

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

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

**TRUSTEE'S REPORT TO CREDITORS**

**April 1, 2021**

**BACKGROUND AND INSOLVENCY EVENTS**

This report has been prepared by The Bowra Group Inc., in its capacity as Licensed Insolvency Trustee (the "**Trustee**") of the bankrupt estate of 3E Glass (Edmonton) Ltd. (the "**Company**" or "**3E**") to provide preliminary information to the creditors as at April 1, 2021.

3E manufactured, distributed, and installed high quality glazing and architectural aluminum building products. 3E operated out of Edmonton, Alberta in a leased premise owned by 996399 Alberta Ltd ("**996**" or the "**Landlord**"). The Company was incorporated in Alberta on October 12, 2016 and the Company's sole director is Mr. Qi (Michael) Wang. Two related companies, 3E Glass (Calgary) Ltd. ("**3E Calgary**") and 3E Glass Ltd. ("**3E BC**") previously made assignments into bankruptcy on February 1, 2021. The Bowra Group Inc. is the Licensed Insolvency Trustee of 3E Calgary and 3E Edmonton.

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. On March 3, 2021, the Landlord seized the assets of the Company at the premise pursuant to a Landlord Distress. On March 17, 2021, the Company made an assignment into Bankruptcy. The Bowra Group Inc. consented to act as Trustee. We understand from the Company's management that 3E Edmonton did not make an assignment into bankruptcy on the same date as 3E Calgary and 3E BC as the Company had entered into a purchase and sale agreement for 3E Edmonton. Due to complications arising from the bankruptcies of 3E Calgary

and 3E BC (supplier credit, project delays and reputational damage etc.) the sale transaction did not complete.

**FINANCIAL SITUATION**

As a result of the insolvency, we understand the Company does not have externally compiled financial statements for the fiscal year ending August 31, 2020 and has not prepared financial statements for the stub period ended March 17, 2021 (date of bankruptcy). Table 1 summarizes the management prepared draft income statement for the fiscal year ended August 31, 2020 and the externally compiled income statement for the year ended August 31, 2019.

<b>Table 1</b>		
	<b>Period Ended August 31, 2020 (000's)</b>	<b>Year Ended August 31, 2019 (000's)</b>
Revenue	3,147	2,796
Cost of sales	2,627	2,177
	520	619
Operating and admin expenses	508	482
Other income	25	11
<b>Net Income (loss) before income taxes</b>	<b>37</b>	<b>148</b>

The Company generated a net income before income taxes of \$37,272 for the year ended August 31, 2020 and \$147,703 for the year ended August 31, 2019.

Table 2 summarizes the management prepared balance sheet as at August 31, 2020, and the externally compiled balance sheet for the fiscal year ended August 31, 2019.

**Table 2**

	<b>As at August 31, 2020 (000's)</b>	<b>As at August 31, 2019 (000's)</b>
Cash	90	25
Accounts Receivable	744	872
Inventory	127	9
Prepays and deposits	22	12
	983	918
Capital assets	51	69
	<b>1,034</b>	<b>987</b>
Accounts payable and accrued liabilities	291	361
Other current liabilities	145	41
	436	402
Long-term debt	290	310
	726	712
Shareholder's equity (deficit)	308	275
	<b>1,034</b>	<b>987</b>

## **CONSERVATORY AND PROTECTIVE MEASURES**

The Trustee has taken possession of the Company's leased premises in Edmonton and secured the assets. In addition, the Trustee has:

- Secured and restricted access to the premise;
- 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 2020 and 2021 T4s and ROEs for all employees;
- Inventoried and obtained a preliminary valuation of all the equipment and inventory;
- Contacted the landlord and made arrangements to occupy the space and pay occupation rent;

- Frozen all bank accounts and obtained the funds in the accounts;
- Reviewed the work in process and began to identify specific inventory for ongoing jobs; and,
- Reviewed outstanding accounts receivable balances and sent demand letters to all customers with outstanding balances.

**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.

The Trustee is in the process of obtaining access to the tax records of the Company through the authorized representative process of the Canada Revenue Agency (“CRA”). Delays in this process have occurred due to recent security threats to CRA.

**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.

<b>Creditor</b>	<b>Assets Secured</b>	<b>Table 3 Estimated Claim (\$000's)</b>
BMO Bank of Montreal	General Security Agreement - all present and after-acquired property	1
CLE Capital Inc.	Specific present and after-acquired leased equipment	14
Wage Earner Protection Program	Current assets	20
Canada Revenue Agency	Deemed Trust - all present and after-acquired property	Unknown

BMO Bank of Montreal (“**BMO**”) holds a 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 on the amount owed by 3E BC. In the event there is insufficient realizations to cover the indebtedness owed by 3E BC the amount owing to BMO would take priority over the Company's other creditors.

CLE Capital Inc. has specific security over a 2015 Dodge Ram 2500. The Trustee will review the security documents, obtain a valuation, and assess if there is any equity available to the estate.

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 CRA for payroll source deductions. Any amounts owing to CRA would be considered a deemed trust claim which ranks ahead of all creditors.

### **PREFERRED CREDITORS**

The Landlord may have a preferred claim that ranks ahead of the claims of unsecured creditors for arrears of rent for a period of three months immediately preceding the bankruptcy and accelerated rent for a period not exceeding three months rent following the bankruptcy if entitled to under the lease. The preferred claim is limited to the realization from the property on the premises. The claim for accelerated rent is reduced by any amounts paid by the Trustee for occupation rent. Based on the Trustee's review of the lease and books and records the preferred claim of the landlord is estimated to be \$18,000.

**UNSECURED CREDITORS**

Based on the Company's books and records we are aware of 31 unsecured creditors owed approximately \$535,000. Table 4 provides the major unsecured creditors.

<b>Creditor</b>	<b>Table 4 Estimated Claim (\$000's)</b>
Manhua Xu	240
Kawneer Company Canada Ltd.	112
Vitrum Glass Ltd.	27
Allmar Inc.	25
Glass TEK Ltd.	23

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.

**Table 5**

	<b>Estimated Realization</b>	
	<b>Low (\$000's)</b>	<b>High (\$000's)</b>
Cash in bank account	47	47
Receivables	75	125
Inventory	35	50
Equipment and machinery	50	65
	<hr/>	<hr/>
	207	287
Professional fees	60	30
Preferred claim	18	18
Recovery to unsecured creditors	<hr/>	<hr/>
	129	239
Total unsecured creditors	535	535
Estimated recovery per \$1 of unsecured claim	0.24	0.45

The estimated realizable values above are before realization costs.

Cash represents funds held in the Company's BMO account as at the date of bankruptcy.

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 \$465,375 relating to approximately 9 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. The Trustee estimates \$75,000 to \$125,000 will be collectible. The Trustee has recovered \$12,521 of these receivables as of the date of this report.

Inventory consists of glazing, window, and door products specific to ongoing projects. The Trustee estimates a recovery under a liquidation scenario of \$35,000 to \$50,000 based on discussions with a liquidator. The Trustee has realized proceeds of \$34,000 as of the date of this report on

the sale of inventory. The Trustee is of the opinion, this inventory had a rapidly declining value due to the specifications of this inventory used in time sensitive ongoing projects.

Equipment and machinery represent manufacturing equipment and tools owned by the Company. We estimate that the recovery under a liquidation scenario will be approximately \$50,000 to \$65,000 based on discussions with a liquidator.

Based on our review of the Company's assets and liabilities we estimate the recovery to the unsecured creditors will be approximately \$0.24 to \$0.45 per \$1 of unsecured claim.

### **LEGAL ACTIONS**

On March 3, 2021, a Civil Enforcement Warrant was issued by Stewart Belland & Assoc. Inc. to seize the personal property of the Company under a Landlord Distress for unpaid rent in the amount of \$36,374. The bankruptcy stays the Landlord Distress process, and the Landlord may prove a claim in the bankruptcy.

The Trustee can not confirm if there is additional ongoing litigation 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 September 1, 2020 to March 17, 2021.

The Trustee has identified several transfers to the related party, 3E BC, in the amount of \$295,404, 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.



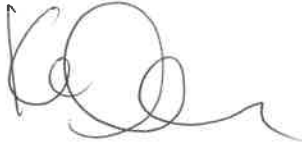
**CONCLUSION**

We estimate there will be a recovery to the unsecured creditors between \$129,000 to \$239,000 or \$0.24 to \$0.45 per \$1 of unsecured claim before realization costs.

**The Bowra Group Inc.**

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

Per:

A handwritten signature in black ink, appearing to read 'K. Gray', written over a light gray circular stamp.

Kristin Gray, CPA, CA, CIRP, LIT