

CANADA
Province of Alberta

District of Alberta
Division of 02 - Calgary
Court No. 25-1799555
Estate No. 25-1799555

TRUSTEE'S PRELIMINARY REPORT
IN THE MATTER OF THE BANKRUPTCY OF
CON-FORTE CONTRACTING COMPANY INC.

Trustee: Deloitte Restructuring Inc. ("**Deloitte**")

Section A - Background

Con-Forte Contracting Company Inc. ("**Con-Forte**" or the "**Company**") was incorporated under the laws of the Province of Alberta on January 26, 2011. Con-Forte is a private company and is a wholly owned subsidiary of Plumb-Line Group Holdings, Inc. ("**PLG Holdings**"). The Company operated as a commercial concrete construction forming business in Western Canada from leased premises located at 1212 – 34 Avenue SE, Calgary, Alberta (the "**Premises**"). Con-Forte shared the Premises with several other related companies owned by PLG Holdings, including PLG Residential Services, Inc., PLG Corporate Services, Inc., Asty Construction Inc., and Sas-Can Masonry and Restoration Inc. (collectively, the "**PL Group**").

The PL Group experienced financial difficulty as a result of high operating costs combined with a decline in sales revenue. As a result, the PL Group's cash flow was negatively impacted and it was in breach of its obligations under a credit agreement with its secured lender, PNC Bank Canada Branch ("**PNC**"). On September 27, 2013, PNC issued a Notice of Intention to Enforce a Security and demanded full repayment of its indebtedness with the PL Group of approximately \$9 million. As the PL Group had no means to repay the debt owing to PNC, the PL Group ceased operations on October 1, 2013. PNC did not enforce its security or appoint a receiver over Con-Forte or the PL Group as there was a significant amount of debt owing to the Canada Revenue Agency ("**CRA**") for payroll source deductions (the "**Deemed Trust Claim**") that ranks in priority to all secured creditors, including PNC.

On October 16, 2013, the Company filed a voluntary assignment into bankruptcy under the *Bankruptcy and Insolvency Act* (the "**BIA**") and Deloitte was appointed as trustee (the "**Trustee**") of the bankrupt estate. Deloitte is also acting as the Trustee of all the other companies included in the PL Group. CRA has agreed to permit the Trustee's reasonable fees and expenses to be

paid ahead of the Deemed Trust Claim, subject to the Trustee complying with the duties and obligations set out in CRA's policy on Administrative Agreements with Trustees and Receivers.

Section B – Assets and Books and Records

The book values of the Company's potential realizable assets are as follows:

<u>Con-Forte Contracting Company Inc.</u>	
<u>Asset</u>	<u>Book Value*</u>
Cash on hand	\$ 550,000
Accounts receivable	7,396,000
Prepaid expenses	106,000
Capital assets, net	512,000
Total	\$ 8,564,000

* Book value is based on the Company's August 31, 2013 financial statements with the exception of accounts receivable which is based on a Company report dated October 8, 2013 and cash on hand which was at the date of bankruptcy. Goodwill of approximately \$3.2 million has been excluded as it has no realizable value.

The Trustee froze the bank accounts of the PL Group and there were net funds of approximately \$550,000 in the Con-Forte bank accounts at the date of bankruptcy. The Trustee has an agreement in place with CRA and PNC whereby the funds will be held by its counsel in trust until priority issues are resolved between the parties.

The Trustee is currently assessing the potential realizable value of the other assets and has contracted several of the former employees of the PL Group to assist with gathering various construction equipment and tools from former project sites. There is currently construction equipment, tools, supplies and materials, along with office furniture and equipment of the PL Group at the Premises.

The Trustee has also contracted several former employees to assist in the compilation, collection and invoicing of accounts receivable for the PL Group. The collection of certain accounts receivable may be difficult with potential deficiency claims, lien claims, bonding company claims, holdbacks, deposits, and various other offsets and adjustments from customers and contractors. The Trustee is working with its legal counsel to review options to collect the accounts receivable, including filing liens against projects where accounts are outstanding and lien rights are still available.

The Trustee has taken possession of the books and records of the Company and is using them to complete its statutory duties.

Section B – Current State of Operations

1. Conservatory and Protective Measures

The Trustee took possession of the Company's assets on October 16, 2013 and undertook the necessary conservatory and protective measures, including confirming that insurance was in place on the assets.

2. Carrying on Business

The Company's operations ceased on October 1, 2013 and the Trustee has no intentions to re-start the business or complete any of the unfinished projects at this time.

Section C – Legal Proceedings

The Trustee is aware of several pending and actual legal proceedings both for and against the PL Group. The Trustee and its counsel will be reviewing these matters in more detail in due course.

Section D – Provable Claims

At the time of preparing this report, several creditor claims have been filed against the Company. The Trustee is in the process of reviewing the validity of these claims in advance of the first meeting of creditors.

Section E – Secured Creditors

The Company has several secured creditors who hold general security agreements against its assets, including PNC. Other secured creditors have security against specific vehicles or equipment. The list of secured creditors is included in the Company's Statement of Affairs.

The books and records of the Company indicate that the Deemed Trust Claim of CRA is approximately \$875,000. CRA has contacted the Trustee to coordinate the completion of a trust audit of the Company's books and records in order to verify the Deemed Trust Claim amount.

The Trustee estimates that the amount of outstanding wages, vacation pay and termination pay owing to the 89 employees of the Company as at the date of bankruptcy was approximately \$215,000. Pursuant to the *Wage Earner Protection Program Act* ("**WEPPA**"), Human Resources and Skills Development Canada will have a priority claim over the current assets of the Company

for any qualifying employee arrears of up to \$2,000 per employee (the "**WEPPA Trust Claim**"). The WEPPA Trust Claim for the Company totals approximately \$152,000 and only ranks behind the Deemed Trust Claim.

Section F – Realization and Projected Distribution

The Trustee is currently obtaining auction proposals on the capital assets and has initiated collection efforts on the accounts receivable. It is too soon to determine what the potential realizations may be for the Company's assets and if any proceeds will be available after the payment of the Trustee's fees and costs, the Deemed Trust Claim and WEPPA Trust Claim. At this time, the Trustee is expecting that the secured creditors will suffer significant shortfalls on their security and there will be no distributions to any unsecured creditors in the bankruptcy.

Section G – Transactions at Under Value

The Trustee has not yet completed a review of the Company's books and records for the twelve months prior to bankruptcy to determine if there are any transactions at under value.

Section H – Other Matters

There are no other reportable matters at this time.

Dated at Calgary, this 1st day of November, 2013.

DELOITTE RESTRUCTURING INC.

In its capacity as Trustee in Bankruptcy
of Con-Forte Contracting Company Inc. and not in
its personal capacity.



Jeff Keeble, CA•CIRP, CBV

Trustee