

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

**IN THE MATTER OF THE BANKRUPTCY OF
TECHCANADA CONTRACTING LTD.**

TRUSTEE'S REPORT TO CREDITORS

November 28, 2023

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 Techcanada Contracting Ltd. (the "Company" or "Techcanada") to provide preliminary information to the creditors as at the date of this report.

The Company was incorporated in Alberta on July 22, 2009, and the Company's director as at the date of bankruptcy was Mr. Aric Ferguson ("Ferguson"). The Company was previously extra provincially registered in British Columbia as Electech Contracting Ltd. ("Electech"). Electech was cancelled effective May 15, 2021, and continued in Alberta as Techcanada.

The Company was in the business of residential, commercial, industrial, electrical, mechanical, and general service contracting throughout Alberta and British Columbia. Operations were conducted from four leased facilities located in Duncan, British Columbia, Kamloops, British Columbia, and two locations in Calgary, Alberta.

We understand the Company ran into financial difficulties as a result of the insolvency of some of its largest contractors which led to working capital shortfalls and difficulties managing current obligations as they came due. As a result, the Company made an assignment into bankruptcy on November 10, 2023. MNP Ltd. consented to act as the Licensed Insolvency Trustee.

FINANCIAL SITUATION

Table 1 summarizes the statement of operations for the fiscal years ending June 30, 2021, and June 30, 2022. These financial statements were reviewed by an independent, external accountant. Due to the loss for the year ended June 30, 2023, and ongoing financial challenges, the Company has not prepared financial statements for the current year.

	Year Ended June 30, 2021 (\$000's)	Year Ended June 30, 2022 (\$000's)
Sales	9,038	14,393
Cost of sales	(7,568)	(12,871)
Gross profit	1,470	1,522
Operating and admin expenses	(1,322)	(1,413)
Other income	1,119	(788)
Income before income taxes	(203)	(2,201)
Income tax (recovery)	103	(141)
Net Income (loss)	1,164	(538)

The Company had a net income of \$1,164,000 for the fiscal year ended June 30, 2021, and subsequently incurred net losses of \$538,000 for the fiscal year ended June 30, 2022. The Company generally ceased all operations in November 2023.

The Trustee understands that other income earned in 2021 and 2022 relates to the gain or loss on the sale of marketable securities.

Table 2 summarizes the balance sheet for the fiscal years ending June 30, 2021, and June 30, 2022. These financial statements were reviewed by an independent, external accountant.

Table 2

	As at June 30, 2021 (000's)	As at June 30, 2022 (000's)
Marketable securities	1,067	42
Accounts receivable	2,630	3,531
Holdbacks receivable	-	628
Work in progress	553	811
Inventory - raw materials	211	365
Prepaid expenses	-	8
Deposits	4	12
	4,465	5,397
Due from related parties	1,092	1,003
Property, plant and equipment	595	560
	6,152	6,960
Cheques written in excess of deposits	65	390
Line of credit	1,309	1,547
Accounts payable and accrued liabilities	1,120	2,056
Bank loan	29	-
Government remittances payable	1,795	1,697
Income taxes payables	172	105
Due to shareholder	1	113
	4,491	5,908
Future income taxes	121	50
	4,612	5,958
Retained earnings	1,540	1,002
	6,152	6,960

CONSERVATORY AND PROTECTIVE MEASURES

The Company leased the following premises:

1. Municipally described as 3997 Drinkwater Road in Duncan, British Columbia. We note this premises is a sublease of a portion of a lay down yard. On November 10, 2023, the Trustee attended the premises and secured the assets located in the yard.
2. Municipally described as 1648, 1648A and 1648B Valleyview Drive in Kamloops, British Columbia. The Trustee has confirmed the locks have been changed and the property is secured.
3. Municipally described as 4086 Ogden Road SE in Calgary, Alberta. We note this premises is a sublease of a portion of a lay down yard. On November 16, 2023, the Trustee attended the premises and secured the assets located in the yard.
4. Municipally described as 1400, 800 5 Avenue SW in Calgary, Alberta. The Trustee is working with the landlord and Ferguson to ensure all Company property has been removed from the premises. We confirm there are minimal assets, mainly computer equipment, located at this premises. 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 Kamloops premises.

The Trustee has terminated all the employees as of the date of bankruptcy and is assisting with the preparation of Wage Earner Protection Program (“**WEPP**”) claims. The Trustee has engaged a bookkeeper to prepare the 2023 T4’s and ROE’s. Copies of T4’s and ROE’s will be provided to the employees.

The Trustee sent correspondence to the Royal Bank of Canada (“**RBC**”) requesting the Company’s bank accounts be frozen and any funds remaining be forwarded to the Trustee. We understand the Company’s bank account held a negative balance 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, 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	720	
Royal Bank of Canada	Secured - GSA, all present and after-acquired property	1,350	
Jim Pattison Industries Ltd.	Secured - specific serial numbered vehicles	2,125	
Factors Western Inc.	Secured - GSA, all present and after acquired property	456	

The Company's books and records indicate an amount owing to CRA for source deductions in the approximate amount of \$720,000. 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.

RBC 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 balance owing as at the date of bankruptcy is approximately \$1.35M.

Jim Pattison Industries Ltd. (“**Pattison**”) has security over 37 serial numbered vehicles leased by the Company. Pattison has filed a secured claim with the Trustee in the amount of \$2,124,769. The Trustee is in the process of obtaining a security opinion on the validity and enforceability of the Pattison security.

Factors Western Inc. (“Factors Western”) has a claim against the Company pursuant to a factoring agreement. The loan is secured by a general security agreement over all present and after-acquired property. Factors Western 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 Factors Western claim.

UNSECURED CREDITORS

Based on the Company’s books and records, the Trustee is aware of 98 unsecured creditors owed approximately \$4,595,271. Table 4 outlines the major unsecured creditors.

Creditor	Table 4 Estimated Claim (000's)
Ferguson Properties Ltd.	1,004
Guillevin International Co.	343
Ferguson Group Ltd.	325
Lac La Biche Building Products Ltd.	262
Century Interiors Ltd.	252
E.B. Horsmand & Son	248
Canada Revenue Agency - GST	150
Wesco International	136
Claw Roofing Specialists	80

IDENTIFICATION AND VALUATION OF ASSETS

The Company's assets consist of inventory, accounts receivable, tools, equipment, and vehicles. Table 5 provides a preliminary estimate of the realizable value of the assets of the Company.

	Per Statement of Affairs as at Nov. 9, 2023 (000's)	Estimated Realization	
		Low	High
		(000's)	
Inventory	100	50	75
Receivables	1,656	340	1,650
Vehicles	1,300	2,125	2,125
Equipment and machinery	200	75	100
	3,256	2,590	3,950
Payment to secured creditor (CRA)		720	720
Preferred payment to employees (WEPP)		144	144
Payment to secured creditor (Pattison)		2,125	2,125
Payment to secured creditor (Factors Western)		456	456
Recovery costs - commissions, utilities, insurance etc.		80	60
Professional fees		100	75
		3,625	3,580
Net funds available		(1,035)	370
Recovery to RBC (estimated claim of \$1.35 million)		-	370
Recovery to unsecured creditors		-	-
Total unsecured creditors		4,595	4,595
Estimated recovery per \$1 of unsecured claim		-	-

The table above assumes the respective security held by RBC, Pattison and Factors Western is valid and enforceable against the Trustee. As noted earlier, the Trustee is in the process of obtaining legal opinions confirming such.

As at the date of bankruptcy, the Company had \$4,733,000 of accounts receivable. The Company has estimated approximately \$3,089,000 is doubtful. The Trustee estimates collections between \$340,000 and \$1,650,000 depending on the resolution of certain construction contracts and liens. The Company is working with the Trustee to ensure construction contracts are transferred where possible and liens are registered where warranted to maximize collection.

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 early January 2024.

LEGAL ACTIONS

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

- EMCO Corporation
- AARC-West Mechanical Insulation (2013) Inc.
- FSJ Quality Electric Ltd.
- Slegg Building Materials
- Alggin Metal Industries Ltd.
- Andrew Sheret Limited et al.
- Century Interiors Ltd., Johnson Controls, and Synergy Projects Ltd.
- Cybair Canada Inc.
- Maxwell Mechanical
- 1006165 Alberta Ltd. (dba. Claw Roofing Specialists)

All actions are stayed as result of the Bankruptcy.

The Company has filed a lien in the amount of \$560,228 against Strata Lots 6-10, 18-23, 28-33 Section 8 and 11 Lake District Strata Plan EPS8199 for outstanding amounts related to the installation of various plumbing and electrical fixtures. The Trustee will seek instructions from the Inspector(s) on next steps.

The Company has filed a lien in the amount of \$861,703 against Lot A Section 18 Range 6 Quamichan District Plan EPP68502 for outstanding amounts related to labour and materials for

carpentry and the installation of mechanical and electrical systems. The Trustee will seek instructions from the Inspector(s) on next steps.

REVIEW OF RECORDS & CONDUCT OF THE DEBTOR

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 December 23, 2022, to October 27, 2023, and externally compiled financial statements for June 30, 2021, and June 30, 2022. 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 \$40,000 was provided to the Trustee by Techcanada and is considered a shareholder distribution.

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 Techcanada Contracting Ltd.

Per: 
Kristin Gray, CPA, CA, CIRP, LIT
Senior Vice President