

COURT FILE NUMBER

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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 SECOND REPORT TO COURT

April 2, 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.
2. On March 6, 2019 this Honourable Court provided an extension of the stay of proceedings until April 8, 2019.
3. 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.
4. The purpose of this report is to provide this Honourable Court with the following;
  - a) An update on the Company’s progress on filing a Proposal and activities to date;
  - b) A summary of the Company’s Cash Flow to June 21, 2019, including actuals to March 29, 2019; and,
  - c) Request this Honourable Court approve an extension of the stay of proceedings for 45 days from April 8, 2019 to May 23, 2019.
5. This report should be read in conjunction with our First Report to Court dated February 28, 2019.

## **CONTINUED EFFORTS TO FILE A PROPOSAL**

6. 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 able to make a Proposal by April 8, 2019.
7. The Company’s Proposal will depend somewhat on the outcome of the Proposal or liquidation of Devlin. Devlin is currently seeking an Order of this Honourable Court for an extension of the stay of proceedings from April 8, 2019 to May 23, 2019. The Proposal Trustee does not support the request for the extension of Devlin.

8. S7 Ventures, being a guarantor of Devlin, is affected by the potential liquidation and bankruptcy of Devlin.
9. S7 Ventures most significant obligations include guarantees on the secured debt of Devlin, as well as, a rent obligation to the landlord PBR&R of approximately \$600,000. However, we understand the rent obligation is also a secured claim in Devlin and, therefore, may be satisfied by a liquidation or Proposal by Devlin.
10. Should Devlin's recovery be sufficient to pay the secured creditors S7 Ventures would very likely be able to file a Proposal.
11. Accordingly, S7 Ventures has stated that they intend to seek an extension of time to file their Proposal. The Proposal Trustee supports an extension.
12. 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**

13. The Company has extended their forecasted cash flow to June 21, 2019 and included actuals to March 29, 2019. A copy of the cash flow and the related assumptions are attached as **Appendix A**.
14. The Proposal Trustee notes there are no material discrepancies in the actuals compared to the budgets for the period February 7, 2019 to March 29, 2019.
15. The Company's cash flow consists of line of credit payments to be funded by George Devlin to the Company to make payments for vehicle and equipment leases, life insurance, bank charges and professional fees.
16. The Proposal Trustee has reviewed the cash flow and believes it to be reasonable and achievable.
17. 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

18. The Company's Proposal will depend on the outcome of Devlin's request for an extension or possible liquidation, given S7 Ventures is a shareholder and guarantee of Devlin's ATB loans.

19. 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. Should Devlin's request for an extension be successful or should the liquidation of Devlin be sufficient to satisfy the guarantees and landlord obligation of S7 Ventures.

20. 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.

21. As such we request this Honourable Court provide a 45-day extension to the stay of proceedings from April 8, 2019 to May 23, 2019.

All of which is respectfully submitted this 2<sup>nd</sup> day of April 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**

CASH FLOW FORECAST TO JUNE 21, 2019

	ACTUALS											FORECASTED											TOTAL
	Week 1 01/01/2019	Week 2 08/07/2019	Week 3 15/07/2019	Week 4 22/07/2019	Week 5 01/08/2019	Week 6 08/08/2019	Week 7 15/08/2019	Week 8 22/08/2019	Week 9 29/08/2019	Week 10 05/09/2019	Week 11 12/09/2019	Week 12 19/09/2019	Week 13 26/09/2019	Week 14 03/10/2019	Week 15 10/10/2019	Week 16 17/10/2019	Week 17 24/10/2019	Week 18 31/10/2019	Week 19 07/11/2019	Week 20 14/11/2019	Week 21 21/11/2019		
Receipts	2,500	-	-	750	2,250	-	-	500	-	7,500	-	-	500	7,500	-	-	-	7,500	-	-	500	20,500	
Line of Credit	2,500	-	-	750	2,250	-	-	500	-	7,500	-	-	500	7,500	-	-	-	7,500	-	-	500	20,500	
Total Receipts	2,500	-	-	750	2,250	-	-	500	-	7,500	-	-	500	7,500	-	-	-	7,500	-	-	500	20,500	
Disbursements	1,117	-	-	-	1,117	-	-	-	-	1,117	-	-	-	1,117	-	-	-	1,117	-	-	-	5,566	
Equipment Leasing	1,187	-	-	-	1,187	-	-	-	-	1,187	-	-	-	1,187	-	-	-	1,187	-	-	-	5,338	
Driving Force	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Menu/Info	-	-	-	500	-	-	-	500	-	-	-	500	-	-	-	-	-	-	-	-	-	500	
RBC Bank Fees - Monthly	2	25	-	-	2	-	-	-	8	-	-	-	-	8	-	-	-	8	-	-	-	53	
RBC LOC Interest Monthly	114	-	-	-	121	-	-	-	95	-	-	-	-	95	-	-	-	95	-	-	-	521	
RBC LOC Activity Fee - Monthly	-	6	-	-	6	25	-	-	25	-	-	-	-	25	-	-	-	25	-	-	-	112	
WCB Premiums	200	-	-	-	-	-	-	-	5,000	-	-	-	-	5,000	-	-	-	5,000	-	-	-	200	
Professional Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,000	
Total Disbursements	2,421	231	-	500	2,434	25	-	520	-	7,432	-	-	520	7,432	-	-	-	7,432	-	-	520	20,488	
Cash Flow for the Period	79	(231)	-	250	(184)	(25)	-	(20)	-	68	-	(20)	68	-	-	-	-	68	-	-	(20)	(36)	
Opening Cash Balance**	170	250	19	19	249	65	40	40	20	20	87	87	87	67	135	135	135	135	202	202	202	170	
Ending Cash Balance	250	19	19	249	65	40	40	20	20	87	87	87	87	67	135	135	135	202	202	202	182	135	

\*\*

## 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 are based on January 2019 figures
4. The Company has no employees.