	\$	\$
<b>Current Assets</b>		
Accounts Receivable	400,000	- 500,000
Inventory	50,000	- 100,000
Gravel Inventory	10,000	- 25,000
	<u>460,000</u>	<u>- 625,000</u>
<b>Fixed Assets</b>		
Furniture	2,000	- 4,000
Computers & Software	1,000	- 3,000
Equipment	15,000	- 40,000
Rolling Stock	25,000	- 50,000
	<u>43,000</u>	<u>- 97,000</u>
<b>Land &amp; Buildings (see Schedule of Real Property)</b>	<u>5,440,000</u>	<u>- 6,125,000</u>
<b>Total Assets</b>	<u>5,943,000</u>	<u>- 6,847,000</u>
<b>Priority Claims</b>		
Payroll Withholdings	225,000	- 250,000
GST	100,000	- 150,000
Workers' Compensation Board	91,000	- 91,000
	<u>416,000</u>	<u>- 491,000</u>
<b>Secured Creditors</b>		
RBC Operating Line	1,000,000	- 1,050,000
RBC - Terrace Ridge (single family homes)	575,000	- 585,000
RBC - Phase 6 condo's	1,100,000	- 1,100,000
RBC Mortgage	500,000	- 505,000
RBC - Visa	9,000	- 10,000
CIBC Mortgage	40,000	- 42,000
	<u>3,224,000</u>	<u>- 3,292,000</u>
<b>Total Claims</b>	<u>3,640,000</u>	<u>- 3,783,000</u>
<b>Estimated Funds Available for Distribution to Unsecured Creditors, before professional Fees and Costs and interest costs</b>	<u>2,160,000</u>	<u>- 3,207,000</u>
<b>Estimated Dividend based on Unsecured Creditor Claims of:</b>	<b>90.00%</b>	<b>100.00%</b>
Unsecured Claims	1,900,000	- 2,200,000
Corporate Income Taxes	175,000	- 200,000
	<u>2,075,000</u>	<u>- 2,400,000</u>