



COURT FILE NUMBERS	24615
COURT	SUPREME COURT OF NEWFOUNDLAND AND LABRADOR IN BANKRUPTCY AND INSOLVENCY
JUDICIAL CENTRE	ST JOHN'S
	IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF PATHWAY CONSTRUCTION LTD.
DOCUMENT	FIRST REPORT OF THE PROPOSAL TRUSTEE OCTOBER 24, 2023
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<u>PROPOSAL TRUSTEE</u> BDO Canada Limited 255 Lacewood Drive Halifax, NS B3M 4G2 Attention Neil Jones Telephone (902) 425-3408 Email: nejones@bdo.ca/

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INTRODUCTION

1. On September 28, 2023 (the “**Filing Date**”), Pathway Construction Ltd. (“**Pathway**” or the “**Company**”) filed with the Office of the Superintendent of Bankruptcy (the “**OSB**”) Notices of Intention to Make a Proposal (the “**NOI**”), pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act* R.S.C. 1985, c. B-3, as amended (the “**BIA**”). Upon filing the NOI, BDO Canada Limited (“**BDO**”), was named as the Licensed Insolvency Trustee (in such capacity, the “**Proposal Trustee**”) in the proceeding (the “**Proceeding**”).
2. This report (the “**First Report**” or this “**Report**”) is submitted by the Proposal Trustee in conjunction with Pathway’s application for an order to extend the stay of proceedings granted upon the filing of the NOI. The affidavit of Keith Chard (“**Mr. Chard**”), director of Pathway, sworn on October 23, 2023 (the “**Chard Affidavit**”) and filed in connection with the Proceeding describes the Company’s background, including the rationale for the requested relief. The First Report should be read in conjunction with the Chard Affidavit.

PURPOSE OF THIS FIRST REPORT

3. The purpose of the First Report is to provide the Supreme Court of Newfoundland and Labrador in Bankruptcy and Insolvency (the “**Court**”) and Pathway’s stakeholders with further information related to the relief sought by the Company. This First Report specifically provides information on:
 - a) the Company’s financial position and reasons for filing the NOI;
 - b) the Proposal Trustee’s activities conducted since the Filing Date;
 - c) the Company’s activities conducted since the Filing Date;
 - d) the Proposal Trustee’s comments and report on the Company’s cash flow projections (the “**Cash Flow Statement**”) for the period commencing on the Filing Date and ending January 5, 2024 (the “**Cash Flow Period**”); and
 - e) Pathway’s application for an Order (the “**Pathway Extension Order**”) extending the period in which Pathway can make a proposal to its creditors and the stay of proceedings to December 12, 2023 (the “**Stay Extension**”).

RESTRICTIONS AND LIMITATIONS OF THIS FIRST REPORT

4. In preparing the First Report, the Proposal Trustee has relied upon unaudited financial information, the Company’s records, financial information and projections, and discussions with the Company’s management. While the Proposal Trustee reviewed various documents provided by the Company and believes that the information therein provides a fair summary of the transactions and material, as reflected in the documents, such work does not constitute an audit or verification of such information for accuracy, completeness or compliance with Generally Accepted Accounting Principles (“**GAAP**”), Accounting standards for private enterprises (“**ASPE**”), International Financial Reporting Standards (“**IFRS**”), or Generally Accepted Auditing Standards (“**GAAS**”). Accordingly, the Proposal Trustee expresses no opinion or other form of assurance pursuant to GAAP, ASPE, IFRS, or GAAS with respect to such information.
5. Some of the information used in preparing the First Report consists of financial projections, including the Cash Flow Statement. The Proposal Trustee cautions that these projections are based upon assumptions about future events and conditions that are not ascertainable. The Company’s actual results may vary from the Cash Flow Statement, even if the hypothetical and probable assumptions contained therein materialize, and the variations could be significant. The Proposal Trustee’s review of the future-oriented information used to prepare the First Report did not constitute an audit of such information under GAAP, ASPE, IFRS, or GAAS. The Proposal Trustee’s review and commentary of the Cash Flow Statements was performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals’ Standards of Professional Practice No. 9 (Proposal Trustee’s Reports on Cash Flow Statements).

6. To date, nothing has come to the Proposal Trustee's attention that would cause it to question the reasonableness of the information and explanations provided to it by the Company and its management. The Proposal Trustee has requested that management bring to its attention any significant matters which were not addressed in the course of the Proposal Trustee's specific inquiries. Accordingly, the First Report is based on the information (financial or otherwise) made available to the Proposal Trustee by the Company.
7. The First Report has been prepared for the use of this Court and the Company's stakeholders as general information relating to the Company and to assist the Court in determining whether to grant the relief sought by the Company. Accordingly, the reader is cautioned that the First Report may not be appropriate for any other purpose. The Proposal Trustee will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction, or use of this First Report contrary to the provisions of this paragraph.
8. All references to dollars are in Canadian currency unless otherwise noted.
9. This First Report, and all other relevant documents pertaining to these Proceedings are available on the Proposal Trustee's website at: <https://www.bdo.ca/services/financial-advisory-services/business-restructuring-turnaround-services/current-engagements/pathwayconstruction>

BACKGROUND

10. Pathway was incorporated pursuant to the laws of Newfoundland and Labrador on June 3, 2015. The listed directors and shareholders of Pathway are Mr. Chard and Jeffery Stuckless. The registered head office of Pathway is 45 Marine Drive, Clarenville, Newfoundland and Labrador, Canada.
11. The Company operates as a civil and industrial construction company. As of the Filing Date, Pathway had 16 individuals employed.
12. Mr. Chard is also the sole director and shareholder of Eastern Roof and Floor Truss Manufacturing (2008) Inc. ("Eastern"). Eastern was incorporated on June 6, 2008 and operates a flooring and roofing company. The Proposal Trustee understands that Eastern is currently owed approximately \$421,000, consisting of \$331,000 of long-term debt and \$90,000 in accounts payable. Pathway's internal financial statements for the year ending December 31, 2022 state approximately \$525,000 owing to Eastern, consisting of \$331,000 of long-term debt and \$194,000 in accounts payable. Eastern has historically advanced short-term cash injections to Pathway to alleviate liquidity crunches through inter-company loans. Certain operating expenses such as fuel expenses are also incurred under Eastern accounts and settled monthly through inter-company transactions. The Trustee is in the process of performing its statutory review of pre-filing payments, including a review of related party transactions.
13. In early 2022, Pathway completed a project for Dandy Dans Fish Market Ltd. ("Dandy Dans"). Pathway incurred costs of \$461,930 and expected to realize revenue of \$535,726. Dandy Dans made payments totaling \$70,000 leaving \$529,676 outstanding, including \$63,950.32 in interest. Since, Pathway made significant attempts to recover this amount outstanding. The amount remains outstanding and Pathway is currently pursuing legal action against Dandy Dans to recover and enforce any award or judgement granted to Pathway in connection with or as a result of a litigation claim. Not receiving the amount outstanding from Dandy Dans has had a profoundly detrimental impact on the Company's cash flows, hindering its ability to cover essential operational costs, and supplier invoices. As a result, Pathway was forced to dip into its reserves or take on debt to bridge the financial gaps. Without the expected accounts receivable payment, the Company's financial stability steadily eroded leading to the inability to sustain day-to-day operations and service outstanding debts forcing the company into insolvency.
14. These constraints were further impacted by reduced activity in the construction industry and loss of significant contracts during the COVID-19 pandemic as well as the surge in project costs in recent months due to inflation.
15. The Company has taken the following steps to date to manage the financial challenges facing the Company:
 - a) Management implemented salary reductions for Mr. Chard and laid off a Project Manager;
 - b) The Company entered into informal cost sharing arrangements with Eastern for common services; and
 - c) Eastern loaned funds to Pathway and continues to advance short term loans to Pathway to alleviate short term liquidity crunches.

16. As a result of the financial challenges faced by Pathway, on September 28, 2023, the Company filed the NOI with the OSB pursuant to section 50.4(1) of the BIA. Upon filing the NOI, BDO consented to act as the Proposal Trustee in the Proceedings. Further information regarding the financial challenges faced by the Company can be found in the Chard Affidavit.

FINANCIAL POSITION OF THE COMPANIES

Recent Performance

17. The Proposal Trustee has reviewed Pathway’s unaudited external financial statements for the 12 months ending December 31, 2022, and the comparable results for December 31, 2021. For the fiscal years of 2022 and 2021, there were operating losses of \$144,947 and \$355,796, respectively¹. A summary of the financial results are included in the table below:

For the 12 Months Ending	December 31, 2022	December 31, 2021	Change
Revenue	\$ 3,880,177	\$ 1,432,555	\$ 2,447,622
Cost of Sales	3,054,189	1,419,817	(1,634,372)
Gross Profit	825,988	12,738	(813,250)
Overhead Expenses	970,935	368,534	(602,401)
Operating Profit	\$ (144,947)	\$ (355,796)	\$ 210,849

¹ The calculation of “Operating Loss” for 2021 excludes other income and expenses, such as disposal of equipment and government assistance, as reported in the financial statements.

² The 2022 Operating Loss included a \$261,670 bad debt expense primarily related to the Dandy Dans Project.

Creditor Claims

18. Pathway has accumulated significant unsecured and secured liabilities in order to support operations. As at the Filing Date, the Company owed \$1,737,011 to creditors with claims of \$250 or more, including amounts due to the following:

Pathway Liabilities	NOI amount
Bank of Montreal	510,000
Canada Revenue Agency	22,834
Equipment Leases	509,798
Other Payables	716,665
Total	1,759,297

19. The Company's liability to Canada Revenue Agency ("CRA") consists of the following:

- a) \$548 for source deductions; and
- b) \$22,285 for goods and services tax.

Secured Creditors

20. The following is a list of additional parties with registered security interests against the Company at the Newfoundland and Labrador Personal Property Registry as at September 28, 2023:

- a) Bank of Montreal ("BMO") has registered a General Security Agreement (a "GSA") providing security interest over all of the present and after-acquired property of the Company. Pathway holds the following facilities with BMO:
 - i. one (1) operating demand loan with limit of \$200,000;
 - ii. six (6) Mastercard business cards with an aggregate limit of \$25,000; and
 - iii. one (1) non-revolving facility with a balance of \$250,000.
- b) CWB National Leasing Inc. ("CWB") has specific security registered against Pathway with regards to equipment and accessories used in Pathway's operations. Pathway's NOI listed CWB as being owed \$1. It was subsequently determined by Pathway that CWB is owed approximately \$164,563.
- c) RCAP Leasing Inc. ("RCAP") has specific security registered against Pathway with regards to equipment and accessories used in Pathway's operations. Pathway's NOI listed RCAP as being owed \$1. It was subsequently determined by Pathway that RCAP is owed approximately \$144,469.
- d) The Bank of Nova Scotia. ("BNS") has specific security registered against Pathway with regards to motor vehicle and accessories used in Pathway's operations. Pathway's NOI listed BNS as being owed \$1. It was subsequently determined by Pathway that BNS is owed approximately \$97,193.
- e) Ford Credit Canada ("Ford") has specific security registered against Pathway with regards to a motor vehicle and accessories used in Pathway's operations. Pathway's NOI listed Ford as being owed \$1. It was subsequently determined by Pathway that Ford is owed approximately \$7,261.
- f) Vault Credit Corporation ("Vault") has specific security registered against Pathway with regards to equipment and accessories used in Pathway's operations. Pathway's NOI listed Vault as being owed \$1. It was subsequently determined by Pathway that Vault is owed approximately \$40,049.
- g) CNH Industrial Capital Canada Ltd. ("CNH") has specific security registered against Pathway with regards to equipment and accessories used in Pathway's operations. Pathway's NOI listed CNH as being owed \$1.
- h) Wells Fargo Equipment Finance Company ("Wells Fargo") has specific security registered against Pathway with regards to equipment and accessories used in Pathway's operations. Pathway's NOI listed Wells Fargo as being owed \$1. It was subsequently determined by Pathway that Wells Fargo is owed approximately \$56,263.

21. At this stage of the Proceedings, the Proposal Trustee has not conducted an independent security review on the validity and enforceability of any of the registered secured charges.

Assets

22. The Proposal Trustee notes that the Company's assets consist of, among other things, the following items, with the below noted book values from Pathway's unaudited internal financial statements for the period ending September 30, 2023:

Pathway Assets	Book Value as at September 30, 2023
Accounts Receivable	\$ 395,598
Inventory	30,000
Work in Progress	76,242
Holdbacks Receivable	65,929
Property and Equipment	631,126
Total	\$ 1,198,895

OVERVIEW OF THE PROPOSAL TRUSTEE'S ACTIVITIES

23. The Proposal Trustee has performed the following key activities:

- a) ongoing meetings with management to discuss options available, and the process and implications of each option to the business;
- b) filing the necessary prescribed forms required under the BIA for the NOI;
- c) issuing the required notices under section 50.4(6) of the BIA to all known creditors;
- d) assisting the Company in preparing the Cash Flow Statement for the Cash Flow Period, along with the prescribed forms, in order to satisfy section 50.4(2)(a) of the BIA;
- e) pursuant to section 90(1) of the BIA General Rules C.R.C., c. 368 (the “**BIA General Rules**”), the Proposal Trustee has filed the documents referenced in subsections (e) through (h) of the BIA General Rules with this Court;
- f) monitoring the affairs of the Company’s business including reviewing financial information and corresponding and holding numerous discussions with management and Pathway’s restructuring counsel, O’Keefe & Sullivan (“**OS LLP**”);
- g) corresponding and holding discussions with various stakeholders;
- h) responding to calls and emails from creditors, suppliers, customers, and other stakeholders;
- i) maintaining a public website: <https://www.bdo.ca/services/financial-advisory-services/business-restructuring-turnaround-services/current-engagements/pathwayconstruction> for these Proceedings; and
- j) preparing this First Report.

ACTIVITIES OF THE COMPANY

24. Since the Filing Date, the Company’s activities have included, among other things:

- a) working with the Proposal Trustee in preparing the Cash Flow Statement;
- b) assessing their restructuring options in the Proceedings;
- c) communicating with various stakeholders and creditors regarding the Proceedings, in consultation with the Proposal Trustee;
- d) corresponding with their legal counsel, OS LLP, and the Proposal Trustee;

- e) ongoing communications with certain creditors and/or their advisors; and
- f) reporting to the Proposal Trustee on a weekly basis in respect of the Company's receipts and disbursements.

THE CASH FLOW STATEMENTS

25. As stated above, in order to satisfy section 50.4(2)(a) of the BIA, the Company prepared the Cash Flow Statement, on a weekly basis, for the Cash Flow Period. As noted above, the Cash Flow Statement together with the Company's Report on the Cash Flow Statement and the Proposal Trustee's Report on the Cash Flow Statement, all dated October 6, 2023, are collectively attached to this Report as **Appendix 1**. The Cash Flow Statement have been

prepared by management using probable and hypothetical assumptions (the "**Probable and Hypothetical Assumptions**") set out therein.

26. The Proposal Trustee makes the following comments on Pathway's Cash Flow Statement:

- a) the balance on Pathway's operating line with BMO as at the Filing Date disclosed in the Cash Flow Statement was \$198,000;
- b) Pathway is projected to generate a positive cash flow nearing the break-even point during the Cash Flow Period;
- c) it is projected that payroll will be paid in full by Pathway during the Cash Flow Period;
- d) customer payments and operational expenditures were projected based on planned projects and estimated future projects. Revenues and costs are in line with the Company's recent annual financial statements; and
- e) It is projected that Pathway will stay current with remittances to CRA for payroll source deductions and sales taxes during the Cash Flow Period.

27. The Proposal Trustee's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to information supplied to the Proposal Trustee by management of Pathway. Since hypothetical assumptions need not be supported, the Proposal Trustee's procedures with respect to such assumptions were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Proposal Trustee has also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Cash Flow Statement. Based on the Proposal Trustee's review, nothing has come to its attention that causes it to believe that, in all material respects:

- a) the Probable and Hypothetical Assumptions are not consistent with the purpose of the Cash Flow Statement;
- b) as at the date of the filing of the Cash Flow Statement, the Probable and Hypothetical Assumptions developed by management were not suitably supported and consistent with the Company's plans or do not provide a reasonable basis for the Cash Flow Statement, given the Probable and Hypothetical Assumptions; or
- c) the Cash Flow Statement do not reflect the Probable and Hypothetical Assumptions.

PERFORMANCE AGAINST THE CASH FLOW STATEMENTS

28. In accordance with section 50.4(7)(b)(ii) of the BIA, the Proposal Trustee has continued to review and evaluate the state of the Company's business and financial affairs since the Filing Date.
29. The Proposal Trustee is advised that the Company has remained current in respect of their obligations that have arisen since the Filing Date.
30. A review process has been established with the Company to review weekly cash variances. A comparison of Pathway's receipts and disbursements to its Cash Flow Statements for the period of October 6, 2023 to October 13, 2023 (the "Post-Filing Reporting Period") is attached hereto as **Appendix 2**.

Proposal Trustee's Comments

31. For the Post-Filing Reporting Period ending October 20, 2023, total cash receipts were \$113,078, approximately \$8,109 more than forecasted in the Cash Flow Statement. The favourable variance is primarily attributable to timing differences, namely the early collection of accounts receivable existing as at the Filing Date and collections related to ongoing projects. Said collections were partially offset by the delayed sale of equipment.
32. The Pathway Cash Flow Statement projected total disbursements of \$101,786 for the Post-Filing Reporting Period. Actual disbursements for the Post-Filing Reporting Period totaled \$113,658 resulting in an unfavourable variance of \$11,873. The unfavourable variance is primarily attributable to a payment of \$20,000 to Eastern, a repayment of an equal amount advanced to Pathway during the week ending October 6, 2023 to alleviate a temporary liquidity crunch. Other variances with respect to disbursements are anticipated to be timing in nature with the exception of the \$12,356 in outstanding cheque payments which pertain to cheques issued and disbursed before the Filing Date but processed after the Filing Date.

EXTENSION REQUEST

33. The Company is seeking an extension of the time to file a proposal to December 12, 2023. The Proposal Trustee supports the Company's request for the following reasons:
 - a) the Company is acting in good faith and with due diligence;
 - b) the Company requires additional time to develop a viable proposal to creditors; and
 - c) no creditor would be materially prejudiced if the extension being applied for is granted.
34. The Proposal Trustee believes that granting an extension of time to file a proposal and the continuation of this Proceeding is in the best interest of stakeholders, and preferable to a liquidation in a bankruptcy and/or receivership.

OTHER MATTERS

35. At this preliminary stage in the restructuring, the Proposal Trustee has completed its review of reviewable or preference transactions. The Proposal Trustee intends to complete this review prior to the filing of a proposal.
36. The Proposal Trustee is aware of \$12,356 in outstanding cheques that were cleared in the post-filing period ending October 20, 2023. These cheques were issued prior to Filing Date and are comprised of multiple payments to various unsecured creditors. The Proposal Trustee is investigating said payments to determine if the debts settled were pre-filing or post-filing obligations, however preliminary findings indicate the payments relate to pre-filing obligations.

CONCLUSION AND RECOMMENDATION

37. The Proposal Trustee respectfully recommends this Court approve the Company's request for an extension to the stay of proceedings.

ALL OF WHICH IS RESPECTFULLY SUBMITTED,

BDO CANADA LIMITED,
solely in its capacity as Proposal Trustee under a Notice of Intention
to Make a Proposal filed by Pathway Construction Ltd.
and not in its personal capacity

Per:



Neil Jones, CPA, CA, CIRP, LIT
Senior Vice - President

Appendix 1



BDO Canada Limited

Suite 201, 255 Lacewood Drive
Halifax, NS B3M 4G2
Telephone (902) 425-3100
Fax (902) 425-3777

VIA E- FILE

Superintendent of Bankruptcy
Industry Canada, Bankruptcy Branch
Maritime Centre
1505 Barrington Street, Suite 1605
Halifax, NS B3J 3K5

October 6, 2023

DOCUMENT TRANSIT

Re: PATHWAY CONSTRUCTION LTD.

Estate No: 51-2992411

× Statement of Projected Cash Flow

A handwritten signature in black ink, appearing to read 'M. Mawhinger'. The signature is written in a cursive style with a long, sweeping tail on the 'g'.

BDO CANADA LIMITED
In its capacity as Trustee in the Proposal of
Pathway Construction Ltd.

Pathway Construction Ltd. ("Pathway")														
Statement of projected weekly cash flows														
For the weekly period ending October 13, 2023 to January 5, 2024														
Updated on October 6, 2023														
	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Total
	13-Oct-23	20-Oct-23	27-Oct-23	03-Nov-23	10-Nov-23	17-Nov-23	24-Nov-23	01-Dec-23	08-Dec-23	15-Dec-23	22-Dec-23	29-Dec-23	05-Jan-24	
Opening cash position	6,103	12,088	9,285	12,042	38,863	31,408	22,658	45,773	96,098	80,374	28,417	140,641	113,468	6,103
Inflows														
Existing accounts receivable	5,000	-	-	27,900	54,297	-	-	-	23,646	-	-	-	-	110,843
Existing Projects (incl. tax)	49,669	15,300	118,800	56,335	20,136	100,886	133,234	209,717	52,092	51,861	200,286	35,772	45,172	1,089,259
Other Inflows														
Sale of Mini Excavator		35,000												35,000
Sale of Tag Trailer														-
Sale of Skid steer				25,000		10,000								35,000
Sale of Backhoe				25,000										25,000
Total inflows	54,669	50,300	118,800	134,235	74,433	110,886	133,234	209,717	75,738	51,861	200,286	35,772	45,172	1,295,102
Outflows														
Project Expenses														
Projects Costs	23,903	12,403	79,270	43,601	47,235	14,757	74,159	96,851	68,662	36,959	51,638	32,538	32,548	614,523
General and administrative expenses														
Repairs and maintenance	-	6,440		6,440		6,440		6,440		6,440		6,440	3,220	41,860
Travel		2,300		2,300		2,300		2,300		2,300		2,300	1,150	14,950
Freight	230	230	230	230	230	230	230	230	230	230	230	230	230	2,990
Professional and restructuring fees	575	575	575	575	575	23,575	575	575	575	575	17,825	575	575	47,725
Office and Utilities	575	575	575	575	575	575	575	575	575	575	575	575	575	7,475
Rent	-	-	-	920	-	-	-	920	-	-	-	-	-	2,760
WHSCC				2,955				2,955						8,865
Credit card payments/miscellaneous payment	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	29,900
Payroll	13,711	20,057	25,384	25,121	28,818	27,286	23,289	22,257	16,965	15,620	11,303	11,304	11,219	252,334
Payroll remittances	-	5,348	-	-	-	34,783	-	-	-	31,429	-	-	-	84,939
Bank charges and fees	-	-	-	3,300	-	-	-	3,300	-	-	-	-	-	9,900
Debt servicing														
BMO Loan payments - Revolving	-	-	-	1,667	-	-	-	1,667	-	-	-	-	-	5,000
BMO Loan payments - Non Revolving	-	-	-	1,042	-	-	-	1,042	-	-	-	-	-	3,125
Leases and Insurance	7,390	2,875	7,710	16,389	2,155	7,390	8,992	17,981	2,155	7,390	4,191	6,683	16,100	107,399
	48,683	53,102	116,043	107,414	81,887	119,636	110,120	159,392	91,462	103,818	88,062	62,945	91,180	1,233,744
HST (payable) receivable	-	-	-	-	-	-	-	-	-	-	-	-	(31,541)	(31,541)
Net cash flow	5,985	(2,802)	2,757	26,821	(7,454)	(8,750)	23,114	50,325	(15,724)	(51,957)	112,224	(27,173)	(77,549)	29,816
Projected cash position	12,088	9,285	12,042	38,863	31,408	22,658	45,773	96,098	80,374	28,417	140,641	113,468	35,919	35,919

Dated at Clarenville, Newfoundland and Labrador this 6th day of October, 2023.


 Keith Chard, Officer and Director of Pathway Construction Ltd.



BDO Canada Limited
 Trustee under the Notice of Intention to file a Proposal for Pathway Construction Ltd.
 and not in its personal capacity.

DISTRICT OF NEWFOUNDLAND AND LABRADOR
DIVISION No. 01 - Newfoundland And Labrador
COURT No. - 24612
ESTATE Nos. 51-2992411

IN THE MATTER OF THE PROPOSAL OF
PATHWAY CONSTRUCTION LTD.

AN INSOLVENT

NOTES TO THE STATEMENT OF PROJECTED CASH FLOW
(Section 50(6)(a) and 50.4(2)(a))

Note A: The statement of projected cash flow is being filed pursuant to the Bankruptcy and Insolvency Act s.50(6)(a) and s.50.(6) in association with the Notice of Intention to file a Proposal for Pathway Construction Ltd. (the "Insolvent").

Note B: The following assumptions were used by management of the Insolvent in the preparation of the statement of projected cash flow of the Insolvent:

General

The statement of projected cash flow covers a period of 13 weeks from the week ending October 13, 2023 through January 5, 2024. This period is expected to cover the time required to conduct a meeting of creditors to vote on the Proposal and the ratification of an accepted Proposal of the Insolvent by the Supreme Court of Newfoundland and Labrador, General Division, In Bankruptcy and Insolvency.

Receipts

- The restructuring process for the Insolvent is being funded by revenues expected from ongoing construction projects that have been awarded to the Insolvent.

Disbursements

- Disbursements consist of forecast expenses based on management estimates to complete current projects for which the Insolvent has been awarded the job contracts.

DISTRICT OF NEWFOUNDLAND AND LABRADOR
DIVISION No. 01 - Newfoundland And Labrador
COURT No. - 24612
ESTATE Nos. 51-2992411

IN THE MATTER OF THE PROPOSAL OF
PATHWAY CONSTRUCTION LTD.

AN INSOLVENT

INSOLVENT'S REPORT ON STATEMENT OF PROJECTED CASH-FLOW
(Section 50(6)(c) and 50.4(2)(c))

I, Keith Chard, Director of Pathway Construction Ltd., an Insolvent, have developed the assumptions and reviewed the attached statement of projected cash-flow of the Insolvent as of the week ending October 13, 2023, consisting of the cash-flow statement and cash-flow assumptions.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in Note A, and the probable assumptions are suitably supported and consistent with the plans of the Insolvent and provide a reasonable basis for the projection. All such assumptions have been disclosed in Note B.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The projection has been prepared solely for the purpose described in Note A, using the probable and hypothetical assumptions set out in Note B. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Clarenville, Newfoundland and Labrador, this 6th day of October, 2023.



Keith Chard, Director of Pathway Construction Ltd.

DISTRICT OF NEWFOUNDLAND AND LABRADOR
DIVISION No. 01 - Newfoundland And Labrador
COURT No. - 24612
ESTATE Nos. 51-2992411

IN THE MATTER OF THE PROPOSAL OF
PATHWAY CONSTRUCTION LTD.

AN INSOLVENT

TRUSTEE'S REPORT ON STATEMENT OF PROJECTED CASH-FLOW
(Section 50(6)(b) and 50.4(2)(b))

The attached statement of projected cash-flow of Pathway Construction Ltd., an insolvent, as of the week ending October 13, 2023, consisting of the cash-flow statement and cash-flow assumptions, has been prepared by the Trustee from information provided by the Insolvent for the purpose described in Note A, using probable and hypothetical assumptions as set out in Note B.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by the Insolvent. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by the Insolvent for the probable assumptions and the preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- (a) the hypothetical assumptions are not consistent with the purpose of the projection.
- (b) as at the date of this report, the probable assumptions developed by the Insolvent are not suitably supported and consistent with the plans of the Insolvent or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in Note A and readers are cautioned that it may not be appropriate for other purposes.

Dated at Halifax, Nova Scotia this 6th day of October, 2023.

BDO CANADA LIMITED
Acting in its capacity as
Trustee under the Notice of Intention to Make a Proposal for
Pathway Construction Ltd.
and not in its personal capacity.

Per:



Neil Jones, CA, CPA, CIRP, LIT
Senior Vice-President

Appendix 2

Pathway Construction Ltd. ("Pathway")
Cash Flow Forecast Variance Analysis
For the week period ending October 20, 2023

(\$CAD)	Week 1			Week 2			Cumulative			Notes
	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance	
Opening cash position	6,103	6,110	7	12,088	32,471	20,383	6,103	6,110	7	
Inflows										
Existing accounts receivable	5,000	27,514	22,514	-	-	-	5,000	27,514	22,514	1
Existing Projects (incl tax)	49,669	67,361	17,692	15,300	18,203	2,903	64,969	85,564	20,596	2
Other Inflows										
Sale of Mini Excavator	-	-	-	35,000	-	(35,000)	35,000	-	(35,000)	3
Total inflows	54,669	94,874	40,206	50,300	18,203	(32,097)	104,969	113,078	8,109	
Outflows										
Project Expenses										
Projects Costs	23,903	19,150	4,753	12,403	5,348	7,055	36,306	24,497	11,808	4
General and administrative expenses										
Repairs and maintenance	-	-	-	6,440	8,114	(1,674)	6,440	8,114	(1,674)	
Travel	-	-	-	2,300	-	2,300	2,300	-	2,300	
Freight	230	-	230	230	-	230	460	-	460	
Professional and restructuring fees	575	-	575	575	5,000	(4,425)	1,150	5,000	(3,850)	5
Office and Utilities	575	-	575	575	-	575	1,150	-	1,150	
Rent	-	-	-	-	-	-	-	-	-	
WHSCC	-	-	-	-	-	-	-	-	-	
Credit card payments/miscellaneous payments	2,300	7,500	(5,200)	2,300	7,849	(5,549)	4,600	15,349	(10,749)	6
Outstanding Cheques	-	11,241	(11,241)	-	1,115	(1,115)	-	12,356	(12,356)	7
Payments to Related Company	-	20,000	(20,000)	-	-	-	-	20,000	(20,000)	8
Payroll	13,711	8,339	5,372	20,057	9,289	10,769	33,768	17,628	16,140	9
Payroll remittances	-	-	-	5,348	-	5,348	5,348	-	5,348	10
Bank charges and fees	-	10	(10)	-	-	-	-	10	(10)	
Debt servicing										
BMO Loan payments - Revolving	-	-	-	-	-	-	-	-	-	
BMO Loan payments - Non Revolving	-	-	-	-	-	-	-	-	-	
Leases and Insurance	7,390	2,273	5,117	2,875	8,432	(5,557)	10,264	10,705	(440)	
	48,683	68,513	(19,830)	53,102	45,145	7,957	101,786	113,658	(11,873)	
HST (payable) receivable	-	-	-	-	-	-	-	-	-	
Net cash flow	5,985	26,361	20,376	(2,802)	(26,942)	(24,140)	3,183	(581)	(3,763)	
Net cash position	12,088	32,471	20,383	9,285	5,529	(3,756)	9,285	5,529	(3,756)	

Note 1: The favourable variance relates to early collection on pre-filing accounts receivable.

Note 2: The favourable variance relates to early collection of receivables earned during the post-filing period for work completed on existing projects.

Note 3: The unfavourable variance relates to the delayed sale of equipment as the Company seeks approval from its principal secured creditor to sell assets subject to a general security

Note 4: The favourable variance is timing in nature and relates to project costs incurred but not yet invoiced. The Company anticipates that these project costs will be paid in upcoming weeks.

Note 5: The unfavourable variance relates to a retainer paid to the Company's legal counsel.

Note 6: The unfavourable variance is due to payments made on the Company's mastercard to create available credit for ongoing business expenses.

Note 7: The unfavourable variance relates to \$12,356 of cleared outstanding cheques paid towards pre-filing obligations.

Note 8: The unfavourable variance relates to a payment of \$20,000 to Eastern, a repayment of an equal amount advanced to Pathway during the week ending October 6, 2023 to alleviate a temporary liquidity crunch.

Note 9: The favourable variance is timing in nature with project related labour expense less than anticipated during the period.

Note 10: The favourable variance is a permanent in nature as the remittance relates to payroll expense incurred and paid during the pre-filing period. The Company plans to stay current on payroll remittances and source deduction payments related to payroll expense incurred during the post-filing period.