

COURT FILE NUMBER 2001-06194

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

IN THE MATTER OF THE *COMPANIES' CREDITORS  
ARRANGEMENT ACT*, R.S.C. 1985, c C-36 as amended

AND IN THE MATTER OF THE COMPROMISE OR  
ARRANGEMENT OF REDROCK CAMPS INC., SOCKEYE  
ENTERPRISES INC., SWEETWATER HOSPITALITY INC.  
and BALDR CONSTRUCUTION MANAGEMENT INC.

APPLICANTS INVICO DIVERSIFIED INCOME L.P. and INVICO TRADE  
CAPITAL L.P.

RESPONDENTS REDROCK CAMPS INC., SOCKEYE ENTERPRISES INC.,  
SWEETWATER HOSPITALITY INC. and BALDR  
CONSTRUCUTION MANAGEMENT INC.

DOCUMENT **EIGHTH REPORT OF BDO CANADA LIMITED,  
IN ITS CAPACITY AS MONITOR OF REDROCK  
CAMPS INC., SOCKEYE ENTERPRISES INC.,  
SWEETWATER HOSPITALITY INC. and BALDR  
CONSTRUCUTION MANAGEMENT INC.**

**MARCH 26, 2021**

ADDRESS FOR  
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**EIGHTH REPORT OF THE MONITOR  
BDO CANADA LIMITED  
MARCH 26, 2021**

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## **INTRODUCTION**

1. On May 13, 2020, Invico Diversified Income L.P. (“**IDILP**”) and Invico Capital Trade L.P. (together referred to as “**Invico**”) made an application (the “**Initial Application**”) to the Court of Queen’s Bench of Alberta (the “**Court**”) for an order granting an initial stay of proceedings in respect of Redrock Camps Inc. (“**Redrock**”), Sockeye Enterprises Inc. (“**Sockeye**”), Sweetwater Hospitality Inc. (“**Sweetwater**”) and Baldr Management Inc. (“**Baldr**”) (collectively referred to as the “**Redrock Group**” or the “**Company**”) pursuant to the *Companies’ Creditors Arrangement Act*, RSC 1985 c C-36, as amended (the “**CCAA**”).
2. On May 13, 2020 (the “**Filing Date**”), a *CCAA Initial Order* was granted by the Honourable Madam Justice B. E. C. Romaine of the Court providing initial relief including but not limited to the imposition of an initial stay of proceedings (the “**Stay**”) in favour of the Redrock Group and its assets through to May 25, 2020.
3. The Court appointed BDO Canada Limited as monitor (the “**Monitor**”) in the CCAA proceedings (the “**CCAA Proceedings**”).
4. On May 22, 2020, the Monitor filed a report to the Court (the “**First Report**”) in advance of the Company’s May 25, 2020 Court application (the “**Comeback Application**”).
5. At the Comeback Application, the Court granted an *Amended and Restated CCAA Initial Order* (the “**ARIO**”) which included certain relief, *inter alia*:
  - a. an extension of the Stay through to July 24, 2020;
  - b. the approval of a \$2,500,000 interim credit facility (the “**Interim Facility**”) from IDILP (the “**Interim Lender**”) pursuant to an *Amended and Restated Interim Financing Agreement* between the Company and IDILP (the “**Interim Financing Agreement**”);

- c. the approval of a super-priority afforded to the Administration Charge, the Interim Lender's Charge and the Director's Charge (collectively referred to as the "**Court Ordered Charges**") as against the property, assets and undertakings of the Redrock Group (the "**Assets**") as follows:
    - i. Administration Charge (\$500,000) – first ranking;
    - ii. Interim Lender's Charge (\$2,500,000) – second ranking; and
    - iii. Directors' Charge (\$400,000) – third ranking.
  - d. providing the Monitor with authority to exercise control over the Redrock Group's bank accounts and its receipts (the "**Cash Management System**"); and
  - e. providing the Monitor with the authority, in consultation with Invico and the Redrock Group, to prepare, supervise and control a sale and investor and solicitation process (the "**SISP**").
6. On July 10, 2020, the Monitor filed a report (the "**Second Report**") in contemplation of applications by:
- a. Invico seeking to further extend the Stay and to expand the Monitor's powers to contemplate the execution of any sale or investment agreements resulting from the SISP (collectively referred to as "**Definitive Agreements**"); and
  - b. the Monitor seeking approval of the SISP proposed by the Monitor, the engagement of a sales advisor to administer the SISP (the "**Sale Advisor**") and the establishment of a charge on the Assets to secure the amount of the fees payable to the Sale Advisor (the "**Sale Advisor Charge**").
7. At a hearing on July 14, 2020 (the "**July 14<sup>th</sup> Application**"), the Court granted two Orders as follows:
- a. an Order further extending the Stay to September 30, 2020 and extending the Monitor's powers to include the execution of Definitive Agreements; and

- b. an Order approving:
  - i. the engagement of KPMG Corporate Finance Inc. as the Sale Advisor;
  - ii. approving the SISP; and
  - iii. establishing the Sale Advisor Charge.
8. On September 11, 2020, the Monitor prepared a report (the “**Third Report**”) and an accompanying confidential supplemental report (the “**Confidential Supplement to the Third Report**”) in advance of applications by:
  - a. Invico seeking to further extend the Stay and to increase the borrowing limit under the Interim Facility and the Interim Lender’s Charge from \$2.5 Million to \$3.0 Million; and
  - b. the Monitor seeking approval of a sale approval and vesting order in respect of the sale of substantially all of the assets, property and undertaking of Sockeye (the “**Sockeye Transaction**”) to Invico, or its nominee (the “**Sockeye Purchaser**”), and the sealing of the Confidential Supplement to the Third Report.
9. On September 15, 2020 (the “**September Application**”), the Court granted two orders as follows:
  - a. an Order (the “**September Order**”):
    - i. further extending the Stay to November 27, 2020;
    - ii. increasing the borrowing limit under the Interim Facility and the Interim Lender’s Charge to \$3.0 Million;
    - iii. extending the Termination Date (as defined in the Interim Financing Agreement); and
    - iv. authorizing the Monitor to execute any necessary amendments to the Interim Financing Agreement.

- b. an Order (the “**Sockeye SAVO**”):
  - i. approving the Sockeye Transaction subject to reviewing the finalized purchase and sale agreement (the “**Sockeye PSA**”); and
  - ii. sealing the Confidential Supplement to the Third Report until the earlier of 6 months after the Monitor files its certificate of discharge in the CCAA Proceedings or May 31, 2021.
10. On October 7, 2020, the Monitor prepared a report (the “**Fourth Report**”) in advance of Invico’s application seeking the appointment of a Chief Restructuring Officer (“**CRO**”) in respect of Redrock and Sockeye and for the granting of the authority for the Monitor to execute an agreement in relation thereto on behalf of Redrock and Sockeye.
11. On October 9, 2020, the Court granted an Order:
  - a. appointing Mr. David Hawkins as the CRO; and
  - b. authorizing the Monitor to execute the proposed CRO engagement letter (the “**CRO Agreement**”) on behalf of Redrock and Sockeye.
12. On November 20, 2020, the Monitor prepared a report (the “**Fifth Report**”) in advance of Invico’s application to further extend the Stay and the Termination Date of the Interim Financing Agreement to February 12, 2021.
13. On November 26, 2020 (the “**November Application**”), the Court granted an Order extending each of the Stay and the Termination Date to February 12, 2021.
14. On January 27, 2021, the Monitor prepared a report (the “**Sixth Report**”) and a confidential supplement to the Sixth Report (the “**Confidential Supplement to the Sixth Report**”) in contemplation of applications by:

- a. The Monitor seeking:
    - i. a sale approval and vesting order (the “**Redrock SAVO**”) in respect of the sale of substantially all of the assets, property and undertaking of Redrock (the “**Redrock Transaction**”) to Invico’s nominees, Invico Holdings Canada Inc (“**IHC**”) and Redrock Camps LP (“**RC LP**”) (collectively referred to as the “**Redrock Purchaser**”), by its general partner Redrock Camps GP Ltd. (“**RC GP**”);
    - ii. a reverse vesting order transferring, assigning and vesting all “**Excluded Assets**” and “**Excluded Liabilities**” (each as defined in the Redrock PSA) to Baldr (the “**RVO**”); and
    - iii. a sealing Order in respect of the Confidential Supplement to the Sixth Report (the “**Sixth Confidential Supplement Sealing Order**”).
  - b. Redrock, RC GP and RC LP seeking an order (the “**Plan Sanction Order**”) sanctioning a joint Plan of Arrangement (the “**Plan of Arrangement**”) under the CCAA and the Alberta *Business Corporations Act*, R.S.A 2000, c B-9, as amended (the “**ABCA**”); and
  - c. Invico seeking to further extend the Stay through to March 31, 2021.
15. On February 8, 2021 (the “**February 8<sup>th</sup> Application**”), the Court granted the following Orders:
- a. an Order extending the Stay though to March 31, 2021; and
  - b. an Order establishing procedures to address the repossession of certain Redrock assets in conjunction with the claim of Jonk Farms Ltd. as against Redrock.
16. The remaining matters sought at the February 8<sup>th</sup> Application, being the Redrock SAVO, the RVO and the Plan Sanction Order, were adjourned and set down to be heard on February 18, 2021.

17. On February 18, 2021, the Court granted the following Orders:
  - a. the Redrock SAVO;
  - b. the RVO;
  - c. the Plan Sanction Order; and
  - d. the Sixth Confidential Supplement Sealing Order.
18. On February 12, 2021, the Monitor filed a report (the “**Seventh Report**”) in respect to the Monitor’s application for advice and direction in relation to various claims advanced by the former President of the Redrock Group, Mr. Troy Ferguson (the “**Ferguson Claims**”).
19. On March 12, 2021, the Court granted an Order rendering a decision in respect of the priority and treatment of the Ferguson Claims.

#### **PURPOSE**

20. The purpose of this report (the “**Eighth Report**”) is to provide information to this Honourable Court with respect to:
  - a. An update as to the status of the Sockeye Transaction and the Redrock Transaction (collectively referred to as the “**Transactions**”);
  - b. An update as to the Redrock Group’s financial performance since the Sixth Report;
  - c. The Redrock Group’s further updated cash flow forecast;
  - d. Invico’s application seeking an extension of the Stay through to May 14, 2021; and
  - e. The Monitor’s conclusions and recommendations in respect of the above, as applicable.



## **TERMS OF REFERENCE AND DISCLAIMER**

21. In preparing this Eighth Report, the Monitor has been provided with and has relied upon unaudited financial information, certain books and records of the Redrock Group, discussions with the Redrock Group's management ("**Management**") and information provided by and discussions with Invico (collectively referred to as the "**Information**").
22. The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided; however, the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information in such a manner that would wholly or partially comply with standards as set out in the *Chartered Professional Accountants Canada Handbook* (the "**CPA Handbook**") and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of such Information
23. Some of the Information referenced in this Eighth Report relates to weekly cash flow forecasts, projections and related assumptions. An examination or review of cash flow forecasts, projections and related assumptions as outlined in the CPA Handbook has not been performed.
24. Capitalized terms not otherwise defined herein shall have the meaning given to them in the First Report, the Second Report, the Third Report, the Fourth Report, the Fifth Report, the Sixth Report and the Seventh Report.

## **TRANSACTIONS**

25. The Monitor and the Sockeye Purchaser and the Redrock Purchaser (collectively referred to as the "**Purchasers**") continue to work towards closing of the Transactions and the transition of the respective operations.
26. The parties to the Transactions anticipate that the Transactions will close and the respective business operations fully transitioned to the Purchasers in the near future such that the Monitor anticipates making an application for its discharge and the termination of the CCAA Proceedings before May 14, 2021.

## **FINANCIAL PERFORMANCE**

27. In advance of the February 8<sup>th</sup> Application, Management prepared an updated consolidated 13-week cash flow forecast (the “**January Forecast**”) in respect of the period January 4 - April 4, 2021, that was attached as Appendix “A” to the Sixth Report.
28. A variance analysis of the Company’s actual receipts and disbursements over the period January 4 – March 21, 2021 (the “**Reporting Period**”) versus the corresponding period in the January Forecast is set out in the following table:

<b>January 4 - March 21, 2021</b>				
	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>	<b>Notes</b>
<b>Receipts</b>				
Accounts Receivable	1,836,118	2,959,513	(1,123,395)	a)
CEWS claims	495,906	720,000	(224,094)	b)
	2,332,024	3,679,513	(1,347,489)	
<b>Disbursements</b>				
Repayment of Interim Financing	(270,133)	-	(270,133)	c)
Operatings expenses - food/general	(830,510)	(1,522,379)	691,869	d)
Payroll, benefits, WCB and other	(481,377)	(594,840)	113,463	b)
Principal and interest	(18,770)	(35,723)	16,953	
Restructuring	(124,037)	(300,000)	175,963	e)
	(1,724,827)	(2,452,942)	728,115	
Net cash flow	607,197	1,226,571	(619,374)	
Cash - beginning	723,534	723,534	-	
Cash - closing	1,330,731	1,950,105	(619,374)	

29. The Company experienced positive cash flow of approximately \$607,000 over the Reporting Period; however, there was an overall negative variance of approximately \$619,000 experienced in comparison to the January Forecast primarily as a result of the transitioning of operations to the Purchasers. The Monitor offers the following comments in respect of certain of the above noted significant individual line item variances:
- a) the negative variance of approximately \$1.1 Million in respect of accounts receivable is a result of the collection of accounts receivable being transitioned to the Purchasers pursuant to the Transactions;

- b) a negative variance of approximately \$224,000 in respect of anticipated refunds from the Canada Emergency Wage Subsidy (“CEWS”) and a positive variance of approximately \$113,000 in relation to payroll related expenses were experienced as a result of employees being transitioned over to the Purchasers’ payrolls;
- c) a partial payment of approximately \$270,000 was made towards the outstanding balance of the Interim Facility that has not been forecasted;
- d) the positive variance of approximately \$692,000 in relation to “Operating Expenses – food/general” is the result of the ongoing transitioning of operations to the Purchasers; and
- e) the positive variance of approximately \$176,000 in relation to “restructuring” expenses is primarily a timing issue in relation to restructuring costs as a result of delays in invoicing by the restructuring professionals.

#### **UPDATED CASH FLOW FORECAST**

30. Management has prepared a further updated forecast for the period March 22 – June 20, 2021, (the “**March Forecast**”) a copy of which is attached as **Appendix “A”** to this Eighth Report. The March Forecast can be summarized as follows:

	<b>March 22 - June 20, 2021</b>
<b>Receipts</b>	
Accounts receivable	675,487
CERS claims	24,062
CEWS claims	310,000
	1,009,549
<b>Disbursements</b>	
Operating expenses - general	(390,995)
Operating expenses - food	(565,500)
Payroll, benefits, WCB and other	(7,500)
Principal and interest	(1,105,265)
Restructuring	(271,000)
	(2,340,260)
Net cash flow	(1,330,711)
Cash - beginning	1,330,711
Cash - closing	-

31. The Monitor has reviewed the reasonableness of the March Forecast in accordance with section 23(1)(b) of the CCAA and wishes to highlight the following significant points:
- a. the March Forecast contemplates a 13 week period notwithstanding it is anticipated that the Transactions will be closed, the operations fully transitioned to the Purchasers, the Monitor discharged and the CCAA Proceedings being terminated in advance of the March Forecast outside date of June 20, 2021;
  - b. the residual funds available at the conclusion of the CCAA Proceedings after satisfaction of the Administration Charge are anticipated to be paid to the Interim Lender in partial satisfaction of the outstanding amount due under the Interim Lending Facility pursuant to the Interim Lender's Charge. The current balance due under the Interim Facility is approximately \$2.2 Million; and
  - c. the March Forecast contemplates that with the continued benefit of the Interim Facility, the Company will continue to have sufficient funds available to operate over the updated forecast period.

32. Our review consisted of inquiries, analytical procedures and discussions related to information, and assumptions provided to us by Management. Since hypothetical assumptions need not be supported, our analysis thereof was limited to evaluating whether they were consistent with the purpose of the March Forecast. We have also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the March Forecast.
33. Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:
- a. the hypothetical assumptions are not consistent with the purpose of the March Forecast;
  - b. as of the date of this Eighth Report, the probable assumptions developed by Management are not suitably supported and consistent with the current plans of the Redrock Group or do not provide a reasonable basis for the March Forecast, given the hypothetical assumptions; or
  - c. the March Forecast does not reflect the probable and hypothetical assumptions.
34. The Monitor gives no assurance and makes no representations as to whether the March Forecast will be met. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in the Eighth Report that has been provided by the Redrock Group. The March Forecast has been prepared solely for the purpose of demonstrating how the Redrock Group intends to fund its operations through to the later of June 20, 2021 or the termination of the CCAA Proceedings.

#### **EXTENSION OF STAY OF PROCEEDINGS**

35. Invico will be seeking a further extension of the Stay through to May 14, 2021 to allow sufficient time to close the Transactions and transfer the business operations to the Purchasers. Based on information available to the Monitor at this time, the Monitor is of the view that the requested length of extension of the Stay is appropriate in the circumstances.

**RECOMMENDATION**

36. For the reasons set out in this Eighth Report, the Monitor is supportive of and recommends to this Honourable Court that the Stay be extended through to May 14, 2021.

All of which is respectfully submitted this 26<sup>th</sup> day of March 2021.

BDO Canada Limited,  
in its capacity as Monitor of the Redrock Group  
and not in its personal or corporate capacity



Per: \_\_\_\_\_

Marc Kelly  
Senior Vice President

# **APPENDIX “A”**

**REDROCK CAMPS INC.**  
**Cash Flow forecast**  
**For the 13 week period**  
**(Unaudited - prepared by management)**

	Week of 22-Mar-21	Week of 29-Mar-21	Week of 5-Apr-21	Week of 12-Apr-21	Week of 19-Apr-21	Week of 26-Apr-21	Week of 3-May-21	Week of 10-May-21	Week of 17-May-21	Week of 24-May-21	Week of 31-May-21	Week of 7-Jun-21	Week of 14-Jun-21	Total
<b>Receipts</b>														
Accounts receivable	-	-	-	139,931	147,623	210,872	165,630	11,432	-	-	-	-	-	675,487
CERS Claims	-	-	24,062	-	-	-	-	-	-	-	-	-	-	24,062
CEWS Claims	-	-	160,000	-	-	150,000	-	-	-	-	-	-	-	310,000
	-	-	184,062	139,931	147,623	360,872	165,630	11,432	-	-	-	-	-	1,009,549
<b>Disbursements</b>														
Operating Expenses - General	3,175	32,318	32,318	32,318	32,318	32,318	32,318	32,318	32,318	32,318	32,318	32,318	32,318	390,995
Operating Expenses - Food	43,500	43,500	43,500	43,500	43,500	43,500	43,500	43,500	43,500	43,500	43,500	43,500	43,500	565,500
Payroll, Benefits, WCB and other	-	-	-	-	7,500	-	-	-	-	-	-	-	-	7,500
Principal and interest	-	18,770	500,000	-	-	14,065	-	-	-	-	18,770	-	-	1,105,265
Restructuring	-	143,000	-	-	-	-	-	-	128,000	-	-	-	-	271,000
Net cash flow for period	46,675	(237,588)	(391,756)	64,112	64,305	270,999	89,811	(64,386)	(203,818)	(75,818)	(94,588)	(75,818)	(629,488)	2,340,259
Cash/Operating Line - beginning	1,330,710	1,284,035	1,046,446	654,690	718,802	783,107	1,054,106	1,143,918	1,079,531	875,713	799,895	705,306	629,488	1,330,710
Cash/Operating Line - closing	1,284,035	1,046,446	654,690	718,802	783,107	1,054,106	1,143,918	1,079,531	875,713	799,895	705,306	629,488	(0)	(0)

**REDROCK CAMPS INC.**  
  
 Per: David Hawkins, Chief Restructuring Officer

March 23, 2021  
 CALGARY, ALBERTA

**ASSUMPTIONS AND NOTES**  
 - Please refer to the attached.



**Redrock Camps Inc. & Sockeye Enterprises Inc.**

**Note to the Cash Flow Forecast:**

- 1) **Overall** – This Cash Flow Statement assumes the ongoing gradual transition of operations to the purchaser.
- 2) **Accounts Receivable** – Reflects expected cash collections based on actual invoices in circulation and management’s best available estimates of timing of collections.
- 3) **OPEX General** – represents anticipated expenses and assumed camp/project costs including but not limited to such expenditures as lease rentals, utilities, maintenance, repairs, contract operators and property taxes pending the completion of the transition of operations to the purchaser. Payments are assumed to be made within agreed terms as negotiated with vendors Post-CCAA.
- 4) **OPEX Food** – estimated payments for food pending the completion of the transition of operations to the purchaser. Agreed terms are that invoices are paid weekly.
- 5) **Principal and interest** – represent payment of monthly interest charged by Redrock & Sockeye on the drawn balance on the DIP Credit Facility and anticipate partial repayments of available funds to the DIP Credit Facility.
- 6) **Restructuring** – includes the fees and expenses of the company’s legal counsel, the secured lender’s legal counsel and those of the Monitor and its legal counsel. Amounts owed to Gowling WLG (Canada) LLP are not included here and will be paid by Invico directly.