



ESTATE FILE NOS.: 25-095189 & 25-2708739

**IN THE MATTER OF THE BANKRUPTCY OF
TRADESMEN ENTERPRISES LIMITED PARTNERSHIP
OF THE CITY OF CALGARY, IN THE PROVINCE OF ALBERTA**

AND

**IN THE MATTER OF THE BANKRUPTCY OF
TRADESMEN ENTERPRISES INC.
OF THE CITY OF CALGARY, IN THE PROVINCE OF ALBERTA**

**TRUSTEE'S REPORT TO CREDITORS ON
PRELIMINARY ADMINISTRATION**

1.0 Introduction

1. On February 1, 2021, Tradesmen Enterprises Limited Partnership ("TELP") and Tradesmen Enterprises Inc. ("TEI" and together with TELP, the "Debtors") filed Notices of Intention to Make a Proposal pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") (the "NOI Proceedings"). KSV Restructuring Inc. ("KSV") was appointed as the Proposal Trustee in the NOI Proceedings (in such capacity, the "Proposal Trustee").
2. As a result of a proposal not having been filed on or prior to April 16, 2021, on April 17, 2021, the Debtors were each deemed to have filed an assignment in bankruptcy. KSV is the Licensed Insolvency Trustee of the Debtors' estates, subject to affirmation at the first meetings of creditors on May 10, 2021.
3. On April 15, 2021, the Debtors' senior secured creditor, Bank of Montreal ("BMO"), sought and obtained an order (the "Receivership Order") of the Court of Queen's Bench of Alberta (the "Court"), appointing KSV as receiver and manager (in such capacity, the "Receiver") of the Debtors' property, assets and undertakings (collectively, the "Property").

1.1 Currency

1. All currency references in this report ("Report") are to Canadian dollars unless otherwise noted.

1.2 Restrictions

1. The Trustee has not audited, or otherwise attempted to verify, the accuracy or completeness of the financial information relied upon in this report in a manner that complies with Canadian Auditing Standards (“CAS”) pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Trustee expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information presented in this Report should perform its own diligence.
2. The Trustee accepts no responsibility for any reliance placed by any third party on the Debtors’ financial information presented herein, nor for any information concerning potential recoveries.

2.0 Background

1. Prior to the commencement of the NOI Proceedings, TELP carried on a mechanical contracting business specializing in facility and pipeline construction, piping and structure fabrication, module assembly and maintenance projects. TELP operated from two leased premises in Alberta: its head office located in Calgary and a fabrication facility located in Grande Prairie. TEI is an inactive holding company with no business activity or operations.
2. As at the date of this Report, the Property consists of: (i) cash in the Receiver’s account of approximately \$2.6 million, representing fixed asset auction proceeds paid by Ritchie Bros. Auctioneers (Canada) Inc. (“RB”) pursuant to a Court-approved Liquidation Services Agreement dated March 3, 2021 between RB and TELP, by its general partner, TEI; and (ii) litigation commenced in the Supreme Court of British Columbia by TELP on or around February 24, 2021 against Teck Coal Limited (“Teck”), Fluor Canada Ltd., Canadian Pacific Limited, the Province of British Columbia and FortisBC Energy (the “Litigation”).
3. The Litigation is the principal asset subject to the receivership. The Receiver is taking steps to pursue the Litigation. Among other things, the Litigation resulted from Teck’s termination on January 11, 2021 of an agreement dated May 28, 2019 between Teck and TELP, pursuant to which Teck retained TELP as the general contractor to construct the Fording River Operations Active Water Treatment Facility (South Project) located near Elkford, British Columbia (the “Project”).
4. TELP’s position is that the grounds relied upon by Teck to terminate the contract are improper. At the time Teck terminated the contract, the Project was the only material project being performed by TELP. The amount claimed in the Litigation reflects the amount of TELP’s registered builders’ liens against lands associated with the Project (approximately \$53 million) plus unquantified damages and costs.

3.0 Creditors

1. BMO is the Debtors' principal secured creditor and applicant in the Debtors' receivership proceedings. TELP was the borrower and TEI the guarantor under certain BMO credit facilities established prior to the NOI Proceedings. As at the date of the Receivership Order, BMO's advances totaled approximately \$19.4 million (plus interest and costs which continue to accrue), which includes approximately \$2.8 million advanced under an interim financing facility approved by the Court in the NOI Proceedings (the "Interim Financing Facility"). The Receiver's counsel, Bennett Jones LLP, has provided an opinion dated March 23, 2021 confirming the validity and enforceability of BMO's pre-filing security, subject to the standard qualifications and restrictions provided therein.
2. The Debtors' other significant secured creditors and/or potential trust claimants are sub-contractors who have filed liens against TELP and Fulcrum Capital Partners Inc. ("Fulcrum"), the Debtors' majority owner. According to the Debtors' books and records, sub-contractors may be owed approximately \$18 million. Fulcrum's secured debt totaled approximately \$1.8 million at the commencement of the NOI Proceedings and it has since funded its partial guarantee of the Debtors' indebtedness to BMO.
3. According to the Debtors' books and records, creditor obligations total approximately \$48.8 million before considering off-balance sheet obligations, including any employee claims for severance and termination and/or landlord claims¹.

3.1 Property of the Bankrupt Not Divisible Amongst Creditors

1. Subject to potential arguments by trust claimants, the Trustee is not aware of any property that would not be divisible among the Debtors' creditors by virtue of Section 67(1) of the BIA or otherwise.

4.0 Books and Records

1. The Trustee has access to all of the books and records necessary to complete its administration of these bankruptcy proceedings.
2. The Trustee has worked with the Debtors to arrange for the Debtors' systems to be backed up and stored remotely. The physical books and records have been moved to an offsite storage facility given that the leases for TELP's Calgary and Grande Prairie facilities were disclaimed effective April 30, 2021.

5.0 Preferences and Transfers Undervalue

1. As part of its statutory duties, the Trustee conducted a preliminary review for preferences and transfers undervalue by reviewing TELP's bank statements and accounting records for the year preceding the date of the initial bankruptcy event, being February 1, 2021, the date on which TELP commenced the NOI Proceedings.

¹ The leases for TELP's two premises were disclaimed by the Receiver effective April 30, 2021.

2. A similar analysis was not performed for TEI as TEI does not maintain any bank accounts.
3. Based on the Trustee's preliminary review, it appears that payments made by TELP during the one-year period were for normal course operating expenses largely in connection with the Project, including sub-contractor payments, payroll, occupancy costs, professional fees and other general and administrative expenses.
4. As KSV acted as Proposal Trustee in the NOI Proceedings, it has been reviewing and overseeing TELP's disbursements/transactions since February 1, 2021. The Trustee is not aware of any preferences or transfers undervalue between the date of the initial bankruptcy event (February 1, 2021) and the date of bankruptcy (April 17, 2021). The disbursements made during this period were necessary to wind down TELP's operations and advance the Litigation, all of which were contemplated in the cash flow forecast that supported the Interim Financing Facility.
5. The Trustee will advise the Inspectors should it become aware of any transaction(s) which require further investigation.

6.0 Anticipated Realization and Projected Distribution

1. The outcome of the Litigation will determine creditor recoveries. Creditors can monitor the status of the Litigation by following the Court materials which are made available as filed on the Trustee's website at <https://www.ksvadvisory.com/insolvency-cases/case/tradesmen-enterprises>.

7.0 Other Matters

1. Pursuant to Third-Party Guarantee Agreements dated April 27, 2021 between the Receiver and the Trustee, the Receiver has provided a guarantee of the fees and disbursements of the Trustee related to the administration of the Debtors' bankruptcy proceedings, including those of its legal counsel.

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DATED at Toronto, Ontario, this 10th day of May, 2021.

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
IN ITS CAPACITY AS LICENSED INSOLVENCY TRUSTEE OF
TRADESMEN ENTERPRISES LIMITED PARTNERSHIP AND
TRADESMEN ENTERPRISES INC.
AND NOT IN ITS PERSONAL CAPACITY**