

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

**IN THE MATTER OF THE BANKRUPTCY OF
CRS CRANESYSTEMS INC.**

TRUSTEE'S REPORT TO CREDITORS

April 29, 2024

BACKGROUND AND INSOLVENCY EVENTS

This report has been prepared by MNP Ltd., in its capacity as Licensed Insolvency Trustee (the "**Trustee**") of the bankrupt estate of CRS CraneSystems Inc. (the "**Company**" or "**CRS**") to provide preliminary information to the creditors as at the date of this report.

The Company was incorporated in Alberta on December 1, 2014, and the Company's directors as at the date of bankruptcy were Mr. Gerry Bellerive and Mr. David Eisler. The Company is extra provincially registered in British Columbia as CRS CraneSystems Inc.

The Company was in the business of overhead crane manufacturing and aftermarket service throughout British Columbia, Alberta, Manitoba, and Ontario. Operations were conducted from four leased facilities located in Langley, British Columbia, Sherwood Park, Alberta, Calgary, Alberta, and Mississauga, Ontario.

In the months leading up the bankruptcy, the Company, with the assistance of a broker specializing in crane companies, offered the assets and operations of CRS for sale. Through these efforts the Company negotiated a sale of the aftermarket division and related assets to an arms' length competitor (the "**Aftermarket Sale**"). As part of the transaction, the purchaser offered certain employees of the aftermarket division employment and took an assignment of the BC and Ontario leases. The sale closed on April 5, 2024. Proceed from the sale were forwarded directly to Canadian Imperial Bank of Commerce ("**CIBC**"), subject to their security.

The Trustee has reviewed the purchase agreement and efforts taken by the Company and believes the assets were adequately exposed to the market and price received was greater than the Trustee could have obtained in a liquidation scenario. The Trustee believes the Aftermarket Sale was in the best interest of CRS's creditors.

Historically the crane manufacturing division was unprofitable which led to working capital shortfalls and difficulties managing current obligations as they came due. As a result, and after conclusion of the Aftermarket Sale, the Company made the decision to wind down remaining operations. CRS made an assignment into bankruptcy on April 9, 2024. MNP Ltd. consented to act as the Licensed Insolvency Trustee.

FINANCIAL SITUATION

Table 1 summarizes the statement of operations for the fiscal years ending September 30, 2022, and September 30, 2023. These financial statements were audited by an independent, external accountant. Due to bankruptcy and ongoing financial challenges, the Company has not prepared financial statements for the stub period ending on the date of bankruptcy (April 9, 2024).

	Year Ended Sep 30, 2022	Year Ended Sep 30, 2023
Sales	20,020,080	15,969,714
Cost of sales	(14,354,286)	(12,153,550)
Gross profit	5,665,794	3,816,164
Operating and admin expenses	(5,899,920)	(6,603,025)
Other income	62,312	(122,876)
Income before income taxes	(5,837,608)	(6,725,901)
Income tax (recovery)	(233,756)	(15,224)
Net Income (loss)	61,942	(2,894,513)

The Company had a net income of \$61,942 for the fiscal year ended September 30, 2022, and subsequently incurred a net loss of \$2,894,513 for the fiscal year ended September 30, 2023. The Company generally ceased all operations in April 2024.

Table 2 summarizes the balance sheet for the fiscal years ending September 30, 2022, and September 30, 2023. These financial statements were audited by an independent, external accountant.

	As at Sep 30, 2022	As at Sep 30, 2023
Assets		
Accounts receivable	7,939,594	5,244,677
Prepaid expenses	227,329	576,340
Income taxes recoverable	285,205	960
Inventory	307,568	438,797
	8,759,696	6,260,774
Due from related parties	63,750	81,750
Property, plant and equipment	219,897	213,754
Intangible assets	800,075	401,907
Goodwill	7,658,689	7,658,689
	8,742,411	8,356,100
Total Assets	17,502,107	14,616,874
Liabilities and Shareholders' Deficiency		
Bank Indebtedness	216,817	39,594
Accounts payable and accrued liabilities	5,820,174	4,694,444
Deferred revenue	746,943	2,245,376
Current long-term debt	2,186,200	3,143,800
Current preferred Securities	-	26,000
	8,970,134	10,149,214
Long-term debt	1,143,800	-
Promissory note payable	672,000	672,000
Preferred securities	926,000	900,000
Preferred shares	600,000	600,000
	3,341,800	2,172,000
Share Capital	4,607,200	4,607,201
Contributed surplus	44,100	44,099
Retained earning	538,873	(2,355,640)
	5,190,173	2,295,660
Total Liabilities and Equity	17,502,107	14,616,874

CONSERVATORY AND PROTECTIVE MEASURES

The Company leased the following premises as at the date of bankruptcy:

1. Municipally described as 333 Strathmoor Way, Sherwood Park, Alberta. On April 9, 2024, the Trustee attended the premises, changed all locks and secured the assets located on the property. The Trustee intends to occupy these premises while it finishes certain in-progress new equipment jobs and completes an auction of the remaining inventory and equipment.
2. Municipally described as Building 4, 56 Freeport Crescent NE, Calgary, Alberta. We confirm, with the exception of one vehicle, all assets at this location, were included in the Aftermarket Sale. The vehicle was secured, and the Trustee has disclaimed its interest in the lease effective the date of bankruptcy.

The Trustee has confirmed property and liability insurance necessary to protect the assets and has ensured the continuation of utilities at the Sherwood Park premises.

The Trustee has terminated all the employees as of the date of bankruptcy. As part of the Aftermarket Sale, all employees who were offered employment by the purchaser were paid all outstanding wages and vacation pay. All other employees, including the new equipment division employees and management, were paid all outstanding wages, vacation pay and statutory severance. The Trustee does not anticipate any priority claims pursuant to the Wage Earner's Protection Program.

The Trustee has engaged ADP Canada Co., the Company's payroll service provider, to prepare the 2024 T4's and ROE's. Copies of T4's and ROE's will be provided to the employees.

The Trustee sent correspondence to the CIBC requesting the Company's bank accounts be frozen. We understand the Company's bank account held \$559,470 as at the date of bankruptcy.

BOOKS AND RECORDS

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

The Trustee is in the process of obtaining access to the tax records of the Company through the authorized representative process of the CRA.

SECURED CREDITORS

Table 3 provides a listing of the secured claims, according to the books and records of the Company and the Alberta and British Columbia Personal Property Registries, that may have a priority over the claims of unsecured creditors.

Table 3		
Creditor	Description of Claim	Estimated Claim (\$000's)
Canada Revenue Agency	Deemed trust - all present and after-acquired property	0
Export Development Canada	Secured - GSA, all present and after-acquired property	2,000
Canadian Imperial Bank of Commerce	Secured - GSA, all present and after-acquired property; and, specific serial numbered vehicles	1,051
Regimen Equity Partners Inc.	Secured - GSA, all present and after-acquired property	918
Jim Pattison Industries Ltd.	Secured - specific serial numbered vehicles	27
Harold Manifold	Secured - GSA, all present and after acquired property	23

We understand that all amounts owing to CRA for source deductions have been paid. Any amounts owing to CRA related to unpaid source deductions may constitute a deemed trust property claim with priority over all other secured claims. CRA has not filed a proof of claim as of the date of this report.

CIBC has a secured claim for a loan extended to the Company. The loan is secured by a general security agreement over all present and after-acquired property. The Company's records indicate a balance owing as at the date of bankruptcy of approximately \$1.1M. CIBC has not filed a proof of claim as of the date of this report.

Export Development Canada ("**EDC**") has a secured claim for a loan extended to the Company through CIBC. The balance owing as at the date of bankruptcy is approximately \$2.0M. EDC has not filed a proof of claim as of the date of this report. The Trustee is in the process of obtaining a security opinion on the validity and enforceability of the EDC security.

Regimen Equity Partners Inc. ("**REP**") has a secured claim for a loan extended to the Company. The balance owing as at the date of bankruptcy is approximately \$918K. REP has not filed a proof of claim as of the date of this report. The Trustee is in the process of obtaining a security opinion on the validity and enforceability of the REP security.

Jim Pattison Industries Ltd. ("**Pattison**") has security over 18 serial numbered vehicles leased by the Company. All but 4 vehicles were either included in the Aftermarket Sale or were sold and/or returned prior to the date of bankruptcy. The balance owing as at the date of bankruptcy is approximately \$27K. Pattison has not filed a proof of claim as of the date of this report. The Trustee is in the process of obtaining a security opinion on the validity and enforceability of the Pattison security. The Trustee intends to buy out the remaining leases.

Harold Manifold ("**Manifold**") has a secured claim for a loan extended to the Company. The balance owing as at the date of bankruptcy is approximately \$23K. Manifold has not filed a proof of claim as of the date of this report. The Trustee is in the process of obtaining a security opinion on the validity and enforceability of the Manifold security.

UNSECURED CREDITORS

Based on the Company's books and records, the Trustee is aware of 148 unsecured creditors owed approximately \$5,559,027. Table 4 outlines the major unsecured creditors.

Table 4	
Creditor	Estimated Claim (000's)
R&M Materials Handling	1,368
Regimen Equity Partners Inc.	1,072
Russel Metals Inc.	421
J.J. Cab Enterprises Ltd.	161
1861613 Alberta Ltd.	146
Columbus McKinnon Ltd.	141
ABUS Kransysteme GmbH	123
Varsteel Ltd.	103

IDENTIFICATION AND VALUATION OF ASSETS

The Company's assets consist of cash in bank accounts, accounts receivable, proceeds from the Aftermarket Sale, inventory and equipment. Table 5 provides a preliminary estimate of the realizable value of the assets of the Company.

Table 5

	Per Statement of Affairs as at Apr. 8, 2024	Estimated Realization	
		Low	High
	(000's)	(000's)	
Cash in bank accounts	646	560	560
Receivables	3,396	1,500	3,000
Aftermarket Sale proceeds	1,000	900	900
Inventory and equipment	-	200	400
	5,042	3,160	4,860
Final payroll - wages, vacation pay, severance		791	791
Recovery costs - rent, commissions, utilities, insurance etc.		325	275
Professional fees		150	100
Pattison - vehicle buyout		27	27
		1,293	1,193
Recovery to secured creditors		1,867	3,667
Total secured creditors		4,019	4,019
Recovery to unsecured creditors		(2,152)	(352)
Total unsecured creditors		5,559	5,559
Estimated recovery per \$1 of unsecured claim		-	-

The table above assumes the respective security held by CIBC, EDC, REP, Pattison and Manifold is valid and enforceable against the Trustee.

As at the date of bankruptcy, the Company had \$3,396,000 of accounts receivable ("AR"). The Company has estimated approximately \$605,000 is doubtful. The Trustee estimates collections between \$1,500,000 and \$3,000,000 depending on the resolution of certain in progress contracts and materials held. To maximize recovery of AR, the Trustee is working to complete certain jobs, coordinate pick up with customers and transfer contracts where applicable.

As at the date of bankruptcy, the Company had inventory, tools, equipment, and vehicles. The Trustee is in the process of obtaining proposals for the auction of the assets of the Company and

will seek further instruction from the Inspector(s) regarding the liquidation of the Company's assets. The Trustee anticipates the auction will be held in May 2024.

Net proceeds from the Aftermarket Sale in the approximate amount of \$900,000 have been forwarded to CIBC, subject to their security.

LEGAL ACTIONS

The Trustee is aware of various legal actions filed by the Company against the following parties:

- The Company has filed an action against Thomas Miller ("**Miller**") and Costal Pacific Crane ("**CPC**") regarding the completion of a project. CPC has filed a third-party claim in this action against 2479886 Ontario Inc. dba. CHL Construction, Donna L. Oliver Professional Corp o/a Alstrom Wright, Andrew Rice, and Mark Saxton.
- The Company has filed an action against Crosslinx Transit Solutions Constructors ("**Crosslinx**") regarding a dispute. Crosslinx has filed a counterclaim against CRS who defended the counterclaim and named Miller, CPC, and Hoist Engineering Ltd. as third parties.
- The Company has filed an action against Acciona Agua Canada Inc. et al, regarding unpaid invoices and a contract dispute.

All actions are stayed as result of the Bankruptcy. The Trustee will seek instructions from the Inspector(s) on next steps.

REVIEW OF RECORDS & CONDUCT OF THE DEBTOR

The Trustee has identified a sale of certain inventory and equipment sold to a previous employee prior to the date of bankruptcy in the amount of \$48,445. The Trustee is in receipt of the proceeds from the sale and is reviewing the transaction in context of a transfer undervalue. The Trustee will further review and discuss the sale with the Inspector(s).

The Trustee is in the process of reviewing the books and records of the Company that were made available, including bank statements for the period of January 1, 2023, to April 9, 2024, and externally audited financial statements for September 03, 2022, and September 30, 2023. The Trustee will seek instructions from the Inspector(s), or creditors of the estate, in the event transactions are identified that could be regarded as preference payments or transfers undervalue in accordance with the *Bankruptcy and Insolvency Act*.

A retainer in the amount of \$30,000 was provided to the Trustee by the Company prior to filing the bankruptcy.

TRUSTEE'S INTENTION TO ACT FOR SECURED CREDITOR

MNP Ltd. has entered into an agency agreement with CIBC in respect of their security. Pursuant to section 13.4(1) of the *Bankruptcy and Insolvency Act*, the Trustee has obtained a written opinion from independent legal counsel that CIBC's security is valid and enforceable against the estate.

CONCLUSION

Based on the review of the books and records of the Company and discussions with management and auctioneers, we estimate the recoveries will be insufficient to repay all secured claims in full. As such, the Trustee estimates there will be no recovery to the unsecured creditors.

MNP Ltd.

Licensed Insolvency Trustee of CRS CraneSystems Inc.

Per:  _____

Kristin Gray, CPA, CA, CIRP, LIT

Senior Vice President