

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE BANKRUPTCY OF
S7 VENTURED LTD.**

TRUSTEE'S REPORT TO CREDITORS

APRIL 26, 2019

BACKGROUND

S7 Ventures Ltd. (the "**Company**" or "**S7**") was a holding company and had no employees. The Company was a shareholder of Devlin Construction Ltd. ("**Devlin**") and guaranteed the loans outstanding from Devlin to Alberta Treasury Branches ("**ATB**").

The Company has secured debt owed to ATB, Calmont Leasing Ltd. ("**Calmont**"), Canadian Western Bank ("**CWB**"), Daimler Truck Financial ("**Daimler**"), TDF Group Inc. ("**TDF Group**"), Trisura Guarantee Insurance Company ("**Trisura**"), and Western Surety Company ("**Western Surety**"). For each of the secured creditors, the creditor has either a registered general security agreement or specific security agreement in the Personal Property Registry.

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, which led Devlin to suffering working capital shortfalls. On January 30, 2019 ATB sent the Company a Notice of Intention to Enforce Security. On February 7, 2019, the Company filed a Notice of Intention to Make a Proposal ("**NOI**") under subsection 50.4(l) of the Bankruptcy and Insolvency Act ("**BIA**"), in an attempt to restructure its financial affairs. On February 7, 2019 Devlin also filed a NOI. The Company's proposal was somewhat dependent on the proposal of Devlin, given S7 was a shareholder and guarantor of certain Devlin liabilities.

On March 6, 2019, the Company applied for and received an Order extending the time to file a Proposal to April 8, 2019. On April 8, 2019, the Company applied for an Order extending the time to file a Proposal. The Order was not granted and at a concurrent application ATB obtained an Order (the “**Receivership Order**”) appointing Pricewaterhouse Coopers Inc. as Receiver Manager of the Company (the “**Receiver**”).

The Company did not file a Proposal to their creditors by 11:59pm on April 8, 2019 and as a result the Company was deemed bankrupt on April 9, 2019. The Bowra Group Inc. was appointed the Licensed Insolvency Trustee (the “**Trustee**”).

FINANCIAL SITUATION

Table 1 summarizes the Statement of Affairs as at April 9, 2019. No financial statements were provided to the Trustee.

Table 1	
	As at April 9, 2019 (000's)
Capital assets	15
	<u>15</u>
Accounts payable	572
Long-term debt	15
	<u>587</u>

CONSERVATORY AND PROTECTIVE MEASURES

In accordance with the Receivership Order, we understand the Receiver took possession of all of the Company’s assets, undertakings, and properties on April 8, 2019. The Receiver will be responsible for realizing on the Company’s assets.

BOOKS AND RECORDS

The Trustee has taken possession of certain books and records of the Company; however, the Receiver has taken possession of majority of the books and records of the Company.

SECURED CREDITORS

Table 2 provides a listing of the claims, according to the books and records of the Company and the Personal Property Registry, that may have a priority over the claims of unsecured creditors.

Table 2		
Creditor	Assets Secured	Estimated Claim (\$000's)
Canada Revenue Agency	Deemed Trust - All present and after-acquired property	Unknown
Calmont Leasing Ltd.	Chevrolet truck	15
Trisura Guarantee Insurance Company	General Security Agreement - Inventory, equipment and accounts	Unknown
Alberta Treasury Branches	General Security Agreement - All present and after-acquired property	Unknown
TDF Group Inc.	Dodge truck	Unknown
Canadian Western Bank	General Security Agreement - All present and future indebtedness of Icon Ready Mix Ltd. to S7 Ventures Ltd.	Unknown
Daimler Truck Financial	General Security Agreement - All present and after-acquired intangible assets	Unknown
Western Surety Company	General Security Agreement - All present and after-acquired personal property	Unknown

ATB, Trisura, CWB, Western Surety and Daimler all hold registered general security agreements granting them a priority charge over all assets and after-acquired property of the Company.

Calmont and TDF Group hold security over specific serial numbered vehicles. The Receiver is in possession of the Company's vehicles.

UNSECURED CREDITORS

The Trustee is aware of 8 unsecured creditors owed approximately \$572,887. Table 3 provides the major unsecured creditors.

Creditor	Table 3 Estimated Claim (\$000's)
PBR&R Holdings Ltd.	554
RBC Royal Bank	18

IDENTIFICATION AND VALUATION OF ASSETS

Table 4 provides a summary of the Company's assets at the date of bankruptcy and the Receiver's preliminary estimated realization.

Table 4		
	Per Statement of Affairs as at April 9, 2019 (000's)	Estimated Realization (000's)
Cash	-	-
Vehicles	15	10
Receivables	2,396	Unknown
	<u>2,411</u>	<u>10</u>
Professional fees		<u>Unknown</u>
Recovery to secured creditors		<u><u>10</u></u>

Receivables represent outstanding amounts owing to the Company from various related parties based on the books and records. The estimated realization is unknown at this time.

Based on our review of the Company's assets and liabilities and the Receiver's preliminary realization estimates, we believe there will be insufficient recoveries to satisfy the priority and secured claims. We do not believe there will be a recovery to unsecured creditors.

LEGAL ACTIONS

The Trustee is not aware of any outstanding legal actions at this time.

REVIEW OF RECORDS & CONDUCT OF THE DEBTOR

The Trustee has reviewed the books and records of the Company that were made available, including bank statements for the period October 1, 2018 to April 9, 2019.

Upon review of the Company's books, records and bank statements, the Trustee is not aware of the Company being party to any preference, priorities or transfers at undervalue as set out in the *Bankruptcy and Insolvency Act*. The Trustee will seek instructions from the Inspectors and / or creditors of the Company regarding further review of transactions, if deemed necessary.

CONCLUSION

Based on our review of books and records, discussions with management and the Receiver's estimated realization we believe there will be no recovery to unsecured creditors based on the Company's assets and liabilities.

The Bowra Group Inc.

Licensed Insolvency Trustee of S7 Ventures Ltd.

Per:



Kristin Gray, CPA, CA, CIRP, LIT