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District of: Newfoundland and Labrador
Division No.: 01 - Newfoundland and Labrador
Estate No: 51-3336923

**THE SUPREME COURT OF NEWFOUNDLAND AND LABRADOR
GENERAL DIVISION, IN BANKRUPTCY AND INSOLVENCY**

IN THE MATTER OF THE PROPOSAL OF

EASTERN ROOF & FLOOR TRUSS MANUFACTURING (2008) INC.

Report of the Proposal Trustee on the Proposal

SECTION A - BACKGROUND & TERMS OF REFERENCE

Eastern Roof & Floor Truss Manufacturing (2008) Inc. ("**Eastern**" or the "**Company**") was incorporated in Newfoundland and Labrador ("**NL**") on June 6, 2008. The sole director and shareholder of Eastern is Mr. Keith Chard ("**Management**"). The registered head office of Eastern is 1 Main Street, Lethbridge, NL, Canada. The Company operates a roof and floor truss manufacturing business that services clients across the island of Newfoundland.

On February 20, 2026 (the "**Filing Date**"), Eastern filed a notice of intention to make a proposal ("**NOI**") pursuant to subsection 50.4 of the *Bankruptcy and Insolvency Act* ("**BIA**"). BDO Canada Limited ("**BDO**") was appointed as the Licensed Insolvency Trustee (the "**Proposal Trustee**") under the NOI proceeding.

On March 20, 2026, the Company filed a proposal for the general benefit of its creditors (the "**Proposal**") pursuant to subsection 62.(1) of the BIA.

In preparing this report (the "**Report**"), the Proposal Trustee has relied upon financial information of the Company, and discussions with Management.

The financial information of the Company has not been audited, reviewed, or otherwise verified by the Proposal Trustee as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that the Report may not disclose all significant matters about the Company. Additionally, none of our procedures were intended to disclose defalcations or other irregularities. Accordingly, the Proposal Trustee does not express an opinion or provide any other form of assurance on the financial or other information presented herein. The Proposal Trustee may refine or alter its observations as further information is obtained or brought to its attention after the date of the Report.

The Proposal Trustee assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of this Report. Any use which any party makes of this Report, or any reliance or decisions to be made on the Report, is the sole responsibility of such party.

All dollar amounts identified in this Report are expressed in or converted to Canadian dollars.

Capitalized terms used in this Report shall bear the meanings ascribed to them in the Proposal, unless otherwise noted.

SECTION B - SUMMARY OF PROPOSAL

The Proposal filed by the Company is an operating proposal that will be funded through cash flow generated from ongoing operations. The terms of the Proposal are summarized below:

- i. Article 1.1 includes definitions of Affected Creditors and Unaffected Creditors summarized as follows:
 - a. Affected Creditors include Priority Creditors, Preferred Creditors and Unsecured Creditors, and Secured Creditors specifically named in the Proposal; and
 - b. Unaffected Creditors include Post-Filing Creditors and Secured Creditors having Secured Claims with Purchase Money Security Interest (“PMSI”) pursuant to the Personal Property Security Act (“PPSA”) with respect to financed equipment required for the Debtor’s operations and are not specifically named in the Proposal.

For clarity, the Secured Creditors named in the Proposal are BMO and BDC, and those not named in the Proposal include Bank of Nova Scotia, De Lage Landen Financial Services Canada Inc., Vault Credit Corporation, Ford Credit Canada Company, Royal Bank of Canada, and LBEL Inc. For the Secured Creditors not named in the Proposal, Eastern intends to service the respective debt as it becomes due during the Proposal Period.

- ii. Article 2.1 states the purpose of the Proposal is to effect a compromise of Claims held by Affected Creditors in order to enable the business of the Debtor to continue;
- iii. Article 2.4 states the Debtor will remit all necessary installments to the Canada Revenue Agency (“CRA”) in accordance with the provisions of the *Income Tax Act* and *Excise Tax Act*, and submit required tax returns, together with amounts due, if any; during the Proposal Period;
- iv. Article 3.1 states the Debtor will have access to the BMO loan facilities and will make interest and principal payments pursuant to the loan facility terms during the Proposal Period. The Debtor will also make a one-time payment of interest and principal owing on the loan facilities that accrued from the Filing Date to the date of the Approval Order;
- v. Article 3.2 states Essential Creditors, which supply goods and services that are essential for the continuation of operations, will continue to provide regular supply of product or services on COD payment terms. In addition, the Debtor will make Essential Creditor Premium payments, equal to 30% in excess of amounts invoiced for supply of essential goods or services following the Court Approval Order until such time as the Pre-Filing Claims of the Essential Creditors are paid in full;
- vi. Article 3.3 states the Debtor’s loan facilities with BDC will have modified terms whereby principal payments shall be reduced by 50% for a 24-month period, recommencing on the first scheduled payment date following the granting of the Court Approval Order. Principal payments on the BDC loan facilities will return to the regular amortization schedule following the 24-month period and the total amortization period will be extended by 12 months. Further, following the Court Approval Order, the Debtor will make a one-time payment of interest owing on the BDC loans that has accrued from the Filing Date to the date of the Approval Order;

- vii. Article 3.4 states Affected Creditors, with the exception of BMO, the Essential Creditors, and BDC, are to be paid from funds deposited with the Proposal Trustee. The Proposal Proceeds will total \$500,000, paid to the Proposal Trustee in quarterly installments of \$25,000 over a period of five years;
- viii. Article 3.5 states distributions to Affected Creditors, with the exception of BMO, the Essential Creditors, and BDC, for Proven Claims will be made in the following order after payment of the Priority Payments referred to in Article 4, to the extent of the Proposal Proceeds:
 - c. Proven Claims of Preferred Creditors as at the Filing Date, being those creditors with claims provable pursuant to section 136 of the BIA;
 - d. The first \$2,000 of any Unsecured Creditor's Proven Claim, but not exceeding the amount of the Unsecured Creditor's Proven Claim if less than \$2,000, will be paid in full, without interest; and
 - e. On a pro-rata basis, in full and final satisfaction of Affected Creditors' Proven Claims, less payment made towards the Convenience Claim, without interest.

Dividends shall be paid annually, with the first payment shortly following March 31, 2027, followed by four (4) additional dividend payments approximately 12 months following the previous dividend.

- ix. Article 3.7 states all distributions from the Proposal Proceeds are subject to a levy payable to the Office of the Superintendent of Bankruptcy pursuant to the BIA;
- x. Article 4.1 states professional fees owing to the Proposal Trustee, its legal counsel, if applicable, are to be paid in priority to any amounts distributed from the Proposal Proceeds; and
- xi. Article 4.2 states the Debtor shall make payments to Priority Creditors with Proven Claims in accordance with the provisions of the BIA, namely, Crown Claims owing to CRA for source deductions that were stayed at the Filing Date.

The terms of the Proposal are conditional on being accepted by the Required Majority of the Unsecured Creditor Class and approval by the Court.

SECTION C - FINANCIAL POSITION AND CAUSES OF FINANCIAL DIFFICULTY

According to Management, the Company's insolvency was attributed to the following:

- i. Eastern loaned funds to Pathway Construction Limited ("**Pathway**"), an insolvent related party, in attempt to alleviate Pathway's liquidity issues. Effective Eastern's 2024 fiscal year-end, the related party loan outstanding from Pathway of approximately \$870,000 was written off as a bad debt;
- ii. Eastern entered into informal cost sharing arrangements with Pathway for common services, leading to inflated overhead expenses that were not accounted for in the related party loan noted above. In addition, Eastern wrote off approximately \$100,000 of accounts receivable owing from key customers that were also creditors of Pathway in order to maintain customer relationships;
- iii. During the insolvency of Pathway, Mr. Chard was not as involved in the day-to-day operations of Eastern, leading to production inefficiencies and a deterioration in financial performance;
- iv. In November 2022, Eastern purchased the assets of Notre Dame Roof Truss, located in Grand Falls-Windsor, NL. However, the acquired production facility operated at a loss for a period of approximately two (2) years due to production inefficiencies, inflated overhead expenses and lack of sales growth; and

- v. On February 2026, CRA issued a garnishment on the Company's operating account leading to immediate cash flow and operating constraints.

The Company has taken the following steps to manage its financial challenges:

- i. **Operational Improvements:** Due to a deterioration in production efficiencies over the last two (2) fiscal years, a decision was made to terminate the general manager at the Lethbridge, NL production facility. Since the role was assumed by Mr. Chard, Eastern has experienced improvements in both efficiency and productivity, with daily production increasing by 9% as measured by production per man-minute;
- ii. **Quality Control and Rework Reduction:** Management implemented a non-conformance reporting process that holds both designers and production staff accountable for truss rework, a significant cost issue identified by Mr. Chard upon returning to the general manager position. This initiative has resulted in a 75% reduction in truss rework;
- iii. **Employee Morale and Retention:** Employee morale had been very low under previous general management. Since restructuring, Eastern has experienced a material improvement in employee engagement, reduced absenteeism, and increased productivity;
- iv. **Attendance Incentive Program:** Management implemented an attendance-based incentive program which has reduced paid time off by 30%, increasing production capacity during peak production periods;
- v. **Customer Service Enhancements:** Management implemented a customer service structure focused on key performance indicators, including quote follow-ups and new customer engagement, increasing sales and improving customer satisfaction; and
- vi. **Production Consolidation:** Management consolidated 100% of truss production at its Lethbridge, NL production facility, improving production efficiencies while reducing overhead costs. For example, rent expense was reduced by \$96,000 per year following the closure of the Grand Falls, NL production facility which faced production inefficiencies and operational losses. The Company retained 80% of its clients in the Central-Newfoundland region following the initiative.

The Company's latest produced external unaudited financial statements were issued as at year end December 31, 2025. The Company's latest internal financial records are as at February 28, 2026. Detailed analysis of the Company's estimated current financial position is provided in Section D below.

SECTION D - IDENTIFICATION AND EVALUATION OF ASSETS

According to the Proposal Trustee's review of the Company's internal financial statements as at February 28, 2026, the estimated realizable value of the Company's assets in a liquidation scenario is summarized in the table below:

Statement of Estimated Realizations In event of Liquidation through Bankruptcy	Book Value	Bankruptcy			
	(\$)	Low (\$)	High (\$)	Low (%)	Low (%)
Cash	72,500	72,500	72,500	100%	100%
Customer Deposits	54,500	5,450	10,900	10%	20%
Accounts Receivable	1,050,000	210,000	420,000	20%	40%
Inventory	539,000	53,900	107,800	10%	20%
Furniture	23,500	2,350	4,700	10%	20%
Vehicles and Equipment	525,000	210,000	315,000	40%	60%
Leased Vehicles and Equipment	237,500	95,000	142,500	40%	60%
Land and Building	213,000	149,100	191,700	70%	90%
	<u>2,715,000</u>	<u>798,300</u>	<u>1,265,100</u>		
Less: Claims of Priority Creditors		(146,000)	(146,000)		
Less: Claims of Secured Creditors		(1,417,750)	(1,417,750)		
Less: Professional fees		(50,000)	(35,000)		
		<u>(1,613,750)</u>	<u>(1,598,750)</u>		
Estate Balance		-	-		
Levy to OSB		-	-		
Available for distribution to Unsecured Creditors		-	-		
Total Unsecured Creditor Claims		1,718,000	1,718,000		
Dividend yield		<u>0.0%</u>	<u>0.0%</u>		

The estimated realizations contained in the above chart are based on the Proposal Trustee's review of the Company's internal financial records as at February 28, 2026, and discussions with the Management. The realization value of the Company's assets may differ as at April 10, 2026, the date of deemed bankruptcy if the Proposal is not accepted by the Unsecured Creditors at the first meeting of creditors.

As of February 28, 2026, the Company's internal financial statements state approximately \$146,000 is owing in payroll source deductions, constituting a deemed trust claim in favour of CRA which would rank in priority to all other creditors of the Company.

The Company's secured creditors are comprised of the following:

Bank of Montreal

Pursuant to a search under the PPSA as at February 11, 2026, BMO held the following security positions:

- i. General security agreement ("GSA") registered on June 27, 2008 against all of the Company's present and after acquired personal property, in relation to a revolving operating facility, non-revolving term loans, and a corporate credit card. The Trustee understands the GSA provides BMO with a first ranking security over receivables, inventory, machinery and equipment, and other personal property; and
- ii. PMSI registered on June 30 2008 against multiple equipment and vehicle assets of the Company.

Pursuant to a NL Registry of Deeds search, BMO also has a registered first ranking all-indebtedness mortgage in the amount of \$125,000 over the Company's head office located at 45 Marine Drive, Clarendville.

As at the Filing Date, BMO's aggregate loan positions against the Company totaled approximately \$850,000.

Business Development Bank of Canada

Pursuant to a search under the PPSA as at February 11, 2026, BDC held the following security positions:

- i. GSA registered on July 11, 2023 against all of the Company's present and after acquired personal property, in relation to working capital and equipment non-revolving term loans. The Trustee understands the GSA provides BDC with a second ranking security over the Company's personal property and is subject to a priority agreement executed with BMO on August 10, 2017; and
- ii. PMSI also registered on July 11, 2023 against multiple equipment assets of the Company.

As at the Filing Date, BDC's aggregate loan positions subject to the above security totaled approximately \$165,000.

Equipment and Vehicle Security

Pursuant to a search under the PPSA as at February 11, 2026, multiple creditors held PMSI security against financed equipment and vehicles, including the Bank of Nova Scotia, De Lage Landen Financial Services Canada Inc., Vault Credit Corporation, Ford Credit Canada Company, Royal Bank of Canada, and LBEL Inc. As at the Filing Date, the Company's aggregate debt outstanding to said creditors totaled approximately \$404,000.

Given the balances owing to priority and secured creditors exceed the estimated net realizable value of the Company's assets in liquidation, the Proposal Trustee estimates that there would be no amounts available for distribution to Unsecured Creditors if the Company was deemed to have filed an assignment in bankruptcy.

SECTION E - CONDUCT OF THE DEBTORS

The Proposal Trustee has reviewed transactions that occurred prior to and after the NOI Filing Date. The Proposal Trustee notes that the transactions incurred appear to have been conducted in the normal course of business. Further, the Trustee is not aware of any payments made subsequent to the NOI Filing Date that were outstanding as at the Filing Date with the exception of payroll-related payments required to maintain production operations. Payroll was up to date as at the Filing Date with the exception of wages earned during the pay period from February 15, 2026 through February 21, 2026, which was paid on February 26, 2026.

Through monitoring the banking activities, the Proposal Trustee has reviewed the actual cash flow from operations against the cash flow forecast filed with the Office of the Superintendent of Bankruptcy ("OSB") on February 27, 2026. For the five-week period ending March 20, 2026, the Company experienced a negative cash flow variance of approximately \$71,000, largely due to the timing of collection of accounts receivable existing as at the Filing Date. The variances in cash outflows are also primarily timing related and are expected to reverse in the coming weeks. A summary of the cash flow variance analysis is provided in the table below:

Cash Flow Variances			
For the 5-week period ended March 20, 2026	Forecast to 20-Mar-26	Actuals to 20-Mar-26	Variance to 20-Mar-26
Opening cash position	24,514	24,514	-
Inflows			
Existing Accounts Receivables	307,130	220,053	(87,077)
New Accounts Receivable - Awarded	64,956	32,761	(32,196)
New Accounts Receivable - Yet Awarded	17,500	25,729	8,229
Total inflows	389,586	278,542	(111,044)
Outflows			
Costs of Goods Sold			
Existing Accounts Payable			
New Accounts Payable	139,126	169,935	30,809
Payroll Expenses			
Payroll (Net)	60,624	47,829	(12,795)
Payroll Remittances	4,305	4,925	620
Overhead			
General and Administrative	11,481	713	(10,768)
Insurance	6,418	-	(6,418)
Vehicles & Equipment	6,771	-	(6,771)
Debt Servicing	-	-	-
Restructuring Expenses	40,000	5,000	(35,000)
Total Outflows	268,725	228,402	(40,323)
HST (payable) receivable	-	-	-
Net cash flow	120,861	50,141	(70,720)
Projected cash position	145,375	74,655	(70,720)

The Company has made all required source deductions and HST remittances to CRA since the Filing Date. On March 25, 2026, subsequent to the period covered by the above cash flow variance analysis, the Company remitted \$14,694 in HST related to transactions incurred subsequent to the Filing Date.

In the Proposal Trustee's view, the Company and its Management have acted and continue to act in good faith and with due diligence. The Proposal Trustee is not aware of any offences under the BIA that have been committed during the Proposal Period.

SECTION F - CREDITOR CLAIMS

According to the internal financial records provided to the Proposal Trustee, the Company's Creditors as of the Filing Date are summarized in the table below:

Creditor Summary	Approx. No.	Balance
Secured Creditors	8	1,418,000
Priority Creditors	1	146,000
Unsecured Creditors	50	1,718,000
	59	3,282,000

The Proposal Trustee is not aware of any material discrepancies between the amounts contained within the books and records of the Company and the expected claims to be filed by Creditors. Any discrepancies will be investigated by the Proposal Trustee.

SECTION G - PREVIOUS DEALINGS WITH THE DEBTORS

Prior to the NOI proceeding, the Proposal Trustee had no previous dealings with the Company. BDO did act as trustee with respect to a proposal filed by Pathway, a related party, in December 2023. The Proposal Trustee confirms that it is not aware of any conflict of interest arising from the acceptance of this appointment as Proposal Trustee.

SECTION H - INFORMAL MEETINGS WITH CREDITORS

The Proposal Trustee participated in informal meetings with representatives of BMO, BDC, CRA, Mitek and GouldCo to obtain the cooperation of each creditor during the NOI proceedings.

SECTION I - REMUNERATION OF THE PROPOSAL TRUSTEE

The Proposal Trustee's professional fees during the Proposal Period are being funded by the Company's cash flow from operations. The Proposal Trustee received a retainer of \$15,000 at the onset of the engagement which is currently held in trust. Any unpaid professional fees of the Proposal Trustee that are not covered by the retainer will be paid from the Proposal Proceeds.

SECTION J - STATEMENT OF ESTIMATED REALIZATION

The Proposal Trustee estimates the net distribution to the Unsecured Creditors under the Proposal would be as summarized in the table below:

Statement of Estimated Realizations	
Pursuant to Proposal Terms	
	(\$)
Payments made directly by Debtor:	
CRA Priority Payment (Source Deductions)	146,000
Essential Creditor Premium Payments	565,000
	711,000
Proposal Proceeds paid by Debtor to Trustee	500,000
Less: Trustee fees	(30,000)
Less: Company counsel fees	(10,000)
	460,000
Estate Balance	460,000
Levy to OSB	(23,000)
Available for distribution to Unsecured Creditors	437,000
Remaining Unsecured Creditor Claims	460,000
Dividend yield	95.0%

The Proposal Trustee estimates the net recovery to Unsecured Creditors if the Proposal is successful will be in the range of ninety-five (95) cents on the dollar net of payment of the following:

- i. CRA's deemed trust claim pursuant to subsection 60(1)(1.1) of the BIA;
- ii. Essential Creditor Premium Payments;
- iii. Administration costs of the estate; and
- iv. Levy payments to the OSB pursuant to section 147 of the BIA.

As noted in the estimated realization schedule above, the recovery to Unsecured Creditors under the terms of the Proposal is expected to exceed that which would become available in a bankruptcy should the Proposal not be accepted by the Required Majority of Unsecured Creditors as all estimated asset realizations are subject to CRA's source deduction priority claim and security held by various secured creditors.

SECTION K - RECOMMENDATIONS

The Proposal Trustee understands that Management is committed to the making of a successful proposal and, as a result, has taken steps to ensure that the funds that are required to be contributed pursuant to the terms of the Proposal will be available at the prescribed time.

The Proposal Trustee believes that this Proposal provides an opportunity for Unsecured Creditors to achieve a higher recovery on the outstanding debt than would otherwise be achieved in bankruptcy. As advised, it is the Proposal Trustee's preliminary estimate that in a bankruptcy filing, the return to Unsecured Creditors will be nil as against a net recovery of ninety-five (95) cents on the dollar under the terms of the Proposal.

With a view to the above, the Trustee believes that the Proposal is of benefit to the Company's Creditors and recommends supporting it by voting in favor of the Proposal. It is important for Creditors to understand that if the Proposal does not achieve the required statutory majority of Unsecured Creditors voting at the meeting of creditors to be held on April 10, 2026, Eastern will automatically be deemed to have made an assignment in

bankruptcy and the opportunity for Unsecured Creditors to recover on their outstanding debt at the level suggested under the terms of the Proposal will be lost.

Furthermore, the Proposal Trustee intends to vote proxies received, naming it as the proxy holder, in favour of the Proposal.

Dated at Halifax, Nova Scotia, the 27th day of March, 2026.

BDO CANADA LIMITED

Acting in its capacity as Licensed Insolvency Trustee under the Proposal of Eastern Roof & Floor Truss Manufacturing (2008) Inc. and not in its personal or corporate capacity

Per:

A handwritten signature in black ink, appearing to read 'Neil Jones', written in a cursive style.

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