



**Third Report to Court of
KSV Restructuring Inc. as
Proposal Trustee of
Tradesmen Enterprises Limited Partnership
and Tradesmen Enterprises Inc.**

March 8, 2021

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COURT FILE NUMBER: BK01 095189

COURT OF QUEEN'S BENCH OF ALBERTA

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
TRADESMEN ENTERPRISES LIMITED PARTNERSHIP,
OF THE CITY OF CALGARY,
IN THE PROVINCE OF ALBERTA

AND

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
TRADESMEN ENTERPRISES INC.,
OF THE CITY OF CALGARY,
IN THE PROVINCE OF ALBERTA

THIRD REPORT OF KSV RESTRUCTURING INC.
AS PROPOSAL TRUSTEE OF
TRADESMEN ENTERPRISES LIMITED PARTNERSHIP AND
TRADESMEN ENTERPRISES INC.

MARCH 8, 2021

1.0 Introduction

1. This report (the "Report") is filed by KSV Restructuring Inc. in its capacity as proposal trustee (the "Proposal Trustee") in connection with Notices of Intention to Make a Proposal filed by Tradesmen Enterprises Limited Partnership ("TELP") and Tradesmen Enterprises Inc. ("TEI", and together with TELP, the "Company") on February 1, 2021 pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA").
2. Pursuant to an order of the Court of Queen's Bench of Alberta (the "Court") made on February 3, 2021 (the "February 3rd Order"), the estates of TEI and TELP were procedurally consolidated. Pursuant to a Court order made on March 2, 2021, the deadline for the Company to file a proposal under the BIA was extended from March 3, 2021 to April 16, 2021 (the "March 3rd Order").
3. The principal purposes of these proceedings are for the Company to:
 - a) obtain a stay of proceedings so that the Company is afforded the necessary breathing space to advance its litigation against Teck Coal Limited ("Teck"), Fluor Canada Ltd. ("Fluor"), Canadian Pacific Limited, the Province of British Columbia and FortisBC Energy (the "Litigation");
 - b) access funding to pursue the Litigation under an interim financing credit facility dated February 1, 2021 (the "Interim Financing Agreement") between the Company and Bank of Montreal ("BMO"), as amended, which was approved pursuant to the February 3rd Order, as amended and restated pursuant to the March 3rd Order; and
 - c) have the opportunity to formulate and make a proposal to its creditors.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information about the Company and these proceedings;
 - b) summarize the process carried out by the Proposal Trustee to solicit liquidation proposals for the Company's machinery and equipment at the Company's facility in Grande Prairie, Alberta (the "Auction Assets") and certain equipment remaining at Teck's project site (the "Additional Equipment");
 - c) summarize a proposed transaction (the "Transaction") for the liquidation of the Auction Assets and the Additional Equipment with Richie Bros. Auctioneers (Canada) Ltd. (the "Liquidator"), pursuant to a Liquidation Services Agreement dated March 3, 2021 between the Company and the Liquidator (the "LSA"); and
 - d) recommend that this Honourable Court make an order:
 - i. approving the Transaction and the LSA;
 - ii. vesting the Company's right, title and interest in the Auction Assets and the Additional Equipment in the ultimate purchasers of those assets; and
 - iii. sealing the Confidential Exhibits to the Affidavit of Dean Kato sworn March 8, 2021 (the "Affidavit") until further order of this Court.

1.2 Restrictions

1. In preparing this Report, the Proposal Trustee has relied upon unaudited financial information prepared by the Company, the Company's books and records and discussions with the Company's management, legal counsel and majority owner, Fulcrum Capital Partners Inc. ("Fulcrum"). The Proposal Trustee has not audited, reviewed or otherwise verified the accuracy or completeness of the information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*.
2. The Proposal Trustee expresses no opinion or other level of assurance with respect to the financial information presented in this Report or relied upon by the Proposal Trustee in preparing this Report. Any party wishing to place reliance on the Company's financial information should perform its own due diligence and any reliance placed by any party on the information presented herein shall not be considered sufficient for any purpose whatsoever.

2.0 Background

1. Prior to these proceedings, the Company carried on a mechanical contracting business specializing in facility and pipeline construction, piping and structure fabrication, module assembly and maintenance projects. The Company operated from two leased premises in Alberta: its head office is located in Calgary and its fabrication operations are located in Grande Prairie. The Company's workforce is not unionized and the Company does not maintain any registered pension plans.

2. Pursuant to an agreement dated May 28, 2019 (the “Teck Contract”), Teck retained the Company to act as the general contractor to construct the Fording River Operations Active Water Treatment Facility (South Project) located near Elkford, British Columbia (the “Project”).
3. Since being awarded the Teck Contract, the Project became the only material contract performed by the Company. The Project was substantially overbudget – the Teck Contract originally had a budget of \$32 million and is now projected to have a total cost of approximately \$140 million. The Proposal Trustee has been advised that the Company issued approximately 900 change order requests and 1,700 requests for information to Teck in respect of the Project, all resulting from the significantly expanded scope of the Project. By letter dated January 11, 2021, Teck terminated the Teck Contract. The Company’s position is that the grounds cited by Teck for the termination are improper.
4. Since the termination of the Teck Contract, the Company has, *inter alia*:
 - a) registered builders liens in the amount of approximately \$52.8 million (the “Liens”) against lands associated with the Project, including real property owned by each of Canadian Pacific Limited and the Province of British Columbia, and a statutory right of way registered in favour of FortisBC Energy Inc.; and
 - b) commenced the Litigation on or around February 24, 2021 by filing a Notice of Civil Claim in the Supreme Court of British Columbia.
5. The Company’s business and operations have been severely affected by the termination of the Teck Contract. The Company has reduced its employee headcount from approximately 614 in early January to 11 as at the date of this Report. The Company expects to make further headcount reductions in the coming weeks. At this time, the Company’s principal asset is the Litigation and its central focus is pursuing the Litigation. The termination by Teck of the Teck Contract and its failure to pay the change orders, including approved change orders, caused the Company to have a significant liquidity crisis, requiring it to commence these proceedings.
6. BMO is the Company’s operating lender and largest creditor. It has continued to provide funding to the Company during these proceedings pursuant to the Interim Financing Agreement. BMO’s pre-filing debt was approximately \$25 million, plus interest and costs, which continue to accrue. Fulcrum provided BMO with a partial guarantee of the Company’s indebtedness to BMO, and Fulcrum has funded that guarantee. As at the date of this Report, BMO has advanced approximately \$1.9 million of the \$2.8 million available under the Interim Financing Agreement.¹

¹ Pursuant to the March 2nd Order, the amount available under the Interim Financing Agreement was increased from \$1.9 million to \$2.8 million.

7. The Company's other significant creditors are its sub-contractors, which according to the Company's books and records may be owed approximately \$18 million,² and Fulcrum, which is owed approximately \$1.8 million, plus the amount funded by Fulcrum pursuant to its guarantee of the BMO debt. The Proposal Trustee understands that Teck also claims to be a creditor of the Company, but that is disputed by the Company. A summary of the Company's financial position at the commencement of these proceedings was provided in the Proposal Trustee's First Report to Court dated February 2, 2021 (the "First Report") and, accordingly, is not repeated in this Report. A copy of the First Report, without appendices, is provided in Appendix "A".
8. Additional information about the Company and its activities over the course of these proceedings is included in the three affidavits of Dean Kato, the Company's President and CEO, filed in these proceedings. Mr. Kato has also sworn the Affidavit in respect of the relief sought in this motion. Court materials filed in these proceedings are available on the Proposal Trustee's website at <https://www.ksvadvisory.com/insolvency-cases/case/tradesmen-enterprises>.

3.0 Liquidation Bid Solicitation Process

3.1 Overview

1. On February 2, 2021, the day following its appointment as Proposal Trustee, the Proposal Trustee commenced a process to solicit liquidation bids for the Auction Assets, which is summarized as follows:
 - a) the Proposal Trustee sent a letter dated February 2, 2021 (the "Solicitation Letter") to six liquidation firms with substantial experience liquidating equipment and rolling stock similar in nature to the Auction Assets, including in Alberta. A copy of the Solicitation Letter is attached as Appendix "B";
 - b) attached to the Solicitation Letter was a confidentiality agreement ("CA") that interested parties were required to sign prior to performing due diligence. Five liquidators executed the CA and participated in the process;
 - c) interested parties were provided an opportunity to tour the Company's Grande Prairie facility to view and inspect the assets. Tours were conducted by Company representatives; and
 - d) offers were due on February 18, 2021.

3.2 Results

1. Four liquidation proposals were submitted to the Proposal Trustee on the offer deadline. Of the four bids, three were submitted on a net minimum guarantee ("NMG") basis and one was commission-based.
2. A summary of the offers is provided in a Confidential Exhibit to the Affidavit. The rationale for the Company's request that the bid summary be sealed subject to further Court order is provided in Section 4.1 of this Report.

² These amounts are subject to confirmation and continue to be reconciled by the Company.

3. The offer submitted by the Liquidator was the highest of the four bids submitted and the Proposal Trustee and the Company proceeded to negotiate the LSA with the Liquidator. The LSA was executed on March 3, 2021.

4.0 Transaction³

1. A summary of the terms and conditions of the LSA is provided below.
 - a) Assets Subject to the LSA: There are two categories of assets subject to the LSA, being:
 - Auction Assets: comprised of substantially all of the machinery, equipment and rolling stock at the Company's facility in Grande Prairie, Alberta. The Liquidator intends to include the Auction Assets in its Grande Prairie auction presently scheduled on or around April 12, 2021; and
 - Additional Equipment: comprised of equipment that is presently at the Teck Project site in Elkford, British Columbia. The Liquidator will arrange for the transport of the Additional Equipment from the Project site to its facility in Lethbridge, Alberta for an auction to be conducted on or around March 25, 2021.⁴
 - b) Basis of Offer and Payment Mechanism
 - The Liquidator's offer for the Auction Assets was submitted on a NMG basis. The LSA contemplates that the Additional Equipment will be sold by the Liquidator on a commission basis. For the reasons noted in Section 4.1 of this Report, the Company is requesting that the value of the NMG and the other economic terms of the LSA be sealed, including the value of the "buyer's premium" and the commission percentage the Liquidator is entitled to charge and retain.
 - The Liquidator has funded 50% of the NMG, being a deposit presently held in the Proposal Trustee's trust account. The balance of the NMG is to be paid by the Liquidator twenty-one (21) calendar days following the NMG Sale. The Company's share of the Overage (if any) and the net proceeds generated from the Additional Equipment are to be paid within ninety (90) days of the NMG Sale and twenty-one (21) calendar days following the Commission Sale, respectively.
 - c) Other
 - If the NMG Sale does not take place as a result of an Event of Default caused by the Liquidator, the Company shall be entitled to retain a portion of the Deposit as liquidated damages and shall return the remainder of the Deposit to the Liquidator, provided that such forfeiture will not be deemed to constitute the full extent of damages, including liquidated damages payable by the Liquidator.

³ Defined terms in this section of the Report have the meanings provided to them in the LSA.

⁴ Additional information technology assets owned by the Company are being consolidated in the Company's Calgary office, and will be sold together with the Calgary office contents at a later date.

- Should any of the Auction Assets be excluded, omitted or missing at the time of the commencement of the NMG Sale for any reason, the NMG would be reduced by the amount of the NMG allocated to such excluded Auction Asset. Attached as a schedule to the LSA is a listing of the Auction Assets and the portion of the NMG allocated by the Liquidator to each of the Auction Assets for the purposes of determining the reduction of the NMG in such circumstances.
 - All Auction Assets are to be removed from the Company's premises by the Removal Date (April 30, 2021).
 - The Liquidator is responsible for the collection and remittance of any applicable taxes on the sale of the Auction Assets and the Additional Equipment. In addition to its other indemnification obligations under the LSA, the Liquidator has indemnified the Company for any taxes that may be assessed resulting therefrom as well as any claims which the Company or the Proposal Trustee incur as a direct or indirect consequence of the Liquidator failing to report or remit such taxes.
 - The LSA requires the Company to seek and obtain one or more approval and vesting orders from the Court, which will vest the Auction Assets and the Additional Equipment in each respective purchaser free and clear of any claims and encumbrances.
 - The LSA contains standard provisions for the basis on which the Auction Assets and/or Additional Equipment are to be removed.
 - The LSA contemplates that sales to the ultimate purchasers of the Auction Assets and Additional Equipment are to be on an "as is, where is" basis.
 - The LSA remains subject only to the approval of this Honourable Court.
2. A copy of the redacted version of the LSA is attached as an exhibit to the Affidavit. A copy of the unredacted version of the LSA is attached as a confidential exhibit to the Affidavit. The rationale for the Company's request that this unredacted copy be sealed subject to further Court order is provided in Section 4.1 of this Report.

4.1 The Need for Confidentiality

1. In the event the Transaction does not close for any reason, another tender process will be required. If the economic terms of the LSA are not sealed, future bidders would have access to the amount that was accepted by the Company and supported by the Proposal Trustee, which will undermine any future tender process to the detriment of the Company's stakeholders. No party will be prejudiced if the economic terms of the LSA and the bid summary are sealed at this time.
2. Accordingly, the Proposal Trustee believes the proposed sealing order is appropriate in the circumstances.

4.2 Recommendation

1. The Proposal Trustee recommends that this Honourable Court approve the LSA and authorize and direct the Company to complete the Transaction contemplated thereby for the following reasons:
 - a) in the Proposal Trustee's view, the process to solicit liquidation proposals was conducted on a commercially reasonable basis;
 - b) the Transaction provides for the greatest recovery available to the Company for the assets subject to the LSA;
 - c) the Proposal Trustee believes that the terms of the LSA are reasonable, including the amount of the NMG, the NMG payment mechanism, the Sale Expenses (as defined in the LSA), the sharing formula for the Overage amount (if any) and the Liquidator's commission for the Additional Equipment;
 - d) the Removal Date, being April 30, 2021, will enable the Company to disclaim the lease for its Grande Prairie facility, which will be a substantial cost savings for the Company;
 - e) the LSA provides a mechanism for the Company to realize on the Additional Equipment remaining at Teck's Project site. Absent the LSA, the Company would not be able to realize on this equipment; and
 - f) the Company's principal economic stakeholders, being BMO and Fulcrum, have advised the Proposal Trustee that they support and consent to the Transaction.

5.0 Conclusion and Recommendation

1. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1 (1)(d) of this Report.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
SOLELY IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL OF
TRADESMEN ENTERPRISES LIMITED PARTNERSHIP AND
TRADESMEN ENTERPRISES INC.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”



**First Report to Court of
KSV Restructuring Inc. as
Proposal Trustee of
Tradesmen Enterprises Limited Partnership
and Tradesmen Enterprises Inc.**

February 2, 2021

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

COURT OF QUEEN'S BENCH OF ALBERTA

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
TRADESMEN ENTERPRISES LIMITED PARTNERSHIP,
OF THE CITY OF CALGARY,
IN THE PROVINCE OF ALBERTA

AND

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
TRADESMEN ENTERPRISES INC.,
OF THE CITY OF CALGARY,
IN THE PROVINCE OF ALBERTA

FIRST REPORT OF KSV RESTRUCTURING INC.
AS PROPOSAL TRUSTEE OF
TRADESMEN ENTERPRISES LIMITED PARTNERSHIP AND TRADESMEN ENTERPRISES
INC.

FEBRUARY 2, 2021

1.0 Introduction

1. This report (the "Report") is filed by KSV Restructuring Inc. ("KSV") in its capacity as proposal trustee (the "Proposal Trustee") in connection with Notices of Intention to Make a Proposal ("NOI") filed by Tradesmen Enterprises Limited Partnership ("TELP") and Tradesmen Enterprises Inc. ("TEI") (together, the "Company") on February 1, 2021 pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA"). Copies of the certificates of filing issued by the Office of the Superintendent of Bankruptcy are provided in Appendix "A".
2. The affidavit of Dean Kato, the President and CEO of the Company, sworn on February 1, 2021 (the "Affidavit") provides, *inter alia*, the Company's history and the background to these proceedings and, accordingly, that information is not repeated in this Report. The Affidavit is included with the Company's application materials.
3. The principal purposes of these proceedings are for the Company to:
 - a) obtain a stay of proceedings so that the Company is afforded the necessary breathing space to expediently advance its construction lien litigation against Teck Coal Limited ("Teck") and other parties, as detailed in the Affidavit;
 - b) seek approval of a senior ranking court-ordered charge to secure interim financing required for the Company to pursue its litigation and to fund its operations; and
 - c) have the opportunity to formulate and make a proposal to its creditors.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information about the Company;
 - b) discuss the purpose of these proceedings;
 - c) discuss the Company's need for interim financing, which is to be provided through a facility dated February 1, 2021 between the Company and Bank of Montreal ("BMO") (the "Interim Financing Facility") in the maximum principal amount of \$1.9 million, as well as a charge (the "Interim Financing Charge") over the Company's property, assets and undertakings (collectively, the "Property") in favour of BMO for its advances to the Company under the Interim Financing Facility;
 - d) discuss the rationale for a charge in the amount of \$300,000 on the Property (the "Administration Charge") as protection for the fees and disbursements of the Proposal Trustee, the Proposal Trustee's counsel, Bennett Jones LLP ("Bennett Jones"), and the Company's counsel, Lawson Lundell LLP ("Lawson");
 - e) provide the basis for the Proposal Trustee's support of the Company's application for the Interim Financing Charge and the Administration Charge, including the reasons the Proposal Trustee believes it is appropriate for the charges to have priority over all of the Company's existing creditors and other stakeholders;
 - f) discuss the rationale for the proposed administrative consolidation of the NOI proceedings of TELP and TEI; and
 - g) recommend that this Honourable Court make an order approving the Interim Financing Facility, the Interim Financing Charge, the Administration Charge (and their proposed priorities) and the administrative consolidation of TELP's and TEI's estates.

1.2 Restrictions

1. In preparing this Report, the Proposal Trustee has relied upon unaudited financial information prepared by the Company, the Company's books and records and discussions with the Company's management, legal counsel and majority owner, Fulcrum Capital Partners Inc. ("Fulcrum"). The Proposal Trustee has not audited, reviewed or otherwise verified the accuracy or completeness of the information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*.
2. The Proposal Trustee expresses no opinion or other level of assurance with respect to the financial information presented in this Report or relied upon by the Proposal Trustee in preparing this Report. Any party wishing to place reliance on the Company's financial information should perform its own diligence and any reliance placed by any party on the information presented herein shall not be considered sufficient for any purpose whatsoever.

1.3 KSV's Prior Mandate

1. On January 13, 2021, KSV¹ was engaged by TELP to assist it to, *inter alia*, consider its restructuring options. KSV's engagement letter contemplates that, in the event it is appointed as a court officer in any insolvency proceeding involving the Company, its engagement would terminate immediately prior to such appointment and thereafter KSV's duties and obligations would be governed by statute and by any court order appointing it.
2. In carrying out its advisory mandate, KSV obtained background information concerning the Company's business, financial position and liquidity challenges.

2.0 Background

1. All of the Company's operations are performed by TELP. TEI is the General Partner of TELP and does not conduct any active business operations.
2. The Company is a mechanical contractor specializing in facility and pipeline construction, piping and structure fabrication, module assembly and maintenance projects. The Company operates from two leased premises in Alberta: its head office is located in Calgary and its fabrication operations are performed from a facility in Grande Prairie. The Company's workforce is not unionized and the Company does not maintain any registered pension plans.
3. Pursuant to an agreement dated May 28, 2019 (the "Teck Contract"), Teck retained the Company to act as the general contractor to construct the Fording River Operations Active Water Treatment Facility (South Project) located near Elkford, British Columbia (the "Project").
4. Since being awarded the Teck Contract, the Project has become the Company's central focus and in recent months represented the only material contract being performed by the Company. The Project is substantially over-budget – the Teck Contract originally had a budget of \$32 million and is now projected to have a total cost of approximately \$140 million. The Proposal Trustee has been advised that Teck presently has an approved budget of approximately \$101 million for the Project. The Company has issued approximately 900 change order requests to Teck in respect of the Project, all resulting from changes to the Project that were requested by Teck.
5. By letter dated January 11, 2021, Teck terminated the Teck Contract. Since the contract termination, the Company has, *inter alia*:
 - a) sent a letter to Teck disputing its contract termination;
 - b) filed a claim of builders lien in the amount of approximately \$48.6 million (the "Lien");

¹ KSV's affiliate, KSV Advisory Inc., was engaged for this advisory mandate. KSV is a wholly-owned subsidiary of KSV Advisory Inc.

- c) registered the Lien against lands associated with the Project including real property owned by each of Canadian Pacific Limited and the Province of British Columbia, and a statutory right of way registered in favour of FortisBC Energy Inc. (the “3rd Party Lands”). Each of these parties will be notified by the Company that they will be named in, and be parties to, the Company’s litigation with Teck in respect of the Liens; and
 - d) sent a letter to Fluor Canada Ltd. (“Fluor”), the engineering consultant on the Project, advising that the Company intends to commence an action against it.
6. The Proposal Trustee understands that the Company is presently processing invoices and updating its books and records in respect of its accounting for the Project. The Company expects that the amounts owing from Teck will increase materially and that it will lien the same 3rd Party Lands for such amounts.
7. The Company’s business and operations have been severely affected by the termination of the Teck Contract. The Company has reduced its number of employees from approximately 614 in early January to 32 as at the date of this Report. The Company expects to further reduce the number of its employees in the coming weeks. The Company’s principal focus is now pursuing its litigation.
8. BMO is the Company’s operating lender and largest creditor. BMO is presently owed approximately \$25 million, plus interest and costs, which continue to accrue. The Company is in default of its credit facility with BMO. TEI is the guarantor under BMO’s credit facility with TELP. On January 14, 2021, BMO issued a demand and notice of intention to enforce security under section 244 of the BIA. Since that time, the Company has been working with BMO to consider restructuring options and how to most effectively advance its litigation. In the context of those discussions, BMO has agreed to provide financing to the Company under the Interim Financing Facility, conditional upon, among other things, receipt of the Interim Financing Charge.
9. Additional information about the Company is included in the Affidavit. Court materials filed in these proceedings will be made available on the Proposal Trustee’s website at <https://www.ksvadvisory.com/insolvency-cases/case/tradesmen-enterprises>.

3.0 Financial Position

3.1 Assets

1. The Company’s principal asset is the amount owing from Teck in respect of work performed on the Project. The Proposal Trustee understands that the Company has not been paid by Teck since December 11, 2020.
2. In addition to the Company’s lien litigation, the Company’s next most significant assets are its capital assets, which are comprised of fabrication and other equipment, tooling and rolling stock. An appraisal of these assets is in process as at the date of this Report.

3.2 Liabilities

1. Based on the Company's books and records, creditor obligations totalled approximately \$45.7 million as at January 22, 2021. A summary of the Company's liabilities is provided in the table below.

Liability	Note	(Unaudited)
		Amount (\$000's)
Canada Revenue Agency ("CRA")	a	505
BMO debt	b	24,355
Shareholder loan	c	1,814
Sub-contractor obligations	d	16,886
Other	e	2,148
Total		45,708

Notes:

- a) The Proposal Trustee understands that the Company withheld, but did not remit, source deductions on a payroll processed in December 2020. This obligation appears to be a deemed trust claim in favour of CRA and is to be paid in the near term. This amount is to be funded from the Interim Financing Facility.
- b) The BMO debt is a revolving loan facility secured against all of the Property. The Company's borrowings under this facility exceed the authorized limit of the facility, being \$23 million.
- c) The shareholder loan was advanced on a secured basis by Fulcrum and presently totals approximately \$1.8 million, including interest. Fulcrum has also provided a partial guarantee of the BMO debt.
- d) Sub-contractor obligations represent amounts owing to parties who provided work or materials to the Project and as such may have lien rights. Certain of the parties have placed liens on the Project and the 3rd Party Lands. The sub-contractors who provided work or materials to the Project may also have trust claims against funds paid to the Company in respect of the Project. Amounts owing to sub-contractors are summarized in the table below.

Sub-contractor	Amount (\$000's)
Techmation Electric & Controls Ltd.	11,036
CIF Construction Ltd.	2,094
Industrial Scaffold Services LP	1,418
Alberta Pipe Support & Fabrication Inc.	434
Transcendent Mining & Mobilization Inc.	291
Other (17 sub-contractors)	1,613
Total	16,886

- e) Other vendor obligations include amounts owing to equipment lessors, transport companies and other suppliers and service providers.

4.0 Court-Ordered Charges

4.1 Interim Financing Charge²

1. The Company is in default of its credit agreement with BMO. Since the termination of the Teck Contract, BMO has continued to make advances to the Company while the Company considered its restructuring options. BMO has advised that it requires the benefit of a court-ordered priority charge for any further advances to the Company. Absent additional financing, the Company will not have the ability to continue to fund its costs, the professional fees associated with its litigation and these proceedings. The Company cannot currently meet its obligations as they come due.
2. BMO has agreed to fund these proceedings under the Interim Financing Facility subject to the granting of the Interim Financing Charge. The Interim Financing Charge is proposed to rank in priority to all other creditors, except for the priority contemplated to be afforded to the proposed Administration Charge. The terms of the Interim Financing Facility are set out in a term sheet dated February 1, 2021 (the "Term Sheet"). The final Term Sheet, or a substantially final copy of it, is attached as an exhibit to the Affidavit. If the finalized version is not attached to the Affidavit, it is expected that it will be provided to interested parties in advance of the return of the Company's application.
3. The principal terms of the Interim Financing Facility are as follows:
 - a) Description of Facility: Senior secured super priority, interim, revolving credit facility of \$1.9 million, subject only to the Administration Charge.
 - b) Maturity Date: The earliest of: (i) the occurrence of any Event of Default which is continuing and has not been cured to BMO's satisfaction; (ii) the implementation of a proposal which has been approved by the court and the requisite majorities of the Company's creditors, including BMO; (iii) the conversion of the NOI proceedings into a proceeding under the *Companies' Creditors Arrangement Act*, absent BMO's approval; (iv) the conversion of the NOI proceedings into a receivership under the BIA; (v) the sale of all or substantially all of the Property; and (vi) March 3, 2021. All amounts outstanding under the Interim Financing Facility are payable in full on the Maturity Date, including all accrued interest and other amounts, fees and costs.
 - c) Interest Rate: 12% per annum, which shall accrue daily on the aggregate outstanding principal advanced under the Interim Financing Facility and shall be calculated and payable in arrears on the first Business Day of each month. The default rate of interest is 16%.
 - d) Closing Fee: \$65,000, which is payable on the date BMO makes the Initial Advance.

² Terms not defined in this section have the meaning provided to them in the term sheet dated February 1, 2021 to the Interim Financing Facility unless otherwise defined herein.

- e) Security and Priority: A court-ordered super-priority charge on the Company's Property. All obligations, other than the Administration Charge, are proposed to be subordinate to the Interim Financing Charge, including all construction trusts and lien claims that may be asserted by the Company's sub-contractors.
- f) Conditions: The conditions precedent include, among others, the following:
 - i. BMO's satisfaction with all material documents filed in respect of the proposed court order regarding the Interim Financing Facility and Charge;
 - ii. the court issuing the proposed order and granting the Interim Financing Charge;
 - iii. BMO's receipt of, and satisfaction with, the initial Cash Flow Forecast;
 - iv. BMO's receipt of, and satisfaction with, the initial Business Update from the Company;
 - v. BMO's receipt of, and satisfaction with, an executed copy of a consent Receivership Order; and
 - vi. the absence of any liens ranking in priority to the Interim Financing Charge over the Property, other than the Administration Charge.
- g) Reporting: The Company shall deliver rolling cash flow projections and variance reports on a weekly basis. Further, the Company will, among other things, provide an update to the initial Business Update on February 16, 2021.
- h) Events of Default: Events of Default include, *inter alia*, the following:
 - i. failure of Fulcrum to pay BMO on or before February 9, 2021 the amount of its guarantee of the BMO debt;
 - ii. the aggregate amount of all Priority Governmental Claims outstanding, except for the Existing Source Deduction, at any time exceeding \$100,000;
 - iii. a Material Adverse Change, which includes: (i) the making of a Restructuring Court Order; and (ii) a liability arising or an event occurring, including any change in the Collateral, business, assets, or conditions (financial or otherwise), of a Credit Party, that will, in BMO's judgment, acting reasonably, materially impair: (A) BMO's ability to recover the amounts owed to it by the Credit Parties, or (B) a Credit Party's financial condition or ability to comply with its obligations under the Interim Financing Facility, any other Interim Financing Credit Documentation, the Interim Lender Order, or any Restructuring Court Order, or carry out a Proposal or Restructuring Option reasonably acceptable to BMO;

- iv. if a Cash Flow Forecast or any update thereof contemplates or forecasts an adverse change or changes from the then existing Cash Flow Forecast and such change(s) constitute a Material Adverse Change, or any updated Cash Flow Forecast forecasts that borrowings under the Interim Financing Facility will exceed the Maximum Amount at any time (unless and until BMO consents to increase the Maximum Amount, which shall be in BMO's sole and absolute discretion);
 - v. if a Business Update or any update thereof contemplates or forecasts an adverse change or changes from the initial Business Update and such change(s) constitute a Material Adverse Change; and
 - vi. failure of the Company to perform or comply with any other term or covenant under the Interim Financing Facility or any other Interim Financing Credit Documentation, and such default shall continue unremedied for a period of five Business Days from the breach first occurring.
- i) Prepayment: Upon five days' prior written notice, the Company may prepay any amounts outstanding under the Interim Financing Facility at any time prior to the Maturity Date, without any prepayment fee or penalty.

4.2 Administration Charge

1. The Company is seeking court approval of an Administration Charge in the amount of \$300,000 as protection for the fees and disbursements of the Proposal Trustee, Bennett Jones and Lawson. The Administration Charge provides security to these professionals in the event that these proceedings are terminated and such professionals have not been paid in full at the date of termination.
2. An Administration Charge is a common feature in restructuring proceedings. The Proposal Trustee is of the view that the Administration Charge is appropriate in this case due to the Company's lack of liquidity and the need for assistance from the beneficiaries of the Administration Charge. The Administration Charge is to have a senior ranking charge on the Company's Property, including in priority to the Interim Financing Charge and the potential trust and lien claims in favour of the Company's sub-contractors.
3. For the reasons set out below, the Proposal Trustee believes it is appropriate for the Administration Charge to rank in priority to all claims against the Company.

4.3 Recommendation

1. The Proposal Trustee has considered the factors set out in subsection 50.6(5) of the BIA with respect to the granting of an order for interim financing and a charge related thereto. The Proposal Trustee believes that the terms of the Interim Financing Facility are reasonable and that the Interim Financing Charge and Administration Charge should be granted for the following reasons:
 - a) the Interim Financing Facility and the corresponding Interim Financing Charge enhance the prospect that the Company will be able to successfully restructure;

- b) the Company is without liquidity to fund these proceedings and its litigation against Teck. The litigation is complex – it involves a Project with an estimated cost to complete that has increased by more than \$100 million since its outset by the issuance of approximately 900 change order requests, many of which were approved and others which are pending approval. There were also approximately 1,700 requests for information (“RFIs”) on the Project. The involvement of management and Company personnel with intimate knowledge of the Project, the documentation supporting each change order request and change order, the RFIs and the Project accounting is critical to the successful outcome of the litigation. The Interim Financing Facility is necessary to fund these costs;
- c) absent the Interim Financing Facility, the Company will have no ability to pursue its lien litigation with Teck to the prejudice of all of the Company’s stakeholders, including BMO, Fulcrum and sub-contractors who have claims against the Company;
- d) the Administration Charge and the Interim Financing Charge are proposed to rank in priority to trust and lien claims in favour of the Company’s sub-contractors. In this regard:
 - i. in the circumstances, the proposed priority of the Interim Financing Charge is necessary as no commercially reasonable lender can be expected to provide the financing urgently required by the Company subordinate to the Company’s existing obligations;
 - ii. the Proposal Trustee believes the Interim Financing Facility is in the best interest of all of the Company’s stakeholders, including sub-contractors, as the Interim Financing Facility is integral to fund the costs associated with the Lien litigation and the Company’s operations so that there may be a recovery for the Company’s sub-contractors, which would be made available through a proposal or otherwise; and
 - iii. in an immediate liquidation of the Company, creditors are unlikely to have any material recovery and it is unclear whether sub-contractors will be able to recover on any trust claims that arise;
- e) in the Proposal Trustee’s view, the commercial terms of the Interim Financing Facility are reasonable. The closing fee (\$65,000) and the rate of interest (12%) are consistent with the costs of DIP financing facilities approved by Canadian courts in formal insolvency proceedings as reflected in a DIP loan summary schedule as of January 4, 2021, a copy of which is attached as Appendix “B”. The Proposal Trustee is also cognizant of the risks associated with financing construction litigation and believes that the rate of interest under the Interim Financing Facility is reflective of that risk;
- f) the Proposal Trustee has reviewed the Company’s cash flow forecast which supports the Interim Financing Facility (which is attached as an exhibit thereto) and believes that its underlying assumptions are reasonable;

- g) the Company's principal economic stakeholders, being BMO and Fulcrum, have advised that they consent to the relief being sought by the Company; and
- h) in the Proposal Trustee's view, these proceedings cannot advance without funding under the Interim Financing Facility and the professionals involved require certainty that their fees will be paid.

5.0 Administrative Consolidation

1. The Company is seeking an order to administratively consolidate the NOI proceedings into one estate.
2. As the consolidation is for administrative purposes only, TELP and TEI would remain separate for the purpose of a claims process, filing a proposal or making distributions to creditors.
3. The Company and the Proposal Trustee believe that administratively consolidating the proceedings is appropriate as:
 - a) TEI is an inactive holding company with no business operations or assets other than its partnership interest in TELP;
 - b) it will facilitate the orderly administration of these proceedings;
 - c) TEI and TELP have common ownership and management; and
 - d) it will significantly reduce professional costs, including by filing materials in one proceeding only.

6.0 Conclusion and Recommendation

1. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1 (1)(g) of this Report.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
SOLELY IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL OF
TRADESMEN ENTERPRISES LIMITED PARTNERSHIP AND
TRADESMEN ENTERPRISES INC.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “B”



David Sieradzki
ksv advisory inc.

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ksvadvisory.com

dsieradzki@ksvadvisory.com

February 2, 2021

DELIVERED BY EMAIL

Ritchie Bros. Auctioneers
721076 Range Road 51
County of Grande Prairie No. 1, AB
T0H 0G0

Attention: Gordon Aebly

Dear Sirs:

Re: Tradesmen Enterprises Limited Partnership (the “Company”)

On February 1, 2021, the Company commenced restructuring proceedings by filing a Notice of Intention to Make a Proposal (“NOI”) pursuant to the *Bankruptcy and Insolvency Act*. KSV Restructuring Inc. has been appointed as the proposal trustee under the NOI (the “Proposal Trustee”).

As part of the Company’s NOI proceedings, the Proposal Trustee is assisting the Company to solicit liquidation proposals for its fixed assets, which principally comprise construction machinery, equipment, tooling and rolling stock located at its facility in Grande Prairie, Alberta.

This letter is an invitation to participate in the process. The submission procedures are provided below:

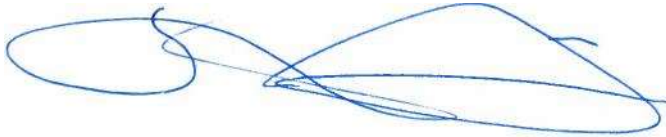
- The deadline for offers: **February 18, 2021 at 2:00 p.m. (MST)**;
- Offers are to indicate:
 - a) the terms on which you would be prepared to conduct an auction pursuant to a Liquidation Services Agreement, including commission percentage, buyer’s premium and any expenses to be deducted from the gross sale proceeds; and/or
 - b) whether you are prepared to offer a net minimum guarantee (“NMG”) for the assets and, if so, the profit participation split between the Company and your firm;
- Offers submitted on an NMG basis must allocate a purchase price for each piece of equipment indicating the specific deductions to the NMG resulting from the removal of such asset from the sale. Please note any pieces of equipment which are integral to the sale which, if removed, would make the sale uneconomic for you;
- The Liquidation Services Agreement is subject to Court approval. It will contemplate that assets would be sold to the successful bidder on an “as is, where is” basis, without representations and warranties, including as to the salability, merchantability, etc. of any of the Company’s assets; and
- Please advise of the terms of occupancy of the Company’s premises that you require, including the amount of time that you needed to conduct a sale from the Grande Prairie premises.

Please contact the undersigned should you have any questions or should you wish to arrange a viewing of the assets. An asset listing will be provided to you upon execution of the attached confidentiality agreement. Please note that the Company's asset list may be supplemented in the next few weeks. We will advise of any changes to the asset list in due course.

The Proposal Trustee notes that the process detailed in this letter may be amended, supplemented or terminated at any time, in the Proposal Trustee's sole and absolute discretion.

Yours very truly,

**KSV RESTRUCTURING INC.
SOLELY IN ITS CAPACITY AS TRUSTEE UNDER
THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
TRADESMEN ENTERPRISES LIMITED PARTNERSHIP**

A handwritten signature in blue ink, consisting of several overlapping loops and lines, positioned below the typed name.

Per: David Sieradzki

DS:rk

CONFIDENTIALITY AGREEMENT

In connection with your possible interest in exploring a transaction (a "Transaction") involving the fixed assets of Tradesmen Enterprises Limited Partnership (the "Company"), you have requested certain oral and written information from the officers, directors, employees, representatives, solicitors, advisors and/or agents of the Company (collectively, the "Company Representatives") and/or KSV Restructuring Inc., in its capacity as proposal trustee (the "Proposal Trustee") in the Company's restructuring proceedings under the *Bankruptcy and Insolvency Act*. References to the "Information Parties" herein shall mean the Company, the Company Representatives and the Proposal Trustee. All such information furnished to you or your Representatives (as defined below) by or on behalf of the Information Parties (irrespective of the form of communication and whether such information is so furnished before, on or after the date hereof), and all analyses, compilations, data, studies, notes, interpretations, memoranda or other documents prepared by you or your Representatives containing or based in whole or in part on any such furnished information are collectively referred to herein as the "Information." In consideration of furnishing you with the Information, the Information Parties request your agreement to, and you agree to and will cause your Representatives to comply with, the following:

1. The Information will be used solely for the purpose of evaluating a Transaction, and the Information will be kept strictly confidential and will not be disclosed by you or your Representatives, except that you may disclose the Information or portions thereof to those of your directors, officers and employees and representatives of your legal, accounting and financial advisors (the persons to whom such disclosure is permissible being collectively referred to herein as the "Representatives") who need to know such information for the purpose of evaluating such Transaction; provided that such Representatives are informed of the confidential and proprietary nature of the Information and agree to comply with the terms of this Agreement. You agree to be responsible for any breach of this Agreement by your Representatives (it being understood that such responsibility shall be in addition to and not by way of limitation of any right or remedy the Company may have against such Representatives with respect to any such breach).
2. Except with the prior written consent of the Company, neither you nor your Representatives will disclose to any person either the fact that any investigations, discussions or negotiations are taking place concerning a Transaction, or that you have received Information from any of the Information Parties, or any of the terms, conditions or other facts with respect to any such possible Transaction or involvement, including the status thereof. The term "person" as used in this Agreement will be interpreted broadly to include the media and any corporation, company, group, partnership, limited liability company, trust or other entity or individual.
3. If you or any of your Representatives become legally compelled (including by deposition, discovery, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose any of the Information, you shall provide the Company with prompt prior written notice of such requirement so that the Company may seek a protective order or other appropriate remedy and/or waive compliance with the terms of this Agreement. If such protective order or other remedy is not obtained, or if the Company waives compliance with the provisions hereof, both you and your Representatives shall disclose only that portion of the Information which is legally required to be disclosed and to take all reasonable steps to attempt to preserve the confidentiality of the Information.
4. The term "Information" does not include any information which (i) at the time of disclosure is generally available to the public (other than as a result of a disclosure directly or indirectly by you or your Representatives) or (ii) was available to you on a non-confidential basis from a source other than any of the Information Parties or their respective advisors, provided that such source is not and was not known by you after due inquiry to be bound by a confidentiality obligation owed to the Company.

5. If you determine not to pursue a Transaction, you will promptly notify the Company or the Proposal Trustee of your determination. At the time of such notice, or if, at any earlier time, the Company or the Proposal Trustee so directs (whether or not you determine to pursue a Transaction), you and your Representatives will, at your option, promptly return to the Company, or destroy, all Information and all copies, extracts or other reproductions in whole or in part thereof. Notwithstanding the return of the Information, you and your Representatives will continue to be bound by this Agreement. Notwithstanding the foregoing, (a) you may retain a copy of the Information to the extent that such retention is required to demonstrate compliance with applicable law, regulation or professional standards, provided that it is kept strictly confidential; and (b) Information that is electronically stored may be retained in back-up servers if it is not intentionally made available to any person, and is deleted in accordance with your normal policies with respect to the retention of electronic records. Notwithstanding the return or destruction of the Information, you and your Representatives shall continue to be bound by the confidentiality and other obligations hereunder.
6. None of the Information Parties, or any of their officers, directors, employees, representatives or agents is making any representation or warranty, express or implied, as to the accuracy or completeness of the Information, and none of the Information Parties, or any of their officers, directors, employees, representatives or agents, will have any liability to you or any other person resulting from your use of the Information. Only those representations or warranties that are made to you in a definitive written agreement regarding a Transaction (a "Definitive Agreement") when, as, and if it is executed, and subject to such limitations and restrictions as may be specified in such Definitive Agreement, will have any legal effect.
7. Unless and until a Definitive Agreement with respect to a Transaction has been executed and delivered, the Company has no legal obligation of any kind whatsoever with respect to a Transaction by virtue of this Agreement or any other written or oral expression with respect to a Transaction except, in the case of this Agreement, for the matters specifically agreed to herein.
8. This Agreement will be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein without regard to the conflicts of law principles thereof.
9. If you agree with the foregoing, please sign and return a copy of this letter, which will constitute our agreement with respect to the subject matter hereof.

Confirmed and Acknowledged

Corporation:
Authorized Signing Officer:
Date: