

Court File # 32-1899737

**IN THE MATTER OF THE PROPOSAL OF
ROLCON CONSTRUCTION INC.
OF THE TOWN OF BRAMPTON
PROVINCE OF ONTARIO**

**TRUSTEE'S REPORT ON PROPOSAL
August 29, 2014**

DISCLAIMER:

In preparing this report and making the comments herein, The Trustee has been provided with, and has relied upon certain unaudited, draft and/or internal financial information, the Debtor's books and records, discussion with the Debtor. ("the Information"). Except as described in this Report:

- a) The Trustee has not audited, reviewed or otherwise attempted to verify the accuracy of completeness of the Information in a matter that would wholly or partially comply with the generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook and accordingly, the Trustee expresses no opinion on or other form of assurance in respect of the Information;*
- b) Some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed;*
- c) The Trustee has prepared this Report in its capacity as Trustee acting in Re: the Proposal of the Debtor, and has made a copy available to all known creditors of the Debtor's Estate. Parties using this Report are cautioned that it may not be appropriate for their purposes.*
- d) Any financial information referred to in this Report was prepared based on the Debtor's estimates and assumptions. Readers are cautioned that since projections are based on assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize and the variations could be significant.*

Pursuant to Sections 50(5) and 50(10) (b) of the BIA, the Trustee is submitting the following report to provide assistance to creditors in considering their position with respect to the Proposal.

A formal Proposal under Division I, Part III of the Bankruptcy and Insolvency Act is a legal procedure whereby a Debtor makes an offer to its creditors to settle and compromise its debt. Creditors vote on the proposal and if 2/3 in dollars, and 1/2 in number, accept it, and if the Court then ratifies it, it becomes binding on all unsecured creditors and on those classes of secured creditors having voted for it.

Before the Proposal is made, the Trustee assesses the financial situation of the Debtor. The Trustee reports its findings to creditors so that they may be better informed in making their decision on accepting or rejecting the Proposal. If the unsecured creditors reject the Proposal, the Debtor automatically becomes bankrupt.

SUMMARY OF PROPOSAL AND ESTIMATED RECOVERY

The Debtor intends to remain fully operational throughout the Proposal. The Proposal will be funded from cash flow generated from operations.

The Debtor is required to pay Crown claims of approximately \$1,600.00 (subject to audit adjustments). Payment of at least \$267.00 per month commencing in the month immediately following the month in which of Court Approval of the Proposal is granted, with any payment adjustments necessary to ensure full payment of the source deduction claim, within the six month statutory requirement.

The Debtor shall make available the total sum of \$40,950.00 with regard to the Trustee's fees and the settlement of the unsecured creditors. The unsecured creditors will share equally on a pro rata basis the total sum of \$24,000.00.

Payments shall be made as follows:

- a. at the rate of at least \$900.00 per month for a period of 34 consecutive months commencing in the month immediately following the month in which Court approval is granted; PLUS
- b. a further 26 consecutive monthly payments at the rate of at least \$400.00

The total term of the proposal shall be not more than 60 months.

Payments will be made to creditors in a quarterly basis.

The Debtor shall be at liberty to pay any portion of the amounts due hereunder, at any time, without bonus or penalty.

It is estimated that the unsecured creditors shall receive a dividend of approximately 20-35% of their proven claim upon the completion of the Proposal. This understandable is dependent on the provable claims filed. As reported on the Statement of Affairs filed by the Debtor the total unsecured claims are approximately \$67,000.00.

BACKGROUND AND CAUSES OF INSOLVENCY

The Debtor is a small framing construction company specializing in brand new home development. It is an Ontario Corporation which was incorporated on June 6, 2007. On August 8, 2014 the Debtor filed a Proposal with its creditors.

Several factors contributed to the financial difficulty of the Debtor. Being in the construction business, weather plays a significant role in the commencement of projects. In 2013 and part of the beginning of 2014 construction projects began significantly later than anticipated as a result of “frozen ground”. Certain projects were terminated and or delayed to no fix date. As result of the delays, various contractors provided their termination with the Debtor.

As a result of delays in the commencement of the various projects, the Debtor fell behind in keeping its payment obligations current with its creditors. WSIB was a significant creditor early in the process. They demanded that a payment schedule/settlement be entertained. Understandably WSIB plays a significant role in this type of industry, as such payment plans were negotiated which ultimately put a significant burden on the Debtor’s cash flows.

1. ASSETS AVAILABLE TO CREDITORS IN A BANKRUPTCY

The Debtor has minimal equipment. The assets consist predominantly of regular hand and power tools which are fairly old and deteriorated. One must bear in mind that these hand tools rapidly depreciate in value. The debtor’s tools have an approximate value of \$1,500 dollars. The Trustee did not conduct an appraisal as the expense of an appraisal outweighed the value of the assets.

At the time of filing the Proposal, the Debtor continues to be working on two significant projects. These projects are on schedule and WSIB is working closer with the Debtor in ensuring premiums are current. Payments are being received in the normal course and utilized in the daily cash-flow of the Debtor’s business operations. As such, in the event of a bankruptcy, all projects would be terminated which ultimately would result in the loss of any receivables being generated from these projects.

The Trustee suggests that the recovery in the proposal is more than would potentially be available in a bankruptcy and the proposal provides more certainty as to recovery than does the bankruptcy scenario.

2. Reviewable Transactions, Settlements and Preferences

The Trustee is not aware of any reviewable transactions, settlements or preferences.

3. LIABILITIES

The liabilities of the Debtor are set out in the Statement of Affairs attached.

4. PROPOSAL vs. BANKRUPTCY

If the Proposal is approved, the Debtor can maintain operations and provide for a substantial repayment of its unsecured creditors.

In the case of a bankruptcy, after factoring applicable levy, fees and Trustees fees the unsecured creditors would likely receive no dividend.

The Proposal will therefore provide the ordinary unsecured creditors with a greater dividend than they would receive in a bankruptcy.

5. INDEPENDENCE AND PREVIOUS DEALINGS WITH DEBTOR

The Trustee has had no prior dealings with the Debtor in relation to his personal financial circumstances before being consulted with regard to the proposal herein.

6. TRUSTEE'S WORK AND ACTION TO DATE

The Trustee has provided assistance in drafting the filing of the Proposal and preparation and review of the Cash-flow and its report herein.

7. FEES AND COSTS OF ADMINISTRATION

The Trustee has done the following as required by statute, directive, and/or the Standards of Professional Practice of the Canadian Insolvency Practitioners Association:

- i. Assisted with the drafting of the Proposal
- ii. Certified and filed the Debtor's cash flow
- iii. Investigated the affairs of the Debtor

The Trustee has devoted necessary time, effort and resources in assisting the Debtor in the preparation of this Proposal, analysis of underlying issues and investigated the affairs of the Debtor. The Proposal Trustee shall be the trustee under this Proposal and all monies payable under this Proposal, unless otherwise provided herein, shall be paid over to the Proposal Trustee who shall make the payment of all dividends in accordance with the terms of this Proposal.

The Trustee's fees are included in the Proposal. In accepting the Proposal, creditor's consent that the Trustee may take its fees and disbursements in the Proposal as soon as funds may be made available, and at its own discretion as the funds would not constitute assets of the Debtor.

8. ADMINISTRATION AND OTHER

Proof of Claim

Please complete the enclosed Proof of Claim completely. Be sure to include all amounts owing up to the date of the filing of the Proposal, being August 08, 2014.

Creditors may attend (in person or by proxy) and may vote at the Meeting of Creditors held to consider this Proposal. However, in order to do so, a creditor MUST file a proof of claim prior to the start of the First Meeting of Creditors.

If you do not wish to participate at the meeting or vote on the Proposal, you may file a Proof of Claim after the meeting of creditors, for the purposes of dividends only.

Proxy

Creditors may complete a proxy permitting others to vote at creditors meetings on their behalf.



t: (905) 503-3328
(888) 552-5087

f: (905) 503-2338

78 Wellington Street E.
Aurora, ON L4G 1H8

Joanne Russo, CIRP
Trustee in Bankruptcy
President

c: (416) 723-5232

t: (905) 503-3328 ext. 101

e: russo@russocanhelp.com

Voting Letter

Creditors not attending the First Meeting of Creditors and wishing to vote on the proposal must complete a Voting Letter in addition to the Proof of Claim mentioned above.

This meeting will be held on:

Date: August 29, 2014
Time: 1:30pm
Place: OFFICE OF THE TRUSTEE
78 Wellington Street E.
Aurora, Ontario

Creditors who do not wish to attend or be represented at the meeting; but who wish to submit a claim and/or vote may forward their Proof of Claim and Voting Letter by mail to the above address **to be received prior to the meeting**. Claims for dividend purposes can be accepted after the meeting, however Voting Letters cannot.

Should you have any questions, please feel free to contact the Trustee at 905-503-3328 x 101 or 105.

Dated at Toronto, Ontario, this 28th day of August, 2014.

RUSSO CORP.
Trustee acting in re: the matter of the Proposal of
ROLCON CONSTRUCTION INC., a debtor

Per: Joanne Russo, CIRP