

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

**IN THE MATTER OF THE BANKRUPTCY OF
3E GLASS (CALGARY) LTD.**

TRUSTEE'S REPORT TO CREDITORS

February 17, 2021

BACKGROUND AND INSOLVENCY EVENTS

This report has been prepared by The Bowra Group Inc., in its capacity as Licensed Insolvency Trustee of the bankrupt estate of 3E Glass (Calgary) Ltd. (the "**Company**" or "**3E**") to provide preliminary information to the creditors as at February 17, 2021.

3E manufactured, distributed, and installed high quality glazing and architectural aluminum building products. 3E operated out of a Calgary, Alberta in leased premise owed by a related party. The Company was incorporated in Alberta on October 12, 2016 and the Company's sole director is Mr. Qi (Michael) Wang.

We understand the Company ran into financial difficulties due to cost overruns on various projects, and unexpected health issues of key personnel resulting in significant operational challenges. As a result, on February 1, 2021, the Company made an assignment into Bankruptcy. The Bowra Group Inc. consented to act as the Licensed Insolvency Trustee (the "**Trustee**").

FINANCIAL SITUATION

Table 1 summarizes the management prepared draft income statement for the stub period of September 1, 2020 to February 1, 2021, and the fiscal year ended August 31, 2020. As a result of the insolvency, we understand the Company has not prepared financial statements for the year ended August 31, 2021.

| | Period Ended February 1, 2021 (000's) | Year Ended August 31, 2020 (000's) |
|------------------------------|---|--|
| Revenue | 2,714 | 2,813 |
| Cost of sales | 1,971 | 2,616 |
| | 742 | 197 |
| Operating and admin expenses | 196 | 503 |
| Other income | 6 | 154 |
| Net Income (loss) | 552 | (152) |

The Company generated a net income of \$552,437 for the stub period ended February 1, 2021 and a net loss of \$151,748 for the 2020 fiscal year.

Table 2 summarizes the management prepared balance sheet as at February 1, 2021, and for the fiscal year ended August 31, 2020.

| | As at November 30, 2020 (000's) | As at August 31, 2020 (000's) |
|--|---------------------------------------|-------------------------------------|
| Cash | 392 | 260 |
| Accounts Receivable | 1,057 | 719 |
| Inventory | - | 73 |
| Prepays and deposits | 297 | 130 |
| | 1,746 | 1,182 |
| Capital assets | 19 | 20 |
| Due from related company | 350 | - |
| | 2,114 | 1,202 |
| Accounts payable and accrued liabilities | 929 | 531 |
| Other current liabilities | 169 | 207 |
| | 1,098 | 738 |
| Long-term debt | 56 | 56 |
| | 1,154 | 794 |
| Shareholder's equity (deficit) | 960 | 408 |
| | 2,114 | 1,202 |

CONSERVATORY AND PROTECTIVE MEASURES

The Trustee has taken possession of the Company's location in Calgary and secured the assets of the Company. In addition, the Trustee has:

- Obtained the necessary insurance to protect the assets;
- Terminated all employees and is in the process of completing the Wage Earner Protection Program requirements;
- Prepared T4s and ROEs for all employees;
- Inventoried and obtained a valuation of all the assets;
- Contacted the landlord and made arrangements to occupy the space;
- Frozen all bank accounts and obtained any funds in the accounts, if any; and,

- Reviewed the work in process and began to identify specific inventory for ongoing jobs.

The Trustee has also received several 30-day good claims from various suppliers and is currently in the process of reviewing and assessing the validity of those claims.

BOOKS AND RECORDS

The Trustee has taken possession of certain books and records of the Company, including payroll records, bank statements, accounts receivable, and general ledgers. The Trustee is in the process of reviewing the financial records available and obtaining additional financial information from the Company.

SECURED CREDITORS

Table 3 provides a listing of the secured 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.

| Creditor | Assets Secured | Table 3 Estimated Claim (\$000's) |
|--------------------------------|--|--|
| BMO Bank of Montreal | General Security Agreement - all present and after-acquired property | 100 |
| Wage Earner Protection Program | Current assets | 27 |

BMO holds registered general security agreement granting them a priority charge over all the assets and after-acquired property of the Company. We understand there is no amount owing to BMO by the Company, however there is a cross guarantee amount owed by 3E Glass Ltd. In the event there is insufficient realizations to cover the indebtedness owed by 3E Glass Ltd., the amount owing to BMO would take priority over the Company's other creditors.

The Wage Earner Protection Program (“**WEPP**”) has security for unpaid wages, vacation pay, and severance pay up to a maximum of \$2,000 over current assets. The Trustee has provided all employees with individual calculations of their entitlement under WEPP. Each employee is entitled

to a maximum of \$7,578 for 2021. To the extent there is a distribution to the unsecured creditors the first \$7,578 of any individual employee claim will be paid to WEPP and the balance to the employee.

It is not known if there are any amounts owing to the Canada Revenue Agency (“**CRA**”) for payroll source deductions. Any amounts owing to CRA would be considered a deemed trust claim which ranks ahead of all creditors.

UNSECURED CREDITORS

Based on the Company's books and records we are aware of 47 unsecured creditors owed approximately \$1,023,212. Table 4 provides the major unsecured creditors.

| Creditor | Table 4 Estimated Claim (\$000's) |
|---|--|
| Kawneer | 288 |
| Glascurtain 2010 Inc. | 134 |
| Oldcastle Building Envelope | 114 |
| BMO Bank of Montreal | 94 |
| Alumicor | 75 |
| Double Diamond Glazing Installations Ltd. | 54 |

It is not known if there are any amounts owed to CRA for GST arrears. CRA has not filed a proof of claim as of the date of this report and as such the amount of their current claim, if any, is unknown. CRA's claim for unpaid GST would rank as an unsecured claim in the bankruptcy.

IDENTIFICATION AND VALUATION OF ASSETS

The Company's assets consist of accounts receivable, inventory and equipment and machinery located at the 3E warehouse. Table 5 provides a preliminary estimate of the realizable value of the assets of the Company.

| | Estimated Realization | |
|---|------------------------------|---------------------------|
| | Low (\$000's) | High (\$000's) |
| Receivables | 225 | 428 |
| Inventory | 6 | 36 |
| Equipment and machinery | 9 | 14 |
| | 241 | 478 |
| Professional fees | 25 | 50 |
| Recovery to unsecured creditors | 216 | 428 |
| Total unsecured creditors | 1,023 | 1,023 |
| Estimated recovery per \$1 of unsecured claim | 0.21 | 0.42 |

The estimated realizable values above are before realization costs.

Receivables represents outstanding amounts owing to the Company based on the books and records. As at the date of bankruptcy the accounts receivables had a book value of approximately \$1.12 million relating to approximately 54 projects. The Trustee does not intend to re-hire employees nor does it have the funding to complete the projects. As a result, the work will be completed by other contractors and any cost overruns will result in reducing the receivable amounts. The Trustee has held discussions with various general contractors, suppliers, and vendors in an effort to collect the outstanding amounts.

Inventory consists of glazing, window, and door products specific to ongoing projects. The Trustee estimates a recovery under a liquidation scenario of \$6,000 to \$36,000.

Equipment and machinery represent manufacturing equipment owned by the Company. It is estimated that the recovery under a liquidation scenario will be approximately \$9,000 to \$14,000.

Based on our review of the Company's assets and liabilities we estimate the recovery to the unsecured creditors will be approximately \$0.21 to \$0.42 per \$1 of unsecured claim.

LEGAL ACTIONS

The Trustee can not confirm if there are any ongoing litigations involving the Company as no information has been provided by the Company in that regard.

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 of August 1, 2020 to February 1, 2021.

The Trustee has identified several transfers between related parties, 3E Glass Ltd. and Vanaca Holdings Ltd., in the amount of \$422,673 and \$106,650, respectively, that could be regarded as preference payments in accordance with the *Bankruptcy and Insolvency Act*.

The Trustee will seek instructions from the Inspectors and / or the creditors of the bankrupt estate regarding further investigation of these transfer payments, if deemed necessary.

CONCLUSION

We estimate there will be a recovery to the unsecured creditors between \$216,000 to \$428,000 or \$0.21 to \$0.42 per \$1 of unsecured claim before realization costs.

The Bowra Group Inc.

Licensed Insolvency Trustee of 3E Glass (Calgary) Ltd.

Per:



Doug Chivers, CPA, CA, CIRP, LIT