

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

**IN THE MATTER OF THE BANKRUPTCY OF
ICON READY MIX LTD.**

TRUSTEE'S REPORT TO CREDITORS

November 13, 2019

BACKGROUND

Icon Ready Mix Ltd. (the "Company" or "Icon") carried on business as a ready-mix concrete contractor in Edmonton, Alberta. Mr. David Tesaraski was the sole director of the Company. We understand the Company generally ceased operations in June 2019 as a result of a seizure of the Company's assets pursuant to the *Civil Enforcement Act* by their senior secured lender, Canadian Western Bank ("CWB"). The Company operated from a leased premise in Edmonton, Alberta and had vacated the premises prior to bankruptcy.

Icon was adjudged bankrupt on October 24, 2019 by way of a Bankruptcy Order granted by the Court of Queen's Bench of Alberta, pursuant to a petition into bankruptcy by Lehigh Hanson Materials Limited o/a Inland Aggregates ("Lehigh"). The Bowra Group Inc. was appointed Licensed Insolvency Trustee (the "Trustee") of the Company.

The Company has outstanding debt owed to CWB, Calmont Leasing Ltd. ("Calmont"), Roundabout Holdings Ltd. ("Roundabout"), Lehigh and various unsecured creditors totalling approximately \$3,838,000. CWB, Calmont, and Roundabout hold registered general security agreements in the Personal Property Registry.

FINANCIAL SITUATION

Table 1 summarizes the management prepared draft income statement for the period January 1, 2019 to October 28, 2019 and the unaudited income statement for the fiscal year ended December 31, 2018.

	Table 1	
	10 Month Period Ended October 28, 2019 (000's)	Year Ended December 31, 2018 (000's)
Revenue	748	8,555
Cost of sales	1,065	7,570
Operating and admin expenses	260	2,300
Net Income (loss)	(577)	(1,315)

The Company incurred a net loss of \$577,000 for the period of January 1, 2019 to October 28, 2019 and a net loss of \$1,315,000 for the 2018 fiscal year.

Table 2 summarizes the management prepared balance sheet as at October 28, 2019 and the unaudited balance sheet as at December 31, 2018.

	As at October 28, 2019 (000's)	As at December 31, 2018 (000's)
Cash	(95)	-
Accounts receivable	1,814	1,384
Inventory	43	67
Prepays and deposits	83	83
	1,845	1,535
Capital assets	3,250	3,379
	5,095	4,913
Accounts payable and accrued liabilities	2,039	2,222
Bank indebtedness	2,344	2,638
Due to related parties	989	900
	5,373	5,759
Shareholder's equity (deficit)	(278)	(846)
	5,095	4,913

BOOKS AND RECORDS

The Trustee has taken possession of certain books and records of the Company including financial statements, bank statements, employee records and general ledgers.

CONSERVATORY AND PROTECTIVE MEASURES

We understand the Company generally ceased operations in June 2019 and all employees were terminated prior to the date of the bankruptcy. There are no outstanding salaries, wages, vacation pay, or severance amounts owed to employees. 2019 T4s and final ROEs have been prepared and provided to all previous employees.

In July and October of 2019, Canadian Western Bank ("CWB") seized all the Company's capital assets, pursuant to a general security agreement. As such, the Trustee did not take possession of the Company's assets.

The Trustee sent correspondence to CWB requesting the Company's bank accounts be frozen and any funds remaining in the accounts be remitted to the Trustee. CWB has confirmed the accounts were seized on June 8, 2019 and the balance of \$19,860 remaining in the accounts were allocated to CWB's outstanding debt.

SECURED CREDITORS

Table 3 provides a listing of the secured claims, according to the Personal Property Registry.

Table 3		
Creditor	Assets Secured	Estimated Claim (\$000's)
Canadian Western Bank	General Security Agreement - all present and after-acquired property	Unknown
Roundabout Holdings Ltd.	General Security Agreement - all present and after-acquired property	Unknown
Calmont Leasing Ltd.	General Security Agreement - specific equipment	Unknown

CWB and Roundabout hold registered general security agreements granting them a priority charge over all the assets and after acquired property of the Company.

The amount owing to CWB is unknown. The Trustee has requested a payout statement from CWB and will update the inspectors and/or creditors of the estate accordingly.

Calmont holds specific security over the following equipment:

- 2016 Dodge Ram 1500 S/N 1C6RR7GG8GS171531
- 2016 Dodge Ram S/N 1C6RR7FG3GS183717
- 2016 Dodge Ram 1500 S/N 1C6RR7NT0GS190588
- 2016 Chevrolet Silverado 1500 S/N 3GCUKNEH1GG114814
- 2017 Dodge Ram 1500 S/N 1C6RR7FG0HS640470

We understand these vehicles were included in the CWB seizures prior to the date of bankruptcy.

Canada Revenue Agency (“CRA”) has not filed a proof of claim as of the date of this report and as such the amount of their claim, if any, is unknown. Any amounts owing to CRA for unpaid source deductions may take priority over all other secured claims.

UNSECURED CREDITORS

We are aware of 42 unsecured creditors owed approximately \$2,086,000. Table 4 provides the major unsecured creditors.

Creditor	Table 4 Estimated Claim (\$000's)
Calportland Canada Ltd.	813
Inland Aggregates	405
Devlin Construction Ltd.	264
Mixcor Aggregates Inc.	218
Ashcor Technologies Ltd.	81

IDENTIFICATION AND VALUATION OF ASSETS

The Company’s assets prior to bankruptcy consisted of accounts receivable, inventory and capital assets.

CWB seized the Company’s capital assets prior to the date of bankruptcy pursuant to the *Civil Enforcement Act*. We understand from discussions with CWB and management of the Company, the first seizure occurred on July 16, 2019 and consisted of equipment and machinery. Except for 4 pieces of equipment, all seized assets were sold by the bailiff to Wild Rose Ready Mix Inc. (“Wild Rose”) for a sum of \$1,971,200. CWB has indicated the assets were sold at the assessed value minus 12% to account for costs that would have otherwise been accrued by an auction house.

The Trustee has reviewed the appraisal conducted by Sterling Appraisals & Machinery Ltd. ("Sterling") dated April 25, 2019. The appraisal provided both a fair market value ("FMV") and forced liquidation value ("FLV") of the Company's assets. We have confirmed the assets were sold at the assessed FLV minus 12% to account for costs.

We understand CWB seized additional assets consisting of miscellaneous office furniture and vehicles on October 17, 2019. CWB has indicated they intend to sell the additional assets and the four remaining assets from the first seizure in due course, however they have not yet provided their expected recovery. As noted above, the Trustee is waiting for a payout statement from CWB. As such, it is not known at this time if the sale of assets will satisfy CWB's claim.

Once the sale of remaining assets has been completed the Trustee will review and update the inspectors and/or creditors of the estate accordingly.

Receivables represent outstanding amounts owing to the Company. Based on Company records the total receivable balance at the date of bankruptcy is approximately \$1,550,000. Based on discussions with management and an analysis of the receivables, the Trustee estimates \$1,419,000 is likely uncollectible. The Trustee will be sending demand letters to all customers with outstanding amounts.

We understand the Company sold miscellaneous concrete and asphalt inventory to Lafarge prior to the bankruptcy for net proceeds of \$14,523. The Trustee is in the process of collecting the proceeds from this transaction.

Based on the foregoing, it is unknown at this time if there will be a recovery to the unsecured creditors.

LEGAL ACTIONS

The Trustee is aware of the following legal actions:

CWP Construction Ltd. ("CWP") has filed a Statement of Claim in the Court of Queen's Bench of Alberta against the Company for faulty concrete. As a result of the bankruptcy, the action against the Company is stayed and CWP would have an unsecured claim in the bankruptcy.

Lehigh has filed a Statement of Claim in the Court of Queen's Bench of Alberta against the Company in the amount of \$404,860.42 for non-payment of amounts owing. As a result of the bankruptcy, the action against the Company is stayed and Lehigh would have an unsecured claim in the bankruptcy.

Calportland Canada Ltd. ("Calportland") has filed a Statement of Claim in the Court of Queen's Bench of Alberta against the Company in the amount of \$813,471 for non-payment of amounts owing. As a result of the bankruptcy, the action against the Company is stayed and Calportland would have an unsecured claim in the bankruptcy.

Standard General Inc. ("Standard General") has filed a Statement of Claim in the Court of Queen's Bench of Alberta against the Company in the amount of \$28,017 for non-payment of amounts owing. Standard General has registered a Writ of Enforcement in the Personal Property Registry. As a result of the bankruptcy, the action against the Company is stayed and Standard General would have an unsecured claim in the bankruptcy.

Further, the Company has filed Statement of Claims in the Court of Queen's Bench of Alberta against the following companies:

- Beton Construction Group Ltd. in the amount of \$20,098 for non-payment of amounts owing;
- Legit Concrete Ltd. for non-payment of amounts owing. The Trustee is in the process of obtaining a copy of the Statement of Claim to determine the amount of the claim; and,
- Judgement was granted in favour of Icon against Dan Tanguay for unpaid amounts. The Trustee is the process of confirming the amount of the judgement and assessing collectability.

The Trustee will consult with previous legal counsel for the Company and the Inspectors and/or creditors of the bankrupt estate regarding any further action in the above, if deemed necessary.

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 and general ledgers for the period of April 1, 2019 to September 30,

2019. The Trustee did not identify any transactions that could be regarded as preference payments in accordance with the *Bankruptcy and Insolvency Act*.

CONCLUSION

Based on our review of the books and records and discussions with management it is unknown if there will be a recovery to unsecured creditors as it is dependant on the claims of the Company's secured creditors which are unknown as at this date of this report.

The Bowra Group Inc.

Licensed Insolvency Trustee of Icon Ready Mix Ltd.

Per:

A handwritten signature in black ink, appearing to read 'Kristin Gray', written over a light gray horizontal line.

Kristin Gray, CPA, CA, CIRP, LIT