

CANADA  
Province of Alberta

District of Alberta  
Division of 02 - Calgary  
Court No. 25-1800429  
Estate No. 25-1800429

**TRUSTEE'S PRELIMINARY REPORT**  
**IN THE MATTER OF THE BANKRUPTCY OF**  
**PLUMB-LINE GROUP HOLDINGS, INC.**

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

**Section A - Background**

Plumb-Line Group Holdings, Inc. ("**PLG Holdings**" or the "**Company**") was incorporated under the laws of the Province of British Columbia on December, 22, 2010. PLG Holdings is a private holding company that is owned 80% by Longroad Capital Partners III Limited Partnership out of Stamford, Connecticut, USA and 20% by 1578031 Alberta Ltd. The Company owns 100% of several companies including PLG Residential Services Inc., PLG Corporate Services, Inc., Asty Construction Inc., Sas-Can Masonry and Restoration Inc., and Con-Forte Contracting Company Inc. (collectively, the "**PL Group**"). At the time the Company ceased operations on October 1, 2013, it was located at 1212 – 34 Avenue SE, Calgary, Alberta (the "**Premises**"). PLG Holdings shared the Premises with 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 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 18, 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>Plumb-Line Group Holdings, Inc.</u>	
<u>Asset</u>	<u>Book Value*</u>
Accounts receivable	\$ 477,000
Prepaid expenses	28,000
<b>Total</b>	<b>\$ 505,000</b>
* Book value is based on the Company's August 31, 2013 financial statements.	

The Trustee is currently assessing the potential realizable value of the PL Group's assets and has contracted several of the former employees to assist with gathering various construction equipment and tools from former project sites and 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 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 18, 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, no creditor claims have been filed against the Company.

**Section E – Secured Creditors**

The Company has several secured creditors who hold general security agreements against its assets, including PNC. Other secured creditors have registered security against PLG Holdings that relates to assets owned by other companies in the PL Group. 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 nil as there were no employees in the Company. CRA has contacted the Trustee to coordinate the completion of a trust audit of the Company's books and records in order to verify if there is any Deemed Trust Claim amount.

**Section F – Realization and Projected Distribution**

The Trustee is currently obtaining auction proposals on the capital assets of the PL Group and has initiated collection efforts on the accounts receivable of the PL Group. It is too soon to determine what the potential realizations may be on the Company's assets and if any proceeds will be available after the payment of the Trustee's fees and costs and the Deemed 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 1<sup>st</sup> day of November, 2013.

**DELOITTE RESTRUCTURING INC.**

In its capacity as Trustee in Bankruptcy  
of Plumb-Line Group Holdings, Inc. and not in  
its personal capacity.

A handwritten signature in cursive script, appearing to read "Jeff Keeble".

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Jeff Keeble, CA•CIRP, CBV

Trustee