

District of: Alberta
Division No. 02 - Calgary
Court No. 25-2736990
Estate No. 25-2736990

**IN THE MATTER OF THE BANKRUPTCY OF
METRO PAVING AND ROADBUILDING LTD.
IN THE CITY OF CALGARY, IN THE PROVINCE OF ALBERTA**

PRELIMINARY REPORT OF THE TRUSTEE

BACKGROUND

Metro Paving and Roadbuilding Ltd. (“**Metro Roadbuilding**” or the “**Company**”) was incorporated on April 11, 2008 pursuant to the laws of Alberta (and extra-provincially registered in the Province of Saskatchewan). The Company supplied construction services, including roadbuilding, excavation, gravel base, asphalt paving and services in construction related areas.

On January 20, 2021, BDO Canada Limited (“**BDO**”) was appointed receiver and manager (the “**Receiver**”) of all of the assets, undertakings and properties of the Company pursuant to an order of the Honourable Madam Justice K.M. Eidsvik of the Court of Queen’s Bench of Alberta (the “**Receivership Order**”).

Pursuant to paragraph 3(s) of the Receivership Order, the Receiver is empowered and authorized to assign the Company into bankruptcy if the Receiver determines that is appropriate and in the best interest of the estate. On May 12, 2021, the Receiver assigned Metro Roadbuilding into bankruptcy and BDO was appointed as trustee in bankruptcy (the “**Trustee**”).

On May 17, 2021, notice of the first meeting of creditors, a list of creditors, proof of claim form and proxy were sent to all known creditors of Metro Roadbuilding. A notice of the bankruptcy and the first meeting of creditors was also published in the *Calgary Herald* on the same date.

The activities of the Trustee since its appointment have primarily consisted of completing its statutory obligations in accordance with the provisions of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”).

CAUSES OF BANKRUPTCY AND FINANCIAL POSITION

In March 2019, Metro Roadbuilding entered into an agreement (as amended and restated, the “**Roadbuilding Credit Agreement**”) with the Bank of Montreal (“**BMO**”), in which BMO agreed to provide credit facilities in the total approved amount of \$6.5 million, secured by a general security agreement granted by Metro Roadbuilding.

Metro Roadbuilding began to experience significant financial difficulties in the latter half of 2020 due primarily to project cost overruns and delayed customer receipts with certain of their larger customers. The global coronavirus health pandemic (“**COVID-19**”) also negatively impacted Metro Roadbuilding’s revenues in 2020, through lower overall sales and delayed starts to certain contracts that were previously

awarded. The COVID-19 impact also materially impacted the level of sales booked into 2021. The Company applied for government support through the Canada Emergency Wage Subsidy program, however, the subsidies were not sufficient to cover the project cost overruns and lower overall revenue levels.

As a result, Metro Roadbuilding experienced significant liquidity challenges during the final months of 2020, which were projected to worsen through the 2021 winter offseason. These challenges resulted in covenant breaches and approximately \$1.1 million of margin deficit with respect to the terms of the Roadbuilding Credit Agreement. The covenant breaches coupled with the deterioration of Metro Roadbuilding's financial position triggered BMO to lose faith in the Company's ability to repay its outstanding indebtedness.

In November 2020, the Company attempted to secure an agreement with a potential investor, which would allow the Company to improve its liquidity position and potentially restructure its balance sheet. BMO agreed to enter into a forbearance agreement with Metro Roadbuilding in December 2020.

In January 2021, the Company's management decided that there was unacceptable closing risk associated with the potential investment and outlined to BMO that a formal orderly liquidation was the only viable option to repay its outstanding indebtedness to BMO. As a result, BMO was no longer willing to support Metro Roadbuilding in its current state, and appointed the Receiver, to preserve, protect and realize on the Company's assets.

The Company's assets comprised primarily of accounts receivable and the Receiver has made progress collecting on some of these accounts to date. The equipment and real property used in the Company's operations were leased from related party companies (Metro Pars Corporation and Metro Paving Ltd.) and, therefore, do not comprise assets in the bankruptcy estate of Metro Roadbuilding.

The Receiver does not anticipate there will be sufficient realizations to cover the indebtedness of the secured creditors within the receivership. Consequently, it is anticipated there will be no amounts available for distribution to the unsecured creditors of the bankruptcy estate.

FINANCIAL POSITION/ASSETS

As detailed in the Statement of Affairs, as of the date of bankruptcy, the Company did not have any realizable assets. All realizable assets are currently under the administration of the Receiver.

Accordingly, it is anticipated that there will be no funds available for distribution to the unsecured creditors of the Company.

DEEMED TRUST – PAYROLL SOURCE DEDUCTIONS

Payroll source deductions withheld from employees are a deemed trust claim against the estate. At the date of receivership, the Receiver estimates there was approximately \$29,000 in unremitted source deductions owing by the Company. The Trustee understands that this claim will be administered by the Receiver.

SECURED CREDITORS

The Company's Statement of Affairs indicates that there are two known secured creditors as of the date of bankruptcy. The secured creditors are BMO, who provided operating financing to the Company, and Lafarge Canada Inc. who provided construction supplies and services.

The Receiver has obtained an independent, written legal opinion from Cassel Brock & Blackwell LLP with respect to the validity and enforceability of the security held by BMO.

SECURITY FOR UNPAID WAGES

The Trustee is not aware of any potential claims pursuant to section 81.3 of the BIA. The Company had no employees as at the date of bankruptcy.

There were nine (9) employees terminated (the "**Former Employees**") at the date of receivership. These Former Employees had certain amounts owing for unpaid wages and vacation, which would qualify as claims under section 81.4 of the BIA. Secured claims pursuant to section 81.4 of the BIA are estimated to total approximately \$18,000. The Trustee understands that these noted claims will be administered by the Receiver, in addition to the Receiver complying with the requirement of the *Wage Earner Protection Program Act*.

PREFERRED CREDITORS

The Company's Statement of Affairs indicates that there were no known preferred creditors as at the date of bankruptcy.

UNSECURED CREDITORS

The Company's Statement of Affairs indicates that there are approximately 234 unsecured creditors with claims totalling approximately \$9.3 million, excluding the unsecured amounts owed to Company's terminated employees (which amounts were not calculated at the time of preparing the Statement of Affairs).

PROVABLE CLAIMS

As at the date of this report, the Trustee has recorded Proof of Claims filed, as follows:

	Per SOA (May 11)	Amount (\$)	Claims filed as at 5:00 p.m. May 28	Amount (\$)
Secured	2	6,091,207	0	0.00
Unsecured	234	9,349,731	36	2,048,264
TOTAL	236	\$15,440,938	Nil	\$2,048,264

PREFERENCE PAYMENTS AND TRANSFERS AT UNDER VALUE

The Trustee performed a high-level review with respect to potential preferences, settlements or transfers at undervalue, as defined in the BIA. The Trustee did not identify any of the foregoing through its review. The Receiver will discuss if further review is required with the Inspectors to be appointed, if any, in this estate.

TRUSTEE'S FEES

In consideration for consenting to act in these proceedings, the Receiver has provided a limited guarantee and deposit to the Trustee in the amount of \$15,000 (the "**Deposit**") for the Trustee's fees and disbursements.

Dated at Toronto, Ontario, this 28th day of May, 2021.

BDO Canada Limited

Trustee of the estate of
Metro Paving and Roadbuilding Ltd.
and not in its personal or corporate capacity

A handwritten signature in black ink, appearing to read "Clark Lonergan". The signature is written in a cursive style with a large, stylized initial "C".

Per: Clark Lonergan, CPA, CA, CIRP, LIT
Senior Vice President