

CANADA  
Province of Alberta

District of Alberta  
Division of 02 - Calgary  
Court No. 25-1799518  
Estate No. 25-1799518

**TRUSTEE'S PRELIMINARY REPORT**  
**IN THE MATTER OF THE BANKRUPTCY OF**  
**PLG CORPORATE SERVICES INC.**

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

**Section A - Background**

PLG Corporate Services Inc. ("**PLG Corporate**" or the "**Company**") was incorporated under the laws of the Province of Alberta on February 17, 2011. PLG Corporate is a private company and is a wholly owned subsidiary of Plumb-Line Group Holdings, Inc. ("**PLG Holdings**") that operated from leased premises located at 1212 – 34 Avenue SE, Calgary, Alberta (the "**Premises**"). PLG Corporate leased and shared the Premises with several other related companies owned by PLG Holdings, including PLG Residential Services, Inc., Con-Forte Contracting Company Inc., Asty Construction Inc., and Sas-Can Masonry and Restoration Inc. (collectively, the "**PL Group**"). PLG Corporate provided the financial and administrative support to the PL Group and employed the senior management team, as well as other support and head-office staff.

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 PLG Corporate 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 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>PLG Corporate Services, Inc.</u>	
<u>Asset</u>	<u>Book Value*</u>
Inventory	\$ 207,000
Prepaid expenses	285,000
Capital assets, net	366,000
<b>Total</b>	<b>\$ 858,000</b>

\* Book value is based on the Company's August 31, 2013 financial statements. Goodwill of \$190,000 has been excluded as it has no realizable value.

The Trustee is currently assessing the potential realizable value of the Company's assets, which includes the inventory and office furniture and equipment at the Premises.

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.

### **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 drafting this report, one creditor claim has been filed against the Company. The Trustee is in the process of reviewing the validity of this claim 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 SOA.

The books and records of the Company indicate that the Deemed Trust Claim of CRA is approximately \$129,000. 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 30 employees of the Company as at the date of bankruptcy was approximately \$75,000. 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 of the Company totals approximately \$32,000 and only ranks behind the Deemed Trust Claim.

#### **Section F – Realization and Projected Distribution**

The Trustee is currently obtaining auction proposals for the capital assets. 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, the Deemed Trust Claim and the 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 1<sup>st</sup> day of November, 2013.

**DELOITTE RESTRUCTURING INC.**

In its capacity as Trustee in Bankruptcy  
of PLG Corporate Services Inc. and not in  
its personal capacity.

A handwritten signature in cursive script, appearing to read "Jeff", written in black ink.

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Jeff Keeble, CA•CIRP, CBV

Trustee