

September 22, 2017

To the Creditors of  
Tri State Community Ltd.

Dear Sir/Mesdames:

**RE: THE MATTER OF THE PROPOSAL OF TRI STATE COMMUNITY LTD.**

Please find enclosed the following information as required by Section 51(1) of the *Bankruptcy and Insolvency Act*:

1. Notice of Proposal to Creditors;
2. List of Creditors;
3. A Condensed Statement of Assets and Liabilities;
4. A copy of the Proposal;
5. Trustee's Report on Proposal;
6. Proof of Claim and Form of Proxy; and;
7. Voting Letter.

As indicated in the Notice of Proposal to Creditors, a general meeting of the creditors will be held at 3<sup>rd</sup> Floor, King Edward Conference Room, Manulife Place 10180 – 101 Street, Edmonton, AB on the 6<sup>th</sup> day of October, 2017 at 10:15 a.m. The purpose of the meeting is to consider to the Proposal put forth by the Insolvent Person and to vote on the Proposal.

Creditors must lodge with the Trustee, prior to the commencement of the meeting of creditors, a proof of claim with proper supporting documentation which substantiates the amount claimed. Creditors with proven claims may vote by letter, by proxy or in person at the meeting of creditors.

If you have any questions regarding the filing of your proof of claim, proxy or voting letter or how the Proposal affects you as a creditor, we encourage you to contact the Trustee at the telephone number noted above.

Yours truly,

**DELOITTE RESTRUCTURING INC.**

In its capacity as Trustee in re:  
The Matter of the Proposal of Tri State Community Ltd.  
and not in its personal capacity

Per:



Darren Crocker, CPA, CGA, CIRP, LIT  
Senior Vice President  
Deloitte Restructuring Inc.

Encl.

District of: Alberta  
Division No. 01 - Edmonton  
Court No. 24-2283215  
Estate No. 24-2283215

FORM 92  
Notice of Proposal to Creditors  
(Section 51 of the Act)

In the matter of the proposal of  
Tri State Community Ltd.  
of the City of Edmonton, in the Province of Alberta

Take notice that Tri State Community Ltd. of the City of Edmonton in the Province of Alberta has lodged with us a proposal under the Bankruptcy and Insolvency Act.

A copy of the proposal, a condensed statement of the debtor's assets, and liabilities, and a list of the creditors affected by the proposal and whose claims amount to \$250 or more are enclosed herewith.

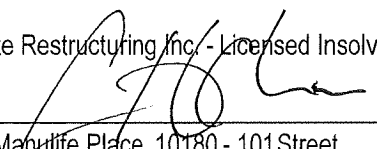
A general meeting of the creditors will be held at 3rd Floor, King Edward Conference Room, Manulife Place 10180-101 Street, Edmonton, AB on the 6th day of October 2017 at 10:15 AM.

The creditors or any class of creditors qualified to vote at the meeting may by resolution accept the proposal either as made or as altered or modified at the meeting. If so accepted and if approved by the court the proposal is binding on all the creditors or the class of creditors affected.

Proofs of claim, proxies and voting letters intended to be used at the meeting must be lodged with us prior to the commencement of the meeting.

Dated at the City of Edmonton in the Province of Alberta, this 21st day of September 2017.

Deloitte Restructuring Inc. - Licensed Insolvency Trustee



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2000 Manulife Place, 10180 - 101 Street  
Edmonton AB T5J 4E4  
Phone: (780) 401-3913 Fax: (780) 421-3782

(A form of proof of claim, a form of proxy and a voting letter should be enclosed with each notice.)

## Creditor Mailing List

In the matter of the proposal of  
Tri State Community Ltd.  
of the City of Edmonton, in the Province of Alberta

| Creditor Type | Name                                           | Attention                   | Address                                                                                                                                                                                          |
|---------------|------------------------------------------------|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Secured       | EGM Drywall Systems Inc.                       |                             | 18015-107 Ave<br>Edmonton AB T5S 1K3<br>Fax: (780) 483-6006                                                                                                                                      |
|               | Igloo Building Supplies Group Ltd. c/o Dentons |                             | richard.cotter@dentons.com<br>2900 Manulife Place, 10180-101 Street<br>Edmonton AB T5J 3V5                                                                                                       |
|               | KV Capital Inc.                                |                             | Suite 108, 2627 Ellwood Drive SW<br>Edmonton AB T6X 0P7                                                                                                                                          |
|               | Qualico Land c/o Dentons                       |                             | richard.cotter@dentons.com<br>2900 Manulife Place, 10180-101 Street<br>Edmonton AB T5J 3V5<br>Fax: (780) 440-1728                                                                                |
|               | SAS Group of Companies Inc.                    |                             | 301, 1230-91 Street SW<br>Edmonton AB T6X 0P2                                                                                                                                                    |
|               | Star Prebuilt Homes c/o Dentons                |                             | richard.cotter@dentons.com<br>2900 Manulife Place, 10180-101 Street<br>Edmonton AB T5J 3V5                                                                                                       |
| Unsecured     | 1826463 Alberta Ltd.                           |                             | 9424-208 Street<br>Edmonton AB T5T 4C3                                                                                                                                                           |
|               | 621494 Alberta Ltd. o/a Zeebee's Siding        |                             | 11241-224 Street<br>Edmonton AB T5S 0C5<br>Fax: (780) 487-5204                                                                                                                                   |
|               | CRA - Canada Revenue Agency - Tax - Prairie    |                             | 832430334RT0001<br>c/o Edmonton Tax Services Office<br>Revenue Collections Division Regional<br>Intake Centre for Insolvency<br>9700 Jasper Avenue<br>Edmonton AB T5J 4C8<br>Fax: (780) 495-0424 |
|               | Dentons Canada LLP                             |                             | 2900 Manulife Place<br>10180 - 101 St<br>Edmonton AB T5J 3V5<br>Fax: (780) 423-7276                                                                                                              |
|               | Direct Energy Regulated Services               | Credit & Collections Centre | 760502145245<br>PO Box 1520<br>639-5 Avenue SW<br>Calgary AB T2P 5R6<br>Fax: (866) 374-6199<br>ders_inquiries@directenergy.com                                                                   |
|               | Dundas Appraisals Ltd.                         |                             | 153, 17008-90 Avenue<br>Edmonton AB T5T 1L6                                                                                                                                                      |
|               | EGM Drywall Systems Inc.                       |                             | 18015-107 Ave<br>Edmonton AB T5S 1K3<br>Fax: (780) 483-6006                                                                                                                                      |
|               | Igloo Building Supplies Group Ltd. c/o Dentons |                             | richard.cotter@dentons.com<br>2900 Manulife Place, 10180-101 Street<br>Edmonton AB T5J 3V5                                                                                                       |

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## *Creditor Mailing List*

In the matter of the proposal of  
Tri State Community Ltd.  
of the City of Edmonton, in the Province of Alberta

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| Creditor Type | Name                              | Attention | Address                                                                                                           |
|---------------|-----------------------------------|-----------|-------------------------------------------------------------------------------------------------------------------|
| Unsecured     | International Globe Painting Ltd. |           | 16206-48 Street<br>Edmonton AB T5Y 3H6<br>Fax: (780) 756-7483                                                     |
|               | KV Capital Inc.                   |           | Suite 108, 2627 Ellwood Drive SW<br>Edmonton AB T6X 0P7                                                           |
|               | Landrex Hunter Ridge Inc.         |           | 220 Summit Plaza, 190 Boudreau Road<br>St. Albert AB T8N 6B9<br>Fax: (780) 459-1220                               |
|               | Qualico Land c/o Dentons          |           | richard.cotter@dentons.com<br>2900 Manulife Place, 10180-101 Street<br>Edmonton AB T5J 3V5<br>Fax: (780) 440-1728 |
|               | Rona Revy Inc.                    |           | 3111-76 Ave<br>Edmonton AB T6P 1T4<br>Fax: (403) 265-5795                                                         |
|               | SAS Group of Companies Inc.       |           | 301, 1230-91 Street SW<br>Edmonton AB T6X 0P2                                                                     |
|               | Star Prebuilt Homes c/o Dentons   |           | richard.cotter@dentons.com<br>2900 Manulife Place, 10180-101 Street<br>Edmonton AB T5J 3V5                        |
|               | Trend Aurora Ltd.                 |           | c/o 2800, 10060 Jasper Avenue<br>Edmonton AB T5J 3V9                                                              |
|               | Tri State Signature Homes Ltd.    |           | c/o 2800, 10060 Jasper Avenue<br>Edmonton AB T5J 3V9                                                              |
|               | Wicked Walls                      |           | 15023-118 Avenue<br>Edmonton AB T5V 1H9                                                                           |

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District of: Alberta  
 Division No. 01 - Edmonton  
 Court No. 24-2283215  
 Estate No. 24-2283215

Original  Amended

-- Form 78 --

Statement of Affairs (Business Proposal) made by an entity  
 (Subsection 49(2) and Paragraph 158(d) of the Act / Subsections 50(2) and 62(1) of the Act)

In the matter of the proposal of  
 Tri State Community Ltd.  
 of the City of Edmonton, in the Province of Alberta

To the debtor:

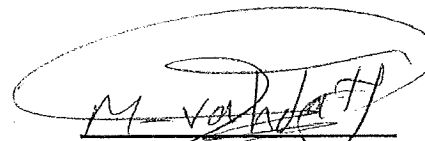
You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the filing of your proposal (or notice of intention, if applicable), on the 16th day of August 2017. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

| LIABILITIES<br>(as stated and estimated by the officer)          | ASSETS<br>(as stated and estimated by the officer)                    |
|------------------------------------------------------------------|-----------------------------------------------------------------------|
| 1. Unsecured creditors as per list "A" ..... 614,115.01          | 1. Inventory ..... 0.00                                               |
| Balance of secured claims as per list "B" ..... 989,160.42       | 2. Trade fixtures, etc. .... 0.00                                     |
| Total unsecured creditors ..... 1,603,275.43                     | 3. Accounts receivable and other receivables, as per list "E"         |
| 2. Secured creditors as per list "B" ..... 59,648.10             | Good ..... 0.00                                                       |
| 3. Preferred creditors as per list "C" ..... 0.00                | Doubtful ..... 0.00                                                   |
| 4. Contingent, trust claims or other liabilities as per list "D" | Bad ..... 0.00                                                        |
| estimated to be reclaimable for ..... 0.00                       | Estimated to produce ..... 0.00                                       |
| Total liabilities ..... 1,662,923.53                             | 4. Bills of exchange, promissory note, etc., as per list "F" ... 0.00 |
| Surplus ..... NIL                                                | 5. Deposits in financial institutions ..... 0.00                      |
|                                                                  | 6. Cash ..... 49,648.10                                               |
|                                                                  | 7. Livestock ..... 0.00                                               |
|                                                                  | 8. Machinery, equipment and plant ..... 0.00                          |
|                                                                  | 9. Real property or immovable as per list "G" ..... 0.00              |
|                                                                  | 10. Furniture ..... 0.00                                              |
|                                                                  | 11. RRSPs, RRIFs, life insurance, etc. .... 0.00                      |
|                                                                  | 12. Securities (shares, bonds, debentures, etc.) ..... 0.00           |
|                                                                  | 13. Interests under wills ..... 0.00                                  |
|                                                                  | 14. Vehicles ..... 0.00                                               |
|                                                                  | 15. Other property, as per list "H" ..... 10,000.00                   |
|                                                                  | If debtor is a corporation, add:                                      |
|                                                                  | Amount of subscribed capital ..... 0.00                               |
|                                                                  | Amount paid on capital ..... 0.00                                     |
|                                                                  | Balance subscribed and unpaid ..... 0.00                              |
|                                                                  | Estimated to produce ..... 0.00                                       |
|                                                                  | Total assets ..... 59,648.10                                          |
|                                                                  | Deficiency ..... 1,603,275.43                                         |

I, Mostafa Vahdaty, of the City of Edmonton in the Province of Alberta, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of Tri State Community Ltd.'s affairs on the 16th day of August 2017 and fully disclose all property of every description that is in its possession or that may devolve on it in accordance with the Act.

SWORN (or SOLEMNLY DECLARED)  
 before me at the City of Edmonton in the Province of Alberta, on this 15th day of September 2017.

\_\_\_\_\_  
 JEFF FIXSEN  
 BARRISTER & SOLICITOR

  
 \_\_\_\_\_  
 Mostafa Vahdaty

District of Alberta  
Division No. 01-Edmonton  
Court No. 24-2283215  
Estate No. 24-2283215

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**IN THE MATTER OF THE DIVISION I PROPOSAL OF  
TRI STATE COMMUNITY LTD.**

**DIVISION I PROPOSAL**

(Section 50 of the *Bankruptcy and Insolvency Act*)

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District of Alberta  
Division No. 01-Edmonton  
Court No. 24-2283215  
Estate No. 24-2283215

**IN THE MATTER OF THE PROPOSAL OF**  
**TRI STATE COMMUNITY LTD.**  
**AN INSOLVENT DEBTOR**  
**DIVISION I PROPOSAL**  
(Section 50 of the *Bankruptcy and Insolvency Act*)

**ARTICLE 1 - DEFINITIONS**

**1.1. Definitions**

In this Proposal, the following words and phrases shall have the following respective meanings:

- a) **"Acceptance"** means the acceptance of the Proposal by the Creditors and the approval of the Proposal by the Court;
- b) **"Act"** means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3;
- c) **"Certain Crown Claims"** means those Creditors defined in Article 8.2 hereof;
- d) **"Claim Provable"** has the meaning ascribed thereto in the Act;
- e) **"Court"** means the Court of Queen's Bench of Alberta in Bankruptcy and Insolvency;
- f) **"Creditor"** or **"Creditors"** means the creditors of the Insolvent Debtor affected by the Proposal;
- g) **"Insolvent Debtor"** means Tri State Community Ltd.;
- h) **"Meeting of Creditors"** means the meeting of Creditors scheduled to consider and vote on the Proposal;
- i) **"Notice of Intention Date"** means August 16, 2017;
- j) **"Notice of Meeting"** means the notice of the Meeting of Creditors forwarded to the Creditors;
- k) **"Preferred Creditors"** means all those Creditors of the Insolvent Debtor defined in Article 8.5 hereof;
- l) **"Proposal"** means the series of steps and arrangements contemplated herein, by which the debts and obligations owing by the Insolvent Debtor to the Creditors will be dealt with pursuant to Part III, Division I of the Act;
- m) **"Proposal Fund"** shall mean the fund of money paid under Article 15 to the Trustee for the purpose of distribution to the Creditors of the Insolvent Debtor in accordance with the terms of this Proposal;



- n) **"Proposal Implementation Date"** means the date that rights and obligations under the Proposal become effective and is the latest date upon which each of the following events has occurred:
  - i. the approval of the Proposal by the requisite majority in number and in value of the Creditors required under the Act has been obtained; and
  - ii. an Order of the Court approving the Proposal has been obtained and the appeal period from such Order has expired or, if any appeal is taken from such Order, a final Order dismissing such appeal has been obtained;
- o) **"Proposal Valuation Date"** means August 15, 2017;
- p) **"Secured Creditors"** means those Creditors defined in Article 8.3 hereof;
- q) **"Termination Date"** means the date upon which the claims of all Creditors have been satisfied in accordance with the Proposal or otherwise satisfied;
- r) **"Trustee"** means Deloitte Restructuring Inc., Licensed Insolvency Trustee under the Proposal;
- s) **"Unsecured Creditors"** means those Creditors defined in Article 8.6 hereof;
- t) **"Valued Claim"** means the claim of a creditor as of the Proposal Valuation Date which has been valued by the Trustee; and
- u) **"Wage Claims"** means the claims advanced against the Insolvent Debtor by those Creditors defined in Article 8.4 hereof;

## 2. ARTICLE 2 – INSOLVENT DEBTOR

- 2.1. The Insolvent Debtor, hereby submits the following Proposal pursuant to the Act.

## ARTICLE 3 - PURPOSE AND EFFECT OF PROPOSAL

- 3.1. The purpose of the Proposal is to allow the Insolvent Debtor the opportunity to offer a compromise to its Creditors of their claims against the Insolvent Debtor.
- 3.2. The Insolvent Debtor wishes to permit the Creditors to achieve a recovery on their claims against the Insolvent Debtor which is superior to that which the Creditors are expected to achieve in the event that the Insolvent Debtor were to become bankrupt.
- 3.3. The Proposal will become effective on the Proposal Implementation Date, on which date the claims of the Creditors will be compromised in accordance with the terms hereof.

## ARTICLE 4 – MEETING OF CREDITORS

- 4.1. The Creditors shall be given formal notice to attend a Meeting of Creditors as outlined in the Notice of Meeting.

## ARTICLE 5 – ADMINISTRATION OF THE PROPOSAL

- 5.1. The Creditors, with the consent of the Insolvent Debtor, may include such additional provisions or terms in the Proposal with respect to the supervision of the affairs of the Insolvent Debtor as they may deem advisable.
- 5.2. The Creditors may appoint one or more, but no more than five, inspectors of the Proposal of the Insolvent Debtor.
- 5.3. The Proposal shall be terminated upon the date on which the claims of all Creditors have been satisfied pursuant to the terms of the Proposal, or upon the bankruptcy of the Insolvent Debtor, or upon default under the terms of the Proposal by the Insolvent Debtor.

#### **ARTICLE 6 – REASONABLE SECURITY**

- 6.1. Pursuant to Section 59(3) of the Act, the Trustee has received \$8,333.33 from the Insolvent Debtor which will serve as reasonable security in support of this Proposal.

#### **ARTICLE 7 – DEFAULT BY INSOLVENT DEBTOR IN PERFORMANCE OF PROPOSAL**

- 7.1. The Insolvent Debtor shall be in default of its obligations under the Proposal in the event that it does not make the required payments noted in Article 15.2.
- 7.2. Where default is made in the performance of any provision of the Proposal and the default is not remedied by the Insolvent Debtor or waived by the Inspectors, or in the absence of inspectors, by the Trustee or a majority of the Creditors as defined in dollar value of proven claims, within thirty (30) days immediately following the default, the Trustee shall so inform all of the Creditors and the Official Receiver in the manner prescribed pursuant to the Act.
- 7.3. In the absence of inspectors, the Trustee shall have the power to extend the time for the making of any payment required to be made pursuant to this Proposal.

#### **8. ARTICLE 8 – DEFINITION OF CREDITOR CLAIMS**

- 8.1. The claims of Creditors shall have the respective definitions provided in this Article 8.
- 8.2. **“Certain Crown Claims”** shall mean any claim of Her Majesty in the Right of Canada or a Province or Territory of all amounts of a kind that could be subject to a demand under:
  - a) subsection 224(1.2) of the *Income Tax Act*;
  - b) any provision of the *Canada Pension Plan* or the *Employment Insurance Act* that refers to subsection 224(1.2) of the *Income Tax Act*; and
  - c) any substantially similar provincial or territorial legislation that has a similar purpose to the subsection 224(1.2) of the *Income Tax Act*.
- 8.3. **“Secured Creditor”** means a person holding a mortgage, hypothec, pledge, charge, security interest or lien on or against the property of the Insolvent Debtor or any part of that property as security for a debt due or accruing due to the person from the Insolvent Debtor, or a person whose claim is based on, or secured by, a negotiable instrument held as collateral security and in respect of which the Insolvent Debtor is only indirectly or secondarily liable.
- 8.4. **“Wage Claim”** includes any claim of employees and former employees of the Insolvent Debtor for amounts equal to the amounts that such employees may be qualified to receive

pursuant to subsection 136(1)(d) of the Act as at the Notice of Intention Date or of the filing of the Proposal.

- 8.5. **"Preferred Creditor"** includes any creditor with a claim defined pursuant to subsection 136(1) of the Act. However, "Preferred Creditor" shall exclude any person advancing a Wage Claim.
- 8.6. **"Unsecured Creditor"** includes all persons to whom the Insolvent Debtor owes any obligations of any nature and kind whatsoever, whether due or not due for payment at the Notice of Intention Date and including contingent or unliquidated claims arising out of any transactions entered into by the Insolvent Debtor prior to the time of the filing of the Notice of Intention, save and except for the claims of Secured Creditors, Wage Claims, Certain Crown Claims and the claims of Preferred Creditors.

#### **9. ARTICLE 9 – ARRANGEMENTS AFFECTING CANADA REVENUE AGENCY ("CRA")**

- 9.1. The Insolvent Debtor shall be deemed to have completed a year-end on the day prior to the Notice of Intention Date. Federal, provincial and territorial income taxes, including interest and penalty charges thereon and goods and services taxes (GST), including interest and penalty charges thereon, accruing due or payable for the current fiscal year up to and including the day preceding the filing of the Notice of Intention shall be included as an unsecured claim pursuant to Article 8.6 herein. Any adjustments, assessments or reassessments (if any) made by CRA for claims filed by the Insolvent Debtor prior to the date of the Notice of Intention in relation to income taxes or GST shall be considered an adjustment, assessment or reassessment in relation to the pre-proposal period.

#### **ARTICLE 10 – ARRANGEMENTS AFFECTING CERTAIN CREDITORS**

- 10.1. Any indebtedness incurred by the Insolvent Debtor for the provision of goods, services, supplies, or any other considerations subsequent to the filing of the Notice of Intention and prior to the approval of the Proposal by the Court shall be paid in full in the ordinary course and in priority only to the claims of the Unsecured Creditors as defined in Article 8.6 herein, existing at the Notice of Intention Date.
- 10.2. Creditors dealing with the Insolvent Debtor following the Notice of Intention Date shall have no right of set-off.

#### **ARTICLE 11 – ARRANGEMENTS AFFECTING CERTAIN CROWN CLAIMS**

- 11.1. The claims defined in Article 8.2 hereof, comprised of all amounts outstanding at the time of the filing of the Notice of Intention or of filing the Proposal, shall be paid in full within six (6) months following Court approval of the Proposal or in an extended period of time if approved by Her Majesty in Right of Canada as represented by CRA from proceeds realized in relation to the business operations in subordination to the Trustee's fees and disbursements and in priority only to the payment of the claims of the Preferred Creditors as defined in Article 8.5 herein and the payment of the claims of the Unsecured Creditors as defined in Article 8.6 herein.
- 11.2. The Insolvent Debtor shall remit payment directly to CRA for claims defined in Article 8.2.

## **ARTICLE 12 – ARRANGEMENTS AFFECTING SECURED CREDITORS**

- 12.1. The payment of the claims of the Secured Creditors of the Insolvent Debtor shall be made in accordance with terms and conditions of the existing agreements between the Secured Creditors and the Insolvent Debtor. If payments to Secured Creditors are made out of the proceeds of sale of assets of the Insolvent Debtor undertaken in the ordinary course of its business, such payments shall be made net of reasonable closing costs and shall be made to the Secured Creditors in priority of their respective claims as evidenced by registrations made by such Secured Creditors in the relevant governmental registries.
- 12.2. If any payments to any of the Secured Creditors arising out of the sale of assets of the Insolvent Debtor undertaken in the ordinary course of business result in a deficiency in respect of amounts owing to any particular Secured Creditor, then in such case the deficiency amount shall be unsecured and the Secured Creditor shall thereafter be treated as an Unsecured Creditor and the deficiency portion of their claim shall be addressed in accordance with Article 15.
- 12.3. For greater certainty, the payment of the secured claims (other than any unsecured deficiency amount) as defined in Article 8.3 herein, shall be the sole responsibility of the Insolvent Debtor and the secured claims shall not be included for distribution of any dividends payable by the Trustee with respect to this Proposal.

## **ARTICLE 13 – ARRANGEMENTS AFFECTING EMPLOYEES AND FORMER EMPLOYEES**

- 13.1. The claims defined in Article 8.4 hereof of all amounts outstanding at the time of the filing of the Notice of Intention or of filing the Proposal, together with all amounts accrued due for services rendered after that date and before Court approval of the Proposal, shall be paid in full immediately following Court approval of the Proposal and in priority to the claims of all other Creditors, however, payment to wage claimants shall be subordinate to payment of the Trustee's fees and disbursements.
- 13.2. For greater certainty, the payment of the claims defined in Article 8.4 hereof shall be the sole responsibility of the Insolvent Debtor and the claims shall not be included for distribution of any dividends payable by the Trustee with respect to this Proposal.
- 13.3. The Insolvent Debtor is not aware of any indebtedness to employees or former employees as defined in Article 8.4 hereof.

## **ARTICLE 14 – ARRANGEMENTS AFFECTING PREFERRED CREDITORS**

- 14.1. That the funds available for distribution in this Proposal shall be distributed to the Preferred Creditors (as defined in Article 8.5 hereof) in priority only to the Unsecured Creditors and the distribution of dividends to the Preferred Creditors shall be subordinate to payment of each of the Trustee's, and the Insolvent Debtor's legal counsel's, fees and disbursements.
- 14.2. The Insolvent Debtor is not aware of any indebtedness to Preferred Creditors as defined in Article 8.5 hereof.

## **ARTICLE 15 – ARRANGEMENTS AFFECTING UNSECURED CREDITORS**

- 15.1. The Insolvent Debtor shall contribute the following to the Proposal Fund:
- a) Funds sufficient for payment of the Trustee's and the Insolvent Debtor's legal counsel's fees and disbursements in priority to all claims;

- b) Funds sufficient for payment of the Superintendent's levy for distribution;
- c) Funds sufficient for distribution to the Preferred Creditors (where applicable) in priority only to the Unsecured Creditors and to the Unsecured Creditors; and

In complete and full satisfaction of all claims against the Insolvent Debtor at law or in equity.

- 15.2 The Insolvent Debtor shall provide the following to the Proposal Fund:
- a) The Insolvent Debtor shall remit to the Trustee funds equal to 30% in value of the Valued Claims of the Unsecured Creditors, which are to be valued through the process described in Article 16 as of the Proposal Valuation Date, by way of three equal semi-annual installments on January 31, 2018, July 31, 2018, and January 31, 2019.
- 15.3 The Trustee shall distribute dividends, where applicable, firstly to the Preferred Creditors as defined in Article 8.5 hereof, in priority only to the Unsecured Creditors, and finally the Unsecured Creditors as defined in Article 8.6 by payment of the Proposal Funds under Article 15.1. No creditor shall be entitled to receive more than the amount of their Claim Provable.
- 15.4 Each of the Trustee's and the Insolvent Debtor's legal counsel's fees and disbursements shall be paid in priority to the claims of all Creditors defined in Articles 8.2, 8.5 and 8.6 hereof. Trustee's fees shall be calculated in accordance with the time spent by the Trustee and its staff at the Trustee's standard rates for the individuals involved.
- 15.5 The Trustee's fees and disbursements shall be submitted to the Court for approval and taxation with the Trustee's Final Statement of Receipts and Disbursements pursuant to the Act. Notwithstanding the requirement for taxation of Trustee's fees at the end of the administration of this Proposal, the Trustee will be at liberty to draw its fees and disbursements on a monthly basis at the discretion of the Trustee (if required) in order to cover the costs of administration of the proposal.
- 15.6 Effective as of the Proposal Implementation Date, the Insolvent Debtor and the Trustee (collectively "the Released Parties" and individually a "Released party") will be released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature that any of the Creditors may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Proposal Valuation Date relating to, arising out of or in connection with the Claims or the business and affairs of the Insolvent Debtor.
- 15.7 Upon the Insolvent Debtor performing its obligations under the Proposal, the Trustee shall provide the Insolvent Debtor with a Certificate of Full Performance of the Proposal pursuant to section 65.3 of the BIA.
- 15.8 Upon issuance by the Trustee to the Insolvent Debtor of a Certificate of Full Performance of the Proposal, the Insolvent Debtor will be released from all debts and liabilities, present or future, to which the Insolvent Debtor was subject on the Proposal Valuation Date, or to which the Insolvent Debtor has or may become subject after the Proposal Valuation Date by reason of any obligation incurred or any act or omission which occurred on or before the Proposal Valuation date (save and except for Claims against the Insolvent Debtor under section 178 of the Act), including claims against the Insolvent Debtor for indemnity and all unliquidated or contingent claims arising out of

any transaction entered into by the Insolvent Debtor on or prior to the Proposal Valuation Date, regardless of whether or not a proof of claim was filed with the Trustee in respect of any such claim.

- 15.9 As required by section 60(2) of the Act, all monies payable under the Proposal shall be paid by the Insolvent Debtor to the Trustee, and shall thereafter be distributed by the Trustee in accordance with the Proposal and the Act.

#### **ARTICLE 16 – VALUATION OF CLAIMS, VOTING AND APPLICABLE DATES**

- 16.1 The Claims of all Creditors who have proven claims against the Insolvent Debtor shall be valued as at the Proposal Valuation Date by the Trustee, at or before the Meeting of Creditors.
- 16.2 Proofs of claim, proxies and voting letters intended to be used at the Meeting of Creditors must be lodged with the Trustee prior to the Meeting of Creditors.
- 16.3 Creditors may vote their claims by either returning a properly completed voting letter to the Trustee prior to the Meeting of Creditors, or by attending at the Meeting of Creditors and voting in person or by proxy.
- 16.4 Pursuant to section 50(1.2) of the Act, and for the purposes of the Proposal, the Insolvent Debtor hereby makes this proposal to the Creditors and the Insolvent Debtor hereby designates such parties to whom it is making the Proposal into the following class of Creditors more particularly described below, namely:
- a) Class One - Unsecured Creditors: All Creditors with unsecured Claims against the Insolvent Debtor for debts and liabilities, present or future, including all Creditors claiming any one or more of the following types of debts or liabilities:
    - i. debts or liabilities to which the Insolvent Debtor was subject on the Proposal Valuation Date including, without restriction, any anticipated deficiencies of any Secured Creditor claim;
    - ii. debts or liabilities to which the Insolvent Debtor may in future become subject by reason of any obligation incurred by it or on its behalf on or before the Proposal Valuation Date;
    - iii. debts or liabilities arising from claims against the Insolvent Debtor for indemnity; and
    - iv. debts or liabilities arising from all unliquidated or contingent claims related to any act or omission of the Insolvent Debtor which occurred, or any transaction entered into by the Insolvent Debtor, on or before the Proposal Valuation Date.

#### **ARTICLE 17 – MODIFICATIONS AND AMENDMENTS**

- 17.1 The Trustee, with the approval of the Court and without notice to the Creditors, may agree to any modification or amendment to the Proposal after the Creditors have voted on the Proposal, including without limiting the generality of the foregoing, any extension of time for carrying out the terms of the Proposal or for taking any steps or proceedings hereunder, other than any modification or amendments which would materially adversely affect the rights of any creditors.

#### **ARTICLE 18 – NOTICE**

18.1 Unless otherwise indicated, any notice required or permitted to be given pursuant to the Proposal shall be sufficiently given or made if delivered, faxed or mailed by prepaid postage as follows:

To the Insolvent Debtor:

Tri State Community Ltd.  
c/o Duncan Craig LLP  
2800, 10060 Jasper Ave.  
Edmonton, AB T5J 3V9

Copy to Counsel for the Insolvent Debtor:

Duncan Craig LLP  
2800, 10060 Jasper Ave.  
Edmonton, AB T5J 3V9  
Phone: 780-428.6036  
Fax: 780-428-9683  
Attention: Darren Bleganek, Q.C.

To the Trustee:

Deloitte Restructuring Inc.  
2000 Manulife Place  
10180 - 101 Street  
Edmonton, Alberta, T5J 4E4  
Attention: Darren Crocker  
Phone: (780) 421-3687  
Facsimile: (780) 421-3782


To the Creditors:

At their last known address according to the Insolvent Debtor or such other addresses as any of the foregoing may designate from time to time.

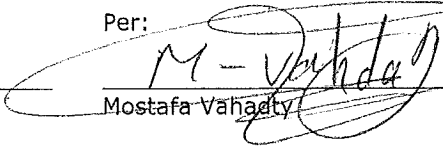
Any notice delivered as aforesaid shall be deemed to have been received when delivered, if delivered on a day other than Saturday, Sunday or statutory holiday, and otherwise on the next following business day. Any notice mailed as aforesaid shall be deemed to have been received on the 7<sup>th</sup> business day following the day on which such notice is mailed.

Dated at the City of Edmonton, in the Province of Alberta, this 15<sup>th</sup> day of September, 2017.

**Tri State Community Ltd.**

Witness 

Per:

  
Mostafa Vahady





**COURT FILE NUMBER** 24-2283215

**COURT** COURT OF QUEEN'S BENCH OF ALBERTA  
IN BANKRUPTCY AND INSOLVENCY

**JUDICIAL CENTRE** EDMONTON

**STYLE OF CAUSE** IN THE MATTER OF THE PROPOSAL OF  
TRI STATE COMMUNITY LTD.  
  
OF THE CITY OF EDMONTON  
IN THE PROVINCE OF ALBERTA

**DOCUMENT** **REPORT OF TRUSTEE ON PROPOSAL**

**ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT**

Deloitte Restructuring Inc.  
2000 Manulife Place  
10180 101 Street  
Edmonton, AB T5J 4E4

Attention: Darren M. Crocker  
Telephone: (780) 421 3687  
Fax: (780) 421 3782  
Email: [dcrocker@deloitte.ca](mailto:dcrocker@deloitte.ca)



# Introduction

1. On August 16, 2017 (the "**NOI Filing Date**"), Tri State Community Ltd. (the "**Company**") filed a Notice of Intention to Make a Proposal ("**NOI**") pursuant to Part III, Division I of the *Bankruptcy and Insolvency Act* (the "**BIA**").
2. Deloitte Restructuring Inc. ("**Deloitte**") is named as the Licensed Insolvency Trustee under the proposal in the NOI (the "**Proposal Trustee**"). Deloitte hereby presents its report to the creditors of the Company regarding the proposal that was filed with the Office of the Superintendent of Bankruptcy on September 15, 2017 (the "**Proposal**").

## *Purpose of this report*

3. The purpose of this report is to provide the Company's creditors with further information in respect of the Company's Proposal and Statement of Affairs.

## *Notice to reader*

4. In developing this report, the Proposal Trustee has relied upon unaudited financial information prepared by the Companies' management, the Companies' books and records and discussions with its management. The Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance in respect of the information. Future-oriented financial information relied upon in this Report is based on management's assumptions regarding future events. Actual results achieved may vary from this information and these variations may be material, and as such the Proposal Trustee expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this First Report, or relied upon by the Proposal Trustee in preparing this First Report.

## *Currency*

5. All currency references in this report are in Canadian dollars.

# Background

6. The Company incorporated as an Alberta corporation in January 2013 as 1721452 Alberta Ltd. and underwent a name change shortly after to its current name. The Company's directors are Mr. Arash Vahdaty and Mr. Edgardo Giovannoni.
7. The Company operates as a residential home builder and currently has one home under construction in Edmonton, Alberta. The Company operates from a leased office located at #301, 1230 91 Street SW, Edmonton, Alberta.

## *Financial position and causes of financial difficulty*

8. The Trustee is advised that the primary cause of the Company's current difficulties arose from the Company purchasing a significant amount of land inventory based on projections that assumed a prebuilt manufacturing method would cut the Company's historical build times in half. The projected reduction in build times did not materialize and the Company became saddled with excess land inventory along with the associated financing and carrying costs. Coupled with the challenging Alberta economy and being undercapitalized, the Company was forced to return land to developers and sell lots to other builders in order to recover deposits paid on lands. As a result, the Company has faced operating losses over the past two years.

## *Conduct of debtor*

9. Throughout the process, the Company has cooperated fully with respect to the provision of information which would assist the Proposal Trustee in assessing the benefits of the Proposal.

# Independence of trustee

10. Deloitte has no previous associations or business dealings with the Company and is therefore acting independently as Proposal Trustee.

# Statement of affairs

11. The Company disclosed the following assets and liabilities on its Statement of Affairs:

| Asset                          | Note | Book Value          | Estimated Net Realizable Value |
|--------------------------------|------|---------------------|--------------------------------|
| Cash on hand (encumbered)      | (1)  | 49,648.10           | 49,648.10                      |
| Security deposits (encumbered) | (2)  | 109,061.29          | 10,000.00                      |
| Work in progress (encumbered)  | (3)  | 151,030.41          | -                              |
| <b>Total</b>                   | (4)  | <b>\$309,739.80</b> | <b>\$ 59,648.10</b>            |

Notes:

- (1) Cash balance per books on NOI Filing Date.
- (2) Based on estimates of recovery by Company's management.
- (3) Estimated to be of no realizable value in a bankruptcy or liquidation as no further progress draws could be taken. The work in progress only has value if the projects are completed.
- (4) Amounts before cost of realization and secured creditors' interests. Multiple creditors have personal property security registrations against all present and after acquired property of the Company.

12. The Company disclosed unsecured creditors totaling \$614,115.01 and secured creditors totaling \$1,048,808.52. As these are amounts estimated by the Company, actual amounts proven by the unsecured and secured creditors may be materially different.

## Proposal filed September 15, 2017

13. The Proposal is made to unsecured creditors generally. Secured creditors are proposed to be paid according to the existing agreements between the Company and its secured creditors and such responsibility to service secured debts remains with the Company notwithstanding the Proposal. However, if payment of the Company's secured indebtedness are made out of proceeds of asset sales, the deficiency of the secured creditor, if any, shall be treated as an unsecured claim as defined in the Proposal.

14. Under the terms of and as detailed in the Proposal, the Company proposes to contribute funds equal to 30% of proven unsecured creditors' claims net of the fees, disbursements, and GST of its legal counsel and the Trustee and net of the 5% levy on dividends of the Office of the Superintendent of Bankruptcy. The 30% is to be paid to the Trustee in three equal and semi-annual installments occurring on January 31, 2018; July 31, 2018; and January 31, 2019.

15. Assuming that the quantum of proven unsecured claims equals the amount disclosed by the Company in its Statement of Affairs of \$614,115.01, the value of the proposed 30% to be paid by the Company under the terms of the Proposal will be \$184,234.50.
16. The Proposal Trustee will distribute the Proposal Fund as follows:
  - a) Firstly, to the Proposal Trustee's fees and disbursements, including the fees and disbursements of its legal counsel, if any, and the legal fees and disbursements of the Insolvent Person;
  - b) Secondly, to Certain Crown Claims as outlined in Article 8.2 of the Proposal;
  - c) Thirdly, to Preferred Creditors as outlined in Article 8.5 of the Proposal; and
  - d) Finally, to the Unsecured Creditors as outlined in Article 8.6 of the Proposal.

## Bankruptcy alternative

17. Rejection of the Proposal by the unsecured creditors will result in the automatic bankruptcy of the Company.
18. Based on the Company's Statement of Affairs, the Company's secured debt exceeds its assets and it would appear that there would be insufficient assets to make any distribution to unsecured creditors under a bankruptcy scenario as compared to the anticipated distribution of 30% of proven claims under the Proposal.

## Conclusion

19. It is a requirement of any proposal that it provide a greater return to unsecured creditors than would be possible under the option of a bankruptcy. In this matter, it is our opinion that acceptance of the proposal would provide a better opportunity for recovery for unsecured creditors that exceeds the potential recovery in a bankruptcy scenario.

All of which is respectfully submitted this 21<sup>st</sup> day of September, 2017, by:

**DELOITTE RESTRUCTURING INC.**

In its capacity as Trustee in re: the Proposal of  
Tri State Community Ltd.

And not in its personal capacity

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



Darren M. Crocker, CPA, CGA, CIRP, LIT  
Senior Vice-President



District of: Alberta  
Division No. 01 - Edmonton  
Court No. 24-2283215  
Estate No. 24-2283215

FORM 31 / 36  
Proof of Claim / Proxy  
In the matter of the proposal of  
Tri State Community Ltd.  
of the City of Edmonton, in the Province of Alberta

All notices or correspondence regarding this claim must be forwarded to the following address:

\_\_\_\_\_  
\_\_\_\_\_

In the matter of the proposal of Tri State Community Ltd. of the City of Edmonton in the Province of Alberta and the claim of \_\_\_\_\_, creditor.

I, \_\_\_\_\_, of the city of \_\_\_\_\_, a creditor in the above matter, hereby appoint \_\_\_\_\_, of \_\_\_\_\_, to be my proxyholder in the above matter, except as to the receipt of dividends, \_\_\_\_\_ (with or without) power to appoint another proxyholder in his or her place.

I, \_\_\_\_\_ (name of creditor or representative of the creditor), of the city of \_\_\_\_\_ in the province of \_\_\_\_\_ do hereby certify:

1. That I am a creditor of the above named debtor (or I am \_\_\_\_\_ (position/title) of \_\_\_\_\_, creditor).

2. That I have knowledge of all the circumstances connected with the claim referred to below.

3. That the debtor was, at the date of proposal, namely the 16th day of August 2017, and still is, indebted to the creditor in the sum of \$ \_\_\_\_\_, as specified in the statement of account (or affidavit or solemn declaration) attached and marked Schedule "A", after deducting any counterclaims to which the debtor is entitled. (The attached statement of account or affidavit must specify the vouchers or other evidence in support of the claim.)

4. (Check and complete appropriate category.)

A. UNSECURED CLAIM OF \$ \_\_\_\_\_

(other than as a customer contemplated by Section 262 of the Act)

That in respect of this debt, I do not hold any assets of the debtor as security and

(Check appropriate description.)

Regarding the amount of \$ \_\_\_\_\_, I claim a right to a priority under section 136 of the Act.

Regarding the amount of \$ \_\_\_\_\_, I do not claim a right to a priority.

(Set out on an attached sheet details to support priority claim.)

B. CLAIM OF LESSOR FOR DISCLAIMER OF A LEASE \$ \_\_\_\_\_

That I hereby make a claim under subsection 65.2(4) of the Act, particulars of which are as follows:

(Give full particulars of the claim, including the calculations upon which the claim is based.)

C. SECURED CLAIM OF \$ \_\_\_\_\_

That in respect of this debt, I hold assets of the debtor valued at \$ \_\_\_\_\_ as security, particulars of which are as follows:

(Give full particulars of the security, including the date on which the security was given and the value at which you assess the security, and attach a copy of the security documents.)

D. CLAIM BY FARMER, FISHERMAN OR AQUACULTURIST OF \$ \_\_\_\_\_

That I hereby make a claim under subsection 81.2(1) of the Act for the unpaid amount of \$ \_\_\_\_\_

(Attach a copy of sales agreement and delivery receipts.)

E. CLAIM BY WAGE EARNER OF \$ \_\_\_\_\_

That I hereby make a claim under subsection 81.3(8) of the Act in the amount of \$ \_\_\_\_\_,

That I hereby make a claim under subsection 81.4(8) of the Act in the amount of \$ \_\_\_\_\_,

F. CLAIM BY EMPLOYEE FOR UNPAID AMOUNT REGARDING PENSION PLAN OF \$ \_\_\_\_\_

That I hereby make a claim under subsection 81.5 of the Act in the amount of \$ \_\_\_\_\_,

That I hereby make a claim under subsection 81.6 of the Act in the amount of \$ \_\_\_\_\_.

G. CLAIM AGAINST DIRECTOR \$ \_\_\_\_\_

*(To be completed when a proposal provides for the compromise of claims against directors.)*

That I hereby make a claim under subsection 50(13) of the Act, particulars of which are as follows:

*(Give full particulars of the claim, including the calculations upon which the claim is based.)*

H. CLAIM OF A CUSTOMER OF A BANKRUPT SECURITIES FIRM \$ \_\_\_\_\_

That I hereby make a claim as a customer for net equity as contemplated by section 262 of the Act, particulars of which are as follows:

*(Give full particulars of the claim, including the calculations upon which the claim is based.)*

5. That, to the best of my knowledge, I \_\_\_\_\_ (am/am not) (or the above-named creditor \_\_\_\_\_ (is/is not)) related to the debtor within the meaning of section 4 of the Act, and \_\_\_\_\_ (have/has/have not/has not) dealt with the debtor in a non-arm's-length manner.

6. That the following are the payments that I have received from, and the credits that I have allowed to, and the transfers at undervalue within the meaning of subsection 2(1) of the Act that I have been privy to or a party to with the debtor within the three months (or, if the creditor and the debtor are related within the meaning of section 4 of the Act or were not dealing with each other at arm's length, within the 12 months) immediately before the date of the initial bankruptcy event within the meaning of Section 2 of the Act: (Provide details of payments, credits and transfers at undervalue.)

7. *(Applicable only in the case of the bankruptcy of an individual.)*

Whenever the trustee reviews the financial situation of a bankrupt to redetermine whether or not the bankrupt is required to make payments under section 68 of the Act, I request to be informed, pursuant to paragraph 68(4) of the Act, of the new fixed amount or of the fact that there is no longer surplus income.

I request that a copy of the report filed by the trustee regarding the bankrupt's application for discharge pursuant to subsection 170(1) of the Act be sent to the above address.

Dated at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Individual Creditor

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Name of Corporate Creditor

Per \_\_\_\_\_  
Name and Title of Signing Officer

Return To:

Phone Number: \_\_\_\_\_

Fax Number: \_\_\_\_\_

E-mail Address: \_\_\_\_\_

Deloitte Restructuring Inc. - Licensed Insolvency Trustee

\_\_\_\_\_  
2000 Manulife Place, 10180 - 101 Street  
Edmonton AB T5J 4E4  
Phone: (780) 401-3913 Fax: (780) 421-3782  
E-mail: cknox@deloitte.ca

NOTE: If an affidavit is attached, it must have been made before a person qualified to take affidavits.

WARNINGS: A trustee may, pursuant to subsection 128(3) of the Act, redeem a security on payment to the secured creditor of the debt or the value of the security as assessed, in a proof of security, by the secured creditor.

Subsection 20(1) of the Act provides severe penalties for making any false claim, proof, declaration or statement of account.

District of: Alberta  
Division No. 01 - Edmonton  
Court No. 24-2283215  
Estate No. 24-2283215

FORM 37

Voting Letter  
(Paragraph 51(1)(f) of the Act)

In the matter of the proposal of  
Tri State Community Ltd.  
of the City of Edmonton, in the Province of Alberta

I, \_\_\_\_\_, creditor (or I, \_\_\_\_\_, representative  
of \_\_\_\_\_, creditor), of \_\_\_\_\_, a creditor in the above matter  
for the sum of \$ \_\_\_\_\_, hereby request the trustee acting with respect to the proposal of Tri State  
Community Ltd., to record my vote \_\_\_\_\_ (for or against) the acceptance of the proposal as made  
on the \_\_\_\_\_ day of \_\_\_\_\_.

Dated at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Individual Creditor

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Name of Corporate Creditor

Per \_\_\_\_\_  
Name and Title of Signing Officer

Return To:  
Deloitte Restructuring Inc. - Licensed Insolvency Trustee  
Per:

\_\_\_\_\_  
Darren Crocker - Licensed Insolvency Trustee  
2000 Manulife Place, 10180 - 101 Street  
Edmonton AB T5J 4E4  
Phone: (780) 401-3913 Fax: (780) 421-3782  
E-mail: cknnox@deloitte.ca