

COURT FILE NUMBER

Q.B. No. 24-2472470
Estate No. 24-2472470

COURT

COURT OF QUEEN'S BENCH FOR ALBERTA

JUDICIAL CENTRE

EDMONTON



IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF S7 VENTURES LTD.

DOCUMENT

TRUSTEE'S FIRST REPORT TO COURT

February 28, 2019

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT

PROPOSAL TRUSTEE

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PURPOSE OF THE REPORT

1. On February 7, 2019 S7 Ventures Ltd. (the “Company” or “S7 Ventures”) filed a Notice to Make a Proposal (“NOI”) pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*. The Bowra Group Inc. (the “Proposal Trustee”) consented to act as Licensed Insolvency Trustee in the Proposal proceedings. A copy of the Certificate of Filing from the Office of the Superintendent of Bankruptcy is attached as **Appendix A**.
2. S7 Ventures is a holding company related to Devlin Construction Ltd. (“Devlin”). Devlin also filed an NOI on February 7, 2019. The Bowra Group Inc. consented to act as Licensed Insolvency Trustee.
3. The purpose of this report is to provide this Honourable Court with the following;
 - a) A background of the Company;
 - b) An update on the Company’s progress on filing a Proposal and activities to date;
 - c) A summary of the Company’s Cash Flow to May 24, 2019, including actuals to February 22, 2019; and,
 - d) Request this Honourable Court approve an extension of the stay of proceedings for 45 days from March 9, 2019 to April 23, 2019.

COMPANY BACKGROUND

4. S7 Ventures is a holding company and has no employees. The Company is a shareholder of Devlin and guarantees the loans outstanding from Devlin to ATB Financial (“ATB”), which totals approximately \$5.6 million.
5. Devlin operates out of Edmonton, Alberta and specializes in many areas of heavy construction including excavation, base construction, concrete construction, landscaping and snow removal. Devlin was founded in 2003 and currently employs 60 employees.
6. Devlin ran into financial difficulty with the downturn of the oil and gas industry, as the number of jobs and margins on those jobs decreased. As a result, Devlin ran into working capital shortfalls.

7. On January 30, 2019, ATB issued a Notice of Intention to Enforce Security against Devlin, as well as, S7 Ventures due to their guarantees. As a result, S7 Ventures filed an NOI on February 7, 2019.

CONTINUED EFFORTS TO FILE A PROPOSAL

8. Since the filing of the NOI the Company has been working with the Proposal Trustee to submit a Proposal to their creditors. However, the Company is not in a position to make a Proposal by March 9, 2019.
9. The Company's Proposal will depend somewhat on the Proposal formulated by Devlin. Devlin is currently seeking an Order of this Honourable Court for an extension of the stay of proceedings from March 9, 2019 to April 23, 2019.
10. Accordingly, S7 Ventures has stated that they intend to seek an extension of time to file their Proposal. The Proposal Trustee supports an extension.
11. Since filing the NOI, and in preparation for its filing, the Company has been acting in good faith by organizing its affairs and investigating options to formulate a Proposal to its creditors.

CASH FLOW

12. The Company has extended their forecasted cash flow to May 24, 2019 and included actuals to February 22, 2019. A copy of the cash flow and the related assumptions are attached as **Appendix B**.
13. The Proposal Trustee notes there are no material discrepancies in the actuals compared to the budgets for the period February 7, 2019 to February 22, 2019.
14. The Company's cash flow consists of continued intercompany loan payments from Devlin to the Company to make payments for vehicle and equipment leases, life insurance, bank charges and professional fees.
15. The Proposal Trustee has reviewed the cash flow and believes it to be reasonable and achievable.

16. The Company is up to date with all their filing and post-filing obligations to Canada Revenue Agency and has continued to meet their obligations under the *Bankruptcy and Insolvency Act*, including filing of the required cash flow statements.

CONCLUSION AND RECOMMENDATIONS

17. The Company's Proposal will somewhat depend on the Proposal Devlin files, given S7 Ventures is a shareholder and guarantee of Devlin's ATB loans.

18. The Proposal Trustee is of the view that a Proposal will likely result in a greater recovery to the Company's creditors than a liquidation of the Company's assets in a bankruptcy.

19. The Proposal Trustee is of the opinion;

- i. The Company continues to act in good faith and with due diligence in formulating a Proposal;
- ii. If a further extension is granted, the Company will have a better opportunity to be able to make a viable Proposal; and,
- iii. No creditor will be materially prejudiced if an extension is granted.

20. As such we request this Honourable Court provide a 45-day extension to the stay of proceedings from March 9, 2019 to April 23, 2019.

All of which is respectfully submitted this 28th day of February 2019.



The Bowra Group Inc.

Licensed Insolvency Trustee under the Notice of Intention

To Make a Proposal for S7 Ventures Ltd.

Doug Chivers, CPA, CA, CIRP, LIT / Kristin Gray, CPA, CA, CIRP, LIT

APPENDIX A

CERTIFICATE OF FILING



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Alberta
Division No. 01 - Edmonton
Court No. 24-2472470
Estate No. 24-2472470

In the Matter of the Notice of Intention to make a
proposal of:

S7 VENTURES LTD.
Insolvent Person
THE BOWRA GROUP INC.
Licensed Insolvency Trustee

Date of the Notice of Intention: February 07, 2019

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: February 07, 2019, 15:27

E-File/Dépôt Electronique

Official Receiver

Canada

Canada Place Building, 9700 Jasper Avenue NW, Suite
725, Edmonton, Alberta, Canada, T5J4C3, (877)376-9902

APPENDIX B

CASH FLOW FORECAST TO MAY 24, 2019

	ACTUALS				FORECASTED													TOTAL
	Week 1 2/1/2019	Week 2 2/15/2019	Week 3 2/22/2019	Week 4 2/29/2019	Week 5 3/6/2019	Week 6 3/13/2019	Week 7 3/20/2019	Week 8 3/27/2019	Week 9 4/3/2019	Week 10 4/10/2019	Week 11 4/17/2019	Week 12 4/24/2019	Week 13 4/30/2019	Week 14 5/7/2019	Week 15 5/14/2019	Week 16 5/21/2019	Week 17 5/28/2019	
Receipts	2,000	-	-	-	10,000	-	-	-	-	7,000	-	-	-	-	7,500	-	-	28,500
Total Receipts	2,000	-	-	-	10,000	-	-	-	-	7,000	-	-	-	7,500	-	-	28,500	
Disbursements	1,117	-	-	-	1,117	-	-	-	-	1,117	-	-	-	1,117	-	-	4,469	
Equipment Leasing	1,187	-	-	-	1,187	-	-	-	-	1,187	-	-	-	1,187	-	-	4,746	
Driving Force	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,660	
Manulife	-	-	-	520	-	-	520	-	-	-	-	-	520	-	-	-	32	
RBC Bank Fees - Monthly	8	-	-	-	8	-	-	-	-	8	-	-	-	8	-	-	96	
RBC LOC Interest Monthly	88	-	-	-	88	-	-	-	-	88	-	-	-	88	-	-	368	
RBC LOC Activity Fee - Monthly	25	-	-	-	25	-	-	-	-	25	-	-	-	25	-	-	100	
Professional Fees	-	-	-	-	5,000	-	-	-	-	5,000	-	-	-	5,000	-	-	15,000	
Total Disbursements	2,425	-	-	-	7,427	-	-	-	-	7,432	-	-	-	7,432	-	-	26,278	
Cash Flow for the Period	(425)	-	-	-	2,573	-	-	-	-	(432)	-	-	(520)	68	-	-	222	
Opening Cash Balance	244	(182)	(182)	(702)	1,871	1,871	1,871	1,871	1,351	1,351	918	918	918	398	468	468	244	
Ending Cash Balance	(182)	(182)	(182)	(702)	1,871	1,871	1,871	1,351	1,351	918	918	918	398	468	468	468	468	

George Davin
 George Davin
 Date: 27 2019

Schedule A

Assumptions for Projected Cash Flow

This cash flow assumes that S7 Ventures Ltd. (the "Company") is a holding company to make their rental payments: This statement of Projected Cash Flow of S7 Ventures Ltd. is prepared in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with The Trustee's Report on Cash Flow Statement.

1. Leases with Calmont Leasing and Driving Force for 2 vehicles will be paid on due dates
2. Life Insurance will be paid on due dates
3. Bank Charges is based on January 2019 figures
4. The Company has no employees.



George Devlin

Jan 27 2019

Date