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CALGARY JUDICIAL CENTRE

TRUSTEE'S REPORT TO THE CREDITORS ON PRELIMINARY ADMINISTRATION

**IN THE MATTER OF THE BANKRUPTCY OF
NOMODIC MODULAR STRUCTURES INC., AITHRA PROJECTS INC.,
AND NOMODIC MODULAR STRUCTURES (ONTARIO) LTD.**

**of the City of Calgary
in the Province of Alberta**

October 26, 2023

BACKGROUND AND GENERAL INFORMATION

Nomodoc Modular Structures Inc., Aithra Projects Inc., and Nomodic Modular Structures (Ontario) Ltd. (collectively referred to as “**Nomodoc**” or the “**Company**”) was incorporated pursuant to the provisions of the *Business Corporations Act (Canada)* with a registered office located in the City of Calgary in the Province of Alberta.

On October 6, 2023, an application was made by ATB Financial (“**ATB**”) to petition the Company into bankruptcy which was subsequently granted by the King’s Court of Alberta on the same day (the “**Date of Bankruptcy**”). FTI Consulting Canada Inc. (“**FTI**”) was appointed as trustee of the bankruptcy estate (the “**Trustee**”), subject to affirmation by creditors at the first meeting of creditors (“**FMOC**”). Prior to the Date of Bankruptcy, on or about October 1, 2023, Nomodic ceased operations and all employees either resigned or were terminated. In addition, all directors had resigned prior to the Date of Bankruptcy.

The Company carried on business in construction management for prefabricated modular structures primarily in British Columbia, Alberta, and Ontario. Prior to the Date of Bankruptcy, the Company had approximately 65 employees and the following major current projects:

- Two projects for the British Columbia Housing Management Commission (“**BCHMC**”): one located at 45865 Tretheway Avenue, Chilliwack, BC (the “**Chilliwack Project**”) and the other located at 260 White Road, Duncan, BC (the “**Duncan Project**”);
- A project for the City of Greater Sudbury located at 1179 Lorraine Street, Sudbury, ON (the “**Sudbury Project**”); and
- Various other miscellaneous construction projects located in Albert and BC.

At the Date of Bankruptcy, the Company's assets included cash, receivables, vehicles, and other miscellaneous assets (collectively, the "**Bankruptcy Assets**"), as described in further detail below.

CAUSES OF INSOLVENCY

The Trustee's preliminary review of the Company's affairs indicates the following factors contributed to its insolvency:

- Global supply chain issues (due to the impacts of COVID-19) made sourcing materials a challenge which caused delays and added unexpected costs. The Company also experienced an increase in input costs during this period;
- Further compounding its financial difficulties during this period, the Company had several fixed price contracts and limited ability to pass along the increased input costs to the client, causing reduced profits, and at times, significant project losses;
- The Company experienced cost overruns in completing projects and due to certain outstanding deficiency work, was at times, unable to collect remaining holdback receivables;
- The Company raised additional equity in early 2023 and renegotiated its operating facilities with ATB; however, ultimately was unable to improve its working capital position over the last 6 months; and
- On September 25, 2023, ATB delivered the Company a demand letter and corresponding Notices of Intention to Enforce Security, in accordance with section 244 of the BIA. As the Company had no further access to its ATB operating line and had insufficient operating cash flow, Nomodic made the decision to cease operations and terminate all employees. The Company was petitioned into Bankruptcy on October 6, 2023.

APPOINTMENT OF A TRUSTEE IN BANKRUPTCY

The Trustee performed the following duties as required under the *Bankruptcy and Insolvency Act*:

- Obtained control of the Company's available books and records;
- Retained a former employee of the Company to assist in securing the Company's assets, assist in reviewing accounts receivables and recovery of other assets and to review various outstanding accounting that may need to be completed; and
- Attended to the various statutory notice requirements, including:
 - Sent a notice in the prescribed form, to every known creditor as at the Date of Bankruptcy;
 - Arranged for a publication of the notice of bankruptcy and first meeting of creditors containing the prescribed information under the *Bankruptcy and Insolvency Act* in the Calgary Herald and Vancouver Sun on October 14, 2023;
 - Uploaded copies of the creditor package and other bankruptcy information to the Trustee's website: <https://cfcanada.fticonsulting.com/nomodic>; and
 - Responded to various questions from creditors and stakeholders, as appropriate.

SECTION A – Summary of Assets

At the Date of the Bankruptcy, the Company's statement of affairs reflects the following remaining assets (the "Property"):

Statement of Affairs	
\$000s	Amount
Cash	<i>TBD - See Below</i>
Accounts Receivable (estimate to produce)	3,000
Furniture	93
Securities	270
Vehicles	353
Other Property	256
Total Assets	\$ 3,971

In addition to the above, the Trustee notes the following:

- \$1.2 million of cash is held in an account with the Royal Bank of Canada ("RBC") in the Company's name (the "RBC Funds"). At the time of the completion of the statement of affairs, it was believed that the RBC Funds were transferred and applied against the ATB indebtedness. The Trustee subsequently confirmed that the \$1.2 million remains frozen with RBC and the Trustee is in the process of transferring these funds to the Trustee's account.
- There is approximately \$1.1 million held in a separate RBC account (frozen) in the name of the Company (the "Joint RBC Account") which the Trustee understands relates to the Sudbury Project. The Joint RBC Account is in the name of the Company but is subject to a joint signing authority with an unrelated party. As discussed below, the Trustee has been contacted by several parties claiming priority and/or trust claims to the funds in the Joint RBC Account.
- The Trustee is also aware of a guaranteed investment certificate at RBC (the "RBC GIC") in the amount of \$500,000, which served as security in favour of RBC for the issuance of a \$500,000 letter of credit held by Tokio Marine Canada Ltd. ("Tokio"). The letter of credit held by Tokio was in support of the performance guarantee for the Sudbury Project. Upon the default notice on the Sudbury Project, the City of Greater Sudbury made a claim under the performance bond and called upon the letter of credit.
- The Trustee is aware of a funds control account for the Chilliwack Project managed by Syrberus inc. The Trustee has contacted Syrberus Inc. with respect to these funds and will evaluate priority with respect to the funds on hand.
- No other funds were on hand at the Date of Bankruptcy.

All of the Company's Property appears to be encumbered in favour of various secured creditors comprising the Canada Revenue Agency ("CRA"), ATB, BDC as well as other potential lienholders or trust claims. The Trustee has retained legal counsel who will be preparing a legal opinion regarding the validity of the various security positions. The Trustee is currently evaluating cash on hand, accounts receivable and other assets to determine recovery strategies and estimated recoveries. At

this time, the Trustee cannot estimate whether any funds are expected to be available for distribution to preferred or unsecured creditors.

SECTION B

1. Conservatory and protective measures

The Trustee has undertaken the following actions and conservatory measures:

- The Trustee has requested all bank accounts to be frozen. The Trustee further requested the RBC Funds to be transferred to its account. The Joint RBC Funds are frozen and remain at RBC pending further discussion as to the parties that are entitled to such funds;
- The Trustee has attempted to contact all material customers with respect to the bankruptcy proceedings in order to facilitate potential collections and organize a transaction of accounting/financial records, if practical;
- The Trustee is aware of potential outstanding employee claims resulting from the termination of the employees on or about October 1, 2023, and is gathering the required information to file the Wage Earner Protection Program (“**WEPP**”) applications for the employees;
- The Trustee has completed the employee record of employment (ROE) and is in the process of preparing the T4’s for the employees;
- Contacted the IT service provider regarding backups of the books and records of the Company;
- Leased vehicles from Enterprise Fleet Management Canada Inc. were returned to the lessor to be sold with any residual equity disbursed to the Trustee;
- Potentially leased vehicles from Ford Credit Canada Company are being evaluated to confirm if they are encumbered and if there is any realizable equity for the estate;
- The Trustee is making arrangements to locate, collect and consolidate the remaining miscellaneous assets to facilitate an auction of such items;
- The Trustee has taken preliminary steps in the realization of the miscellaneous investments held by Nomodic (book value of \$283,741);
- The Trustee has issued demand letters for certain outstanding receivables based on the books and records of the Company as of August 31, 2023. Subsequent demand letters will be sent upon completion of September project billings;
- The Trustee has received notices of default from the following parties (collectively, the “**Notices of Default**”):
 - Two notices of default from BCHMC for the Chilliwack Project and the Duncan Project. The Trustee held a preliminary discussion with BCHMC on the bankruptcy status and next steps for transition of information to them;

- A notice of default has been received from the City of Greater Sudbury in relation to the Sudbury Project;
 - A notice of default has been received from CIVEO Canada LP for a camp dismantle project in BC; and
 - Other non-project related notices have also been received, such as a notice of default from a landlord.
- The Trustee has not opposed the Notices of Default given the following:
 - The Trustee does not have access to the quantum of funds required to continue with the projects and that the Trustee does not have sources to such funding;
 - The practical issues that would be required to complete such projects including uncertain recoveries; and
 - All employees were terminated prior to the Date of Bankruptcy.

2. Carrying on business

Prior to the Date of Bankruptcy, the Company ceased operations by terminating employees and notifying its subcontractors to stop working. Moreover, the Trustee received various notices and letters of default from the Company's customers as discussed above. With this in consideration, there is no business for the Trustee to carry on.

SECTION C: Legal Proceedings

The Trustee is aware that the Company has on-going litigation where Nomodic Modular Structures Inc. is the plaintiff against defendant Nexus 1 LLC.

No legal proceedings have been initiated by or against the Trustee as of the date of this report.

The Trustee has retained MLT Aikins LLP to assist in any legal proceedings as required.

SECTION D: Secured Creditors and Trust Claims

The following registrants have security registered against the Company under provincial personal property security registration systems as at the Date of Bankruptcy:

- ATB Financial
- Royal Bank of Canada
- Ford Credit Canada Company
- Business Development Bank of Canada
- Tokio Marine Canada Ltd.
- Enterprise Fleet Management Canada Inc.
- Sterling Crane
- Hayworth Equipment Sales Inc.

Based on the preliminary information available, the Trustee is aware of the following secured claims:

Secured Claims	Amount
\$000s	
Receiver General of Canada	190
ATB Financial	1,429
Business Development Bank of Canada	1,000
Enterprise Fleet Management Inc.	206
Arch Insurance Canada Inc.	TBD
Tokio Marine Canada Ltd.	TBD
Total Secured Claims	\$ 2,825

The Trustee has been contacted by certain parties with respect to potential priority and/or trust claims against Nomodic which the Trustee is currently evaluating including:

- Claims by various parties as against the funds in the Joint RBC Account;
- Claims by a party with respect to certain potential trust claims in respect of the \$1.639 million cheque that was deposited on the date of the Bankruptcy as discussed in the affidavit of Mr. Muhammad Ashraf dated October 6, 2023. The Trustee understands the Company deposited this cheque on October 6, 2023 and the cheque was applied against the outstanding indebtedness of ATB at that time; and
- The Trustee has been contacted by various creditors who have claimed a priority claim or lien claim with respect to certain receivables and will be evaluating in due course.

SECTION E: Provable Claims

As at the date of this report, the Trustee has received 39 proofs of claim from unsecured creditors totalling \$3,431,166. 1 of the unsecured creditors have appointed the Trustee as the creditor's proxy for the first meeting of creditors.

SECTION F: Anticipated Realization and Projected Distribution

The Trustee is currently in the process of reviewing the secured claims and other priority claims as well as estimated recoveries. At this point, the Trustee is not in a position to estimate anticipated realizations to unsecured creditors.

SECTION G: Reviewable Transactions and Preference Payments

The Trustee is evaluating the Company's bank records for the twelve-month period prior to the date of the bankruptcy for purposes of identifying any payments that may be considered preference payments under the *Bankruptcy and Insolvency Act*. Following this review if there are the any transactions worthy of further investigation, the Trustee will notify the creditors.

SECTION H: Third Party Deposit & Guarantees

There are no third-party deposits or guarantees for the administration of the bankruptcy and the Bankruptcy Assets will be used to fund the fees and expenses incurred by the Trustee in the bankruptcy proceedings.

SECTION I: Other Matters

There are no other matters.

All of which is respectfully submitted this 26th day October 2023.

Yours truly,

FTI Consulting Canada Inc.
In its capacity as Trustee of
the Company and not
in its personal capacity

Per:



Deryck Helkaa, CIRP, LIT
Senior Managing Director