

COURT FILE NUMBER 2301 - 16982

COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

MATTER IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, RSC 1985, c C-36, as amended

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF CANDESTO ENTERPRISES CORP., D3
INFRASTRUCTURE SERVICES INC. and SAFE ROADS
ALBERTA LTD.

DOCUMENT **PRE-FILING REPORT OF THE PROPOSED MONITOR
ALVAREZ & MARSAL CANADA INC.**

December 19, 2023

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

PROPOSED MONITOR
ALVAREZ & MARSAL CANADA INC.
Bow Valley Square IV
Suite 1110, 250 – 6th Avenue SW
Calgary, Alberta T2P 3H7
Orest Konowalchuk / Bryan Krol
Telephone: (403) 538-4736 / (403) 538 -7523
Email: okonowalchuk@alvarezandmarsal.com
bkrol@alvarezandmarsal.com

COUNSEL
Gowling WLG (Canada) LLP
Barristers & Solicitors
Sam Gabor
Phone: (403) 298-1946
Email: sam.gabor@gowlingwlg.com



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INTRODUCTION

1. Alvarez & Marsal Canada Inc. (“**A&M**” or the “**Proposed Monitor**” and, once appointed, the “**Monitor**”) understands that Candesto Enterprises Corp. (“**CEC**”), Safe Roads Alberta Ltd. (“**Safe Roads**”) and D3 Infrastructure Services Inc. (“**D3**”) (collectively, the “**Companies**” or “**Applicants**”) are applying (the “**CCAA Applications**”) for certain relief under the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the “**CCAA**”). The proceedings that are proposed to be commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.
2. A&M further understands that the Companies have filed an initial application under the CCAA for an initial order (the “**Initial Order**”) and a concurrent application wherein the Applicants will also seek an amended and restated initial order (the “**ARIO**”) on the same day as the Initial Order. The Applicants will be seeking the following relief:
 - a) abridging the time for service and deeming service of the Originating Application and supporting materials to be good and sufficient;
 - b) commencing the CCAA Proceedings under the CCAA;
 - c) declaring the Applicants are companies to which the CCAA applies;
 - d) establishing an initial stay of proceedings of December 30, 2023, and an extension of the stay of proceedings to January 12, 2023 (the “**Initial Stay Period**”);
 - e) appointing A&M as the Monitor in the CCAA Proceedings;
 - f) authorizing the Applicants to file a plan of arrangement;
 - g) authorizing the Applicants to carry on business in a manner consistent with the preservation of their businesses and property;

- h) authorizing the Applicants to pay the reasonable expenses incurred by them in carrying out their businesses in the ordinary course;
- i) authorizing the Applicants to pay, with the prior consent of the Monitor, certain limited pre-filing expenses;
- j) staying all proceedings, rights and remedies against or in respect of the Applicants, its directors and officers, and the Monitor during the Initial Stay Period, including a stays of proceedings in favour of:
 - i. 1964740 Alberta Inc. (“**196 Inc.**”), the Batavi Venture Group Inc. (“**Batavi**”) and Barricades and Signs Ltd. (“**Barricades**”) (together with the Applicants, the “**Indemnitors**”) with respect to any claims that relate to any obligations of the Indemnitors under the Indemnity Agreement in favour of Trisura Guarantee Insurance Company (“**TGIC**”) and/or Trisura Insurance Company (“**TIC**”) and together with TGIC, “**Trisura**”) dated July 22, 2022 (the “**Indemnity Agreement**”); and
 - ii. Batavi with respect to a share pledge agreement dated January 31, 2022 between Batavi, Vor Allem Consulting Ltd. (formerly, 411850 Alberta Ltd.) (“**VAC Ltd.**”) and Chris Bokenfohr (“**Bokenfohr**”) (the “**Pledge Agreement**”), including but not limited to, the enforcement of any rights under the Pledge Agreement;
- k) approving the financing to be provided by the Interim Lender (as defined below), to the Applicants in a principal amount of up to \$1,300,000 pursuant to the terms and conditions of the Term Sheet and Interim Financing (defined below);
- l) approving the charges over the assets, undertaking and property of the Applicants in the following relative priorities:

- i. First – a charge in favour of the Monitor, its legal counsel and the Applicants’ legal counsel in respect of their fees and disbursements to a maximum amount of \$500,000;
 - ii. Second – a charge in favour of the Interim Lender, initially in the amount of \$450,000; and
 - iii. Third – a charge in favour of the directors and officers of the Applicants to a maximum amount of \$50,000;

(collectively, the “**Charges**”); and
- m) such further and other relief as may be sought by the Applicants and this Honourable Court may be deemed appropriate in the CCAA Proceedings;
- 3. If granted, the Initial Order and ARIO, along with the application materials and all other documents filed in the CCAA Proceedings, will be posted on the Proposed Monitor’s website at: www.alvarezandmarsal.com/candesto.
- 4. Capitalized terms not defined in the Proposed Monitor’s pre-filing report (this “**Report**”) are as defined in the Proposed Initial Order, ARIO and/or the Affidavit of Jan Van Bruggen sworn December 18, 2023 (the “**VB Affidavit**”).

PURPOSE

- 5. The purpose of this Report is for A&M, in its capacity as the Proposed Monitor of the Applicants, to provide the following information to this Honourable Court:
 - a) qualifications of A&M to act as Monitor;
 - b) a brief background of the Applicants;
 - c) the Applicants consolidated cash flow projection for the 13-week period from December 20, 2023 to March 15, 2024;

- d) the reasons for the Applicants application seeking:
 - i. approval of the Interim Financing and Term Sheet;
 - ii. approval of the proposed Charges;
 - iii. approval of the length of the Initial Stay Period; and
 - iv. the Proposed Monitor's overall recommendation in respect of the foregoing.
- 6. This Report should be read in conjunction with the VB Affidavit and filed in support the CCAA Application.

TERMS OF REFERENCE AND DISCLAIMER

- 7. In preparing this Report, A&M, in its capacity as the Proposed Monitor, has been provided with and has relied upon unaudited financial information and the books and records prepared by the Applicants and has held discussions with the Applicants' management and their respective counsel and directors (collectively, the "**Information**"). Except as otherwise described in this Report in respect of the Applicants' cash flow forecast:
 - a) the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CASs**") pursuant to the Chartered Professional Accountants Canada Handbook (the "**CPA Handbook**") and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and

- b) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.
- 8. Future oriented financial information referred to in this Report was prepared based on the Applicants' estimates and assumptions. Readers are cautioned that since projections are based upon 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.
- 9. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars.

A&M'S QUALIFICATIONS TO ACT AS MONITOR

Overview

- 10. On April 20, 2023, Alvarez & Marsal Canada ULC ("**A&M ULC**"), an affiliate of A&M, was engaged as a financial advisor to 1288078 Ontario Inc. (the "**Primary Lender**"). A&M ULC was retained to, among other things, review, report and make recommendations to the Primary Lender on the business, assets, affairs and operations of the Applicants and other matters as required. The Applicants consented and agreed to the appointment of A&M ULC as financial advisor to the Primary Lender.
- 11. A&M is an affiliate of A&M ULC and Alvarez & Marsal Holdings, LLC, which is an independent international professional services firm, providing, among other things, bankruptcy, insolvency and restructuring services. As such, the Proposed Monitor is familiar with the business and operations of the Companies, its personnel, and the key issues and stakeholders in the CCAA Proceedings.
- 12. A&M is a licensed trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada) and is not subject to any of the restrictions on who

may be appointed as monitor set out in section 11.7(2) of the CCAA. Specifically, A&M is not, and has never been:

- a) a director, officer or employee of the Applicants;
 - b) related to the Debtors or to any director or officer of the Applicants;
 - c) the auditor, accountant or legal counsel, or a partner or an employee of the auditor, accountant or legal counsel, of the Applicants;
 - d) the trustee under a trust indenture issued by the Applicants or, to the best of its knowledge, any person related to the Applicants, or the holder of a power of attorney under an act constituting a hypothec within the meaning of the Civil Code of Quebec that is granted by the Applicants or, to the best of its knowledge, any person related to the Applicants; or
 - e) to the best of its knowledge, related to the trustee, or the holder of a power of attorney, referred to in paragraph 12(d), above.
13. Accordingly, A&M is of the view that the restrictions as to who may be appointed as a Monitor under section 11.7(2) of the CCAA do not preclude A&M from acting as Monitor for the Applicants.
14. The senior A&M professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Professional Accountants (Chartered Accountants), Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees, and who have previously acted in CCAA matters of a similar nature in Canada.
15. A&M has consented to act as the Monitor in these proceedings should this Honourable Court grant the Proposed Initial Order. A copy of A&M's consent to act as Monitor is attached hereto as Appendix "A" to this Report.

16. The Proposed Monitor has retained Gowling WLG (Canada) LLP (the “**Proposed Monitor’s Counsel**”) to act as its proposed independent legal counsel in the CCAA proceedings.

BACKGROUND

Overview

17. The Applicants form part of a broader group of companies (the “**Candesto Group**”), which has been a leader of installation services in western Canada for traffic control, roadside safety and barrier systems for over 25 years (the “**Business**”). A copy of the Candesto Group’s organizational chart (the “**Organizational Chart**”) is attached as Appendix “**B**” to this Report and included in the VB Affidavit as Exhibit “**A**”.
18. The goods and services provided by the Applicants can be broken down into six primary categories: (i) guardrail and high-tension cable barrier systems; (ii) concrete and steel barriers; (iii) overhead signs and structures; (iv) overhead sign foundations and caissons; (v) non-overhead and ground mounted signage; and (vi) engineering and planning. These services extend to the installation of these items, systems and structures on roadways.
19. Each of the Applicants are direct subsidiaries of one or more of 196 Inc., Batavi and/or Barricades. As more particularly set out in the Organizational Chart:
- a) the common shares of CEC are held 50% by each of 196 Inc. and Batavi;
 - b) the common shares of D3 are held 80% by 196 Inc. and 20% by Batavi; and
 - c) the common shares of Safe Roads are held 60% by 196 Inc., 20% by Batavi and 20% by Barricades.

20. 196 Inc., Batavi and Barricades are all Alberta corporations incorporated under the *Business Corporations Act* (Alberta) (“ABCA”). Barricades is also extra-provincially registered in British Columbia and Manitoba.
21. CEC and D3 (together, the “**Operating Entities**”) are the primary operating entities and perform similar functions within Alberta. Over time, CEC has become the primary contractual counterpart for most incoming jobs in southern Alberta, whereas D3 is engaged in work largely in norther Alberta. The Applicants have recently ceased bidding on any projects not currently under contract.
22. Safe Roads (formerly 1957282 Alberta Ltd.) is an Alberta corporation incorporated under the ABCA with its registered office in Calgary, Alberta. Safe Roads was initially set up to source and sell to the Operating Entities certain inventory used in their respective operations, although that sourcing is now largely from other suppliers. Safe Roads is now largely dormant, with little to no operations and/or cash flowing through the company.

Cause of Insolvency

23. The road safety and construction business is a challenging industry to operate within; however, certain market and operational conditions have resulted in the Candesto Group being unable to consistently perform projects on a profitable basis. In particular, significant inflation on the cost of goods has been experienced by the Candesto Group over the past year, after which a contract is priced versus when it is performed, resulting in materials and labour costing exceeding more than was estimated. As the Operating Entities are generally under fixed price contracts, the Proposed Monitor was advised that the Operating Entities were unable to recover such amounts from their customers and, were instead, forced to incur material losses on their projects. Further, the Operating Entities have also, in some instances, underestimated the labour and materials required to complete certain contracts, which also resulted in further significant losses and cash flow burn.

24. The Proposed Monitor has reviewed the Operating Entities' bonded and unbonded contracts. For bonded jobs, the Applicants estimate an aggregate deficit of approximately \$2.2 million from those projects. For unbonded contracts, the Operating Entities are in an estimated aggregate deficit position of \$621,000, for a total combined bonded/unbonded expected project loss position of approximately \$2.8 million. A bonded contract with the Calgary Safelink Partners consortium for the Calgary Ring Road Project makes up the largest portion of such losses, totalling approximately \$1.6 million.
25. These losses and working capital challenges have resulted in the Applicants experiencing the liquidity challenges they have faced and, as such, the Applicants have not been able to pay its debt obligations to its creditors when the come due.

Summary of Assets and Liabilities

26. On a consolidated basis, as at October 31, 2023, total net book values of the assets and liabilities are approximately \$5.9 million and \$10.3 million, respectively (with current assets and current liabilities being approximately \$4.3 million and \$9.4 million, respectively).
27. As summarized in the VB Affidavit, the Applicants assets and liabilities are situated in the entities as indicated below:
- a) CEC has the following assets and liabilities:
 - i. Assets – current assets and total fixed assets of \$3,361,417 and \$1,418,169 (incl. goodwill & depreciation), respectively
 - ii. Liabilities – current liabilities of \$9,333,088, payroll liabilities of \$(76,178) and long-term liabilities of \$218,306.
 - b) D3 has the following assets and liabilities:

- i. Assets – current assets and total fixed assets in the amount of \$481,797 and \$206,312 (incl. goodwill & depreciation), respectively
 - ii. Liabilities – current liabilities of \$76,494, payroll liabilities of \$11,064 and long term liabilities of \$182,657
 - c) Safe Roads has the following assets and liabilities:
 - i. Assets – cash and accounts receivable in the amount of \$1,604 and \$464,375, respectively
 - ii. Liabilities – current liabilities of \$3,586 as well long term liabilities of \$510,056
28. The Proposed Monitor is advised that the inclusion of the above Applicants in the CCAA Proceeding is a fundamental aspect of the restructuring plan and the Applicants are of the view that this filing structure will allow for the maximization of value in the within case.

Material Secured Creditors

29. The material secured debt obligations of the Applicants that are owed to the Primary Lender and Barricades are as follows:
- a) CEC is indebted to 128 Inc. pursuant to a demand promissory note in the principal amount of \$2,000,000 dated January 25, 2023 (the “**Promissory Note**”). This note is secured by a general security agreement dated January 25, 2023 and granted by CEC in favour of 128 Inc. As at December 18, 2023 the loan balance under the Promissory Note is \$2,000,000, excluding interest and any other amounts which may continue to accrue.
 - b) Each of CEC, D3 and Safe Roads are borrowers under a loan agreement dated February 22, 2023 with Barricades as lender (the “**Barricades**

Loan”). The Barricades Loan is secured by a general security agreement dated February 22, 2023 (the “**Barricades GSA**”) pursuant to which each of CEC, D3 and Safe Roads granted a security interest in and to all present and after-acquired personal and real property in favour of Barricades. As at December 18, 2023 the loan balance under the Barricades Loan was approximately \$2,421,327.74.

CCAA CONSOLIDATED CASH FLOW FORECAST

30. For purposes of paragraph 10(2)(a) of the CCAA, the Applicants management (“**Management**”) have prepared a weekly consolidated cash flow forecast (the “**Consolidated Cash Flow Forecast**”) for the 13-week period from December 20, 2023 to March 15, 2023 (the “**Forecast Period**”), using the probable and hypothetical assumptions set out in the notes to the Consolidated Cash Flow Forecast. A copy of the Consolidated Cash Flow Forecast, together with a summary of assumptions set out in the notes to the Consolidated Cash Flow Forecast. A copy of the Consolidated Cash Flow Forecast, together with a summary of the assumptions and Management's representation letter are attached hereto as Appendix “**C**” and “**D**”, respectively.
31. The Companies do not have sufficient funds to operate in the immediate term, unless this Honourable Court grants an order approving the Proposed Interim Facility (as discussed further below), which has been reflected in the Consolidated Cash Flow Forecast.
32. The Consolidated Cash Flow Forecast is summarized below:

Candesto Enterprises Corp, D3 Infrastructure Services Inc. and Safe Roads Alberta Ltd. Management Prepared 13 Week Cash Flow Forecast For the period from December 20 2023 to March 15, 2024 unaudited, in CAD \$000's	
Cash Receipts	
Accounts receivable	219
Unbilled active projects	443
Total Receipts	663
Operating Disbursements	
F2024 project costs	613
F2025 project costs	75
Payroll and benefits	430
Rent	45
Insurance	30
IT	16
Utilities	12
Other operating costs	71
Contingency	90
Total Operating Disbursements	1,382
Net Cash Flow from Operations	(719)
Total Non-Operating Disbursements	744
Net Cash Flow	(1,463)
Opening Cash	301
Net Cash Flow	(1,463)
Interim Financing Advance/(Repayment)	1,300
Ending Cash	138
Opening Interim Financing balance	1,300
Advances	1,300
Repayments	-
Closing Interim Financing balance	-

33. A summary of the Consolidated Cash Flow Forecast and select assumptions underlying same are as follows:

- a) total projected cash receipts of approximately \$663,000
- b) total operating cash disbursements forecast of approximately \$1.38 million and non-operating cash disbursements of approximately \$744

thousand, resulting in a net decrease in cash of approximately \$1.46 million during the Forecast Period; and

- c) the interim financing that is being requested by the Applicants for the immediate term up to the Initial Stay Period is \$450,000.

34. The Companies have advised the Proposed Monitor that they have not filed any liens against their existing projects and there are no liens registered against their existing projects which would effect their Consolidated Cash Flow Forecast.

35. Pursuant to section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standards of Professional Practice No. 9, the Proposed Monitor hereby reports as follows:

- a) the Consolidated Cash Flow Forecast has been prepared by Management for the purpose described in the notes to the Consolidated Cash Flow Forecast, using probable and hypothetical assumptions as set out in the notes;
- b) the Proposed Monitor's review of the Consolidated Cash Flow Forecast consisted of inquiries, analytical procedures, and discussion related to information supplied to it by Management. Since hypothetical assumptions need not be supported, the procedures with respect to them were limited to evaluating whether they were consistent with the purposes of the Consolidated Cash Flow Forecast. The Proposed Monitor also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the Consolidated Cash Flow Forecast;
- c) based on the Proposed Monitor's preliminary review of the Consolidated Cash Flow Forecast, nothing has come to its attention that causes A&M to believe that, in all material respects:

- i. the hypothetical assumptions are not consistent with the purpose of the Consolidated Cash Flow Forecast;
 - ii. as at the date of this Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Consolidated Cash Flow Forecast, given the hypothetical assumptions; or
 - iii. the Consolidated Cash Flow Forecast does not reflect the probable and hypothetical assumptions; and
- d) since the Consolidated Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, A&M does not express any assurance as to whether the Consolidated Cash Flow Forecast will be accurate. A&M does not express any opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report, or relied upon by us in preparing this Report.

36. The Consolidated Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

INTERIM FINANCING

37. In order to provide the required liquidity needed to fund the operations of the Applicants during the CCAA Proceedings, the Applicants are seeking the approval of interim financing in the form of a non-revolving interim financing facility (the “**Interim Facility**”). The proposed Initial Order provides for the creation of an initial court-ordered priority charge to secure advances made under the Interim Facility (the “**Interim Lender’s Charge**”) to match the initial maximum allowable

borrowing under the Interim Facility plus interest and recoverable costs incurred of \$450,000, as proposed in the Initial Order and ARIO.

38. The proposed Interim Facility is to be provided by Durisol Ltd. (the “**Interim Lender**”), and is subject to Court approval of the term sheet between the Applicants and the Interim Lender dated December 19, 2023 (the “**Term Sheet**”). The Proposed Monitor is advised that the Interim Lender is a related party to the Primary Lender.
39. A copy of the Term Sheet is attached as Appendix “E” to this Report. The material terms of the proposed Term Sheet provide:
- a) Amount of Interim Facility being up to a maximum of \$1,400,000
 - b) The Interim Facility shall be disbursed on a weekly basis in accordance with the Cash Flow Projections.
 - c) The term of the Interim Facility shall be that period commencing on the date of issuance of the DIP Order (as defined in the Term Sheet) and ending on the earliest of (such ending date, the “**Maturity Date**”):
 - i. June 30, 2024;
 - ii. the termination of the CCAA proceedings; or
 - iii. the occurrence of an Event of Default (as hereinafter defined).
 - d) During the term of the Interim Facility, the Applicants may repay any principal amount of the loan without penalty provided the minimum amount of any such repayment is no less than \$50,000. The amount of the loan will automatically be reduced by the amount of such repayment and any repaid amount may not subsequently be reborrowed.

- e) Interest is payable monthly, at a rate of Eight and One Half Percent per annum 8.5%.
- 40. Advances under the Interim Facility will be administered using the Applicants' cash management system, as outlined in the VB Affidavit.
- 41. Without the Interim Facility, the Applicants would not be able to continue with their restructuring activities and may be faced with an immediate liquidation of their assets. Based on the information available at this time, the Proposed Monitor estimates that this would likely result in significantly lower recoveries than those obtained through the receivership or bankruptcy process, and likely greater exposure to the Indemnitors.
- 42. The Proposed Monitor has reviewed the terms and values within the Term Sheet and it appears to be commercially reasonable in the circumstances, including annual interest rate and the Interims Lender's Charge. The Proposed Monitor is of the view that such aggregate fees are comparable to and within a reasonable range of interim financing loans in other recent Canadian CCAA filings.
- 43. Pursuant to section 11.2(4) of the CCAA, the Proposed Monitor has reviewed the proposed Term Sheet and has considered the following factors: a) the period during which the Applicants are expected to be subject to the proceedings under the CCAA; b) how the Applicants' business and financial affairs are to be managed during the proceedings; c) whether management has the confidence of its major creditor(s) impacted under these proceedings; d) whether the Interim Facility would enhance the prospects of a viable proposal being made in respect of the Applicants; and e) the nature and value of the Applicants' property.
- 44. The Proposed Monitor is further of the view that the Interim Facility is warranted, as without it, it would be difficult for the Applicants to continue in the CCAA Proceedings. Further, in any probable realization strategy, a receiver, trustee or other administrator or manager would likely recommend to expend a similar amount of funds in order to preserve and market the Applicants and/or their assets.

45. Accordingly, given the benefits that the Interim Facility will provide and the purpose for which the Interim Facility will be utilized in the Consolidated Cash Flow Forecast, the Proposed Monitor does not believe the Interim Facility to be unduly prejudicial to other creditors of the Applicants and the Proposed Monitor supports the application for approval of the Interim Lender's Charge at an initial amount of \$450,000. The Proposed Monitor does note that \$450,000 is needed to cover the estimated cash burn of the Applicants up to January 12, 2024, at which time further advances and authorization to borrow more funds will be required up to an aggregate of \$1.3 million. The Proposed Monitor believes that the Interim Facility will enhance the Applicants ability to restructure under the CCAA.

PROPOSED PAYMENT TO CRITICAL VENDORS

46. Prior to the Filing, the Applicants' management identified certain vendor's invoices relating to labor and materials to complete certain projects that remain outstanding. The total of these invoices is for \$163,000 and are deemed critical (the "**Critical Supplier Invoices**").
47. The Monitor will review all proposed critical supplier invoices to determine if the proposed pre-filing amounts are reasonable, appropriate and are deemed critical to the business and ongoing operations of the Companies prior to payments being released.
48. The Cash Flow Forecast currently contemplates the payment of these Critical Supplier Invoices, utilizing funds made available pursuant to the proposed Interim Facility.
49. The Proposed Monitor has held discussions with Companies' management with respect to the Critical Supplier Invoices to understand the nature of the work, the corresponding project and the individual vendors associated with each of the invoices. In order to complete the respective projects and collect on the outstanding accounts receivable, it may be necessary for the Companies to pay the Critical Supplier Invoices.

50. The Proposed Monitor is of the respectful view that they are (i) critical in nature and (ii) necessary to be paid to ensure not only the viability and stability of the Applicants' business, but also to allow the Applicants to complete their operations prior to and during the CCAA proceedings.
51. The Proposed Monitor is of the respectful view that it is appropriate under the circumstances for this Honourable Court to permit the Applicants to pay these pre-filing payables while the CCAA to ensure the Applicants can successfully complete their operations and collect on the respective receivables.

INITIAL PLAN

52. The Operating Entities are parties to the following types of material contracts:
- a) contracts relating to projects that have been partially completed or have not yet started;
 - b) contracts for completed projects with outstanding holdbacks or receivables; and
 - c) contracts involving the correction of deficiency work,
- (collectively, the “**Material Contracts**”).
53. CEC will have four ongoing projects by the end of December, 2023, with plans to complete those projects into the early months of 2024 and then perform a wind down of the company. An overview of these projects is included in the VB Affidavit.
54. D3 will have three ongoing projects by the end of December, 2023, with plans to complete those projects into the early months of 2024 and then perform a wind down of the company. An overview of these projects is included in the VB Affidavit.

PRIORITY CHARGES

Administration Charge

55. The Proposed Initial Order provides for a charge on the Debtors' property in an amount not to exceed \$500,000, in favour of the Monitor, legal counsel to the Monitor, and the Debtors' legal counsel, to secure payment of their professional fees and disbursements, whether incurred before or after the date of the Initial Order (the "**Administration Charge**"). The Administration Charge is to be granted in priority of all other charges.
56. To date, the Applicants, Proposed Monitor and the Proposed Monitor's Counsel and counsel for the Applicants has incurred professional fees in preparation for the CCAA Proceedings, which include preparing the Initial Order, the ARIO, this Report and communicating with certain key employees and stakeholders (including the board of directors) about the potential strategies for the restructuring of the Applicants and reporting to the Primary Lender on same. In addition, the Proposed Monitor has prepared the statutory duties, mailings and communications required by the CCAA should this Honourable Court grant both the Proposed Initial Order and ARIO.
57. These proceedings require the prompt and vigorous involvement of professional advisors to guide and/or complete a successful restructuring; accordingly, it is the Proposed Monitor's respectful view that the Administration Charge is reasonable and appropriate to ensure the continued support of the respective professionals in the Applicants efforts to restructure its affairs.
58. The Proposed Monitor also believes that it is appropriate for the proposed beneficiaries of the Administration Charge, being non-stakeholders to the CCAA Proceedings, to be afforded the benefit of the Administration Charge as they will be undertaking a necessary and integral role in the CCAA Proceedings.
59. It is the respectful view of the Proposed Monitor that the quantum of the proposed Administration Charge is reasonable and appropriate in the circumstances, having

regard to the scale and complexity of the CCAA Proceedings, the services to be provided by the beneficiaries of the Administration Charge and the size of the similar charges approved in similar proceedings.

Interim Lender's Charge

60. The Applicants' are seeking the Interim Lender's Charge in the amount of \$450,000 against the property of the Applicants (the "**Property**") to secure obligations incurred on the Interim Facility.
61. The Interim Lender's Charge is necessary in order to ensure that the Interim Lender has security for the Interim Facility. The proposed quantum of the initial advance under Interim Facility has been determined based upon the projected cash flow needs set out in the Applicants' Consolidated Cash Flow Forecast.
62. It is the Proposed Monitor's respectful view that the Interim Lender's Charge is reasonable and appropriate to ensure the working capital necessary to complete these proceedings.
63. The Proposed Monitor has been advised by the Applicants that they intend on seeking an increase of the Interim Lender's Charge to \$1,400,000 in January in order to provide a charge for the entirety of Interim Facility amounts available under the Term Sheet.

Directors Charge

64. The Applicants are seeking a charge (the "**Directors Charge**") against the Property to a maximum amount of \$50,000 as security for the Applicants' obligation to indemnify such directors and officers (as defined in the draft Initial Order and hereinafter the "**Directors**") for obligations and liabilities which they may incur in such capacities after the commencement of these proceedings, except to the extent that such obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

65. The Directors Charge is intended to secure amounts that may be incurred post-obtaining the Initial Order and address potential claims that may be brought against the Directors that are not covered under existing insurance as the Companies have no D&O insurance in place.
66. The Applicants require the services of their Directors to develop a viable proposal. The Applicants Directors have the technical knowledge, experience, and relationships necessary to maximize the value of the Applicants and to guide it through a successful restructuring.
67. It is the Proposed Monitor's view that the continued support and services of the Directors of the Applicants in the CCAA Proceedings would be beneficial to the Applicants' efforts to preserve value and maximize recoveries for stakeholders through the completion of the CCAA Proceedings. The Proposed Monitor has reviewed the underlying assumptions upon which the Applicants have based the estimate of the potential liability in respect of the directors' statutory obligations, and is of the view that the Directors' Charge is reasonable in relation to the quantum of the estimated potential liability and appropriate in the circumstances.

Ranking of Proposed Charges

68. The Initial Order provides that the priority of the Charges shall be as follows:
 - a) First: Administration Charge, up to the maximum amount of \$500,000;
 - b) Second: Interim Lender's Charge, to the extent drawn on the Interim Facility and up to an initial maximum of \$450,000; and
 - c) Third: D&O Charge, up to the maximum amount of \$50,000;
69. Each of the Charges shall constitute a charge on the Property and subject always to section 136 of the BIA and the Charges (if granted) shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, and claims of secured creditors, statutory or otherwise in favour of any Person.

PROPOSED STAY OF PROCEEDINGS

70. The Applicants are seeking an Initial Stay Period until and including December 30, 2023, or such later date as this Court may order. The requested Initial Stay Period, with the ARIO (should it be approved by this Honourable Court) seeking a further extension to the Stay of Proceedings up to and including January 12, 2024 or such later date as this Court may order (the “**Stay Period**”). The requested Stay Period provides that no proceeding (a “**Proceeding**”) or enforcement process (an “**Enforcement**”) in any court or tribunal shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Applicants’ business or its property, except with the written consent of the Applicants and the Proposed Monitor, or with leave of this Court and any Proceeding or Enforcement currently underway against or in respect of the Applicants or affecting the Applicants’ business or their property is stayed and suspended pending further Order of the Court.
71. The Initial Stay Period and Stay Period, both, would allow the Applicants the breathing space required to coordinate their restructuring in a manner that preserves value for all stakeholders.

CONCLUSIONS AND RECOMMENDATIONS

72. Based on the current information that has been made available to the Proposed Monitor by the Applicants, the Proposed Monitor respectfully recommends that this Honourable Court approve the Initial Order and the ARIO in the forms filed with the Applicants’ application materials.

All of which is respectfully submitted this 19th day of December, 2023.

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Proposed Monitor of Candesto Enterprises Corp.,
D3 Infrastructure Services Inc. and Safe Roads Alberta Ltd., and
not in its personal or corporate capacity**



Orest Konowalchuk, CPA-CA, CIRP, LIT
Senior Vice-President



Bryan Krol
Director

APPENDIX "A"

COURT FILE NUMBER

Clerk's Stamp

COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

IN THE MATTER OF THE *COMPANIES'*
CREDITORS ARRANGEMENT ACT, RSC
1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF
COMPROMISE OR ARRANGEMENT OF
CANDESTO ENTERPRISES CORP., D3
INFRASTRUCTURE SERVICES INC. and
SAFE ROADS ALBERTA LTD.

DOCUMENT

CONSENT TO ACT AS MONITOR

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION
OF PARTY
FILING THIS
DOCUMENT

Cassels Brock & Blackwell LLP
Suite 3810, Bankers Hall West
888 3rd Street SW
Calgary, Alberta, T2P 5C5

Telephone: (403) 351-2920
Facsimile: (403) 648-1151
Email: joliver@cassels.com / dmarechal@cassels.com

File No.: 58965-1

Attention: Jeffrey Oliver / Danielle Maréchal

Alvarez & Marsal Canada Inc., if so appointed, hereby consents to act as Court-appointed Monitor of Candesto Enterprises Corp., D3 Infrastructure Services Inc., Safe Roads Alberta Ltd. pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985, c. C-36, as amended

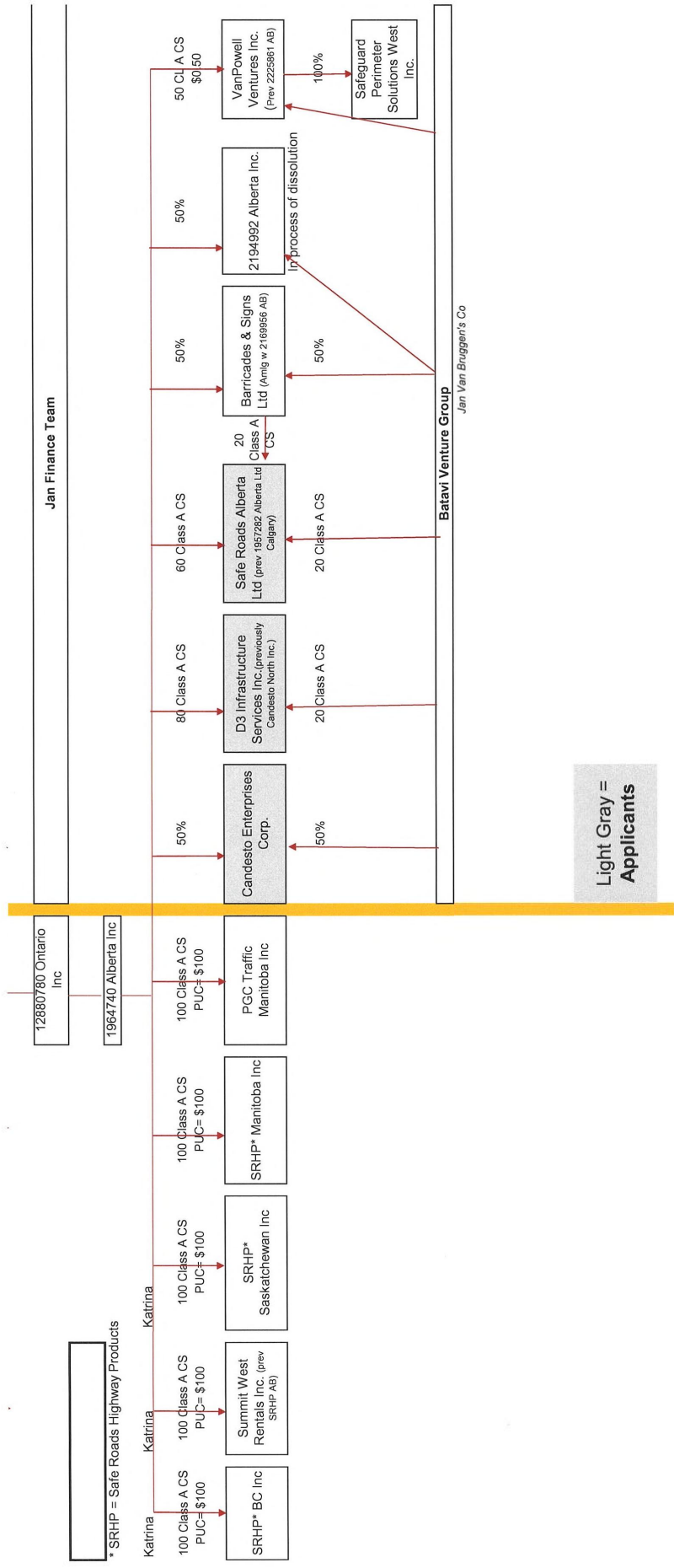
DATED this 18th day of December, 2023.

ALVAREZ & MARSAL CANADA INC.



Name: Orest Konowalchuk, LIT
Title: Senior Vice President

APPENDIX "B"



APPENDIX "C"

DRAFT - FOR DISCUSSION PURPOSES ONLY

Candesto Enterprises Corp, D3 Infrastructure Services Inc. and Safe Roads Alberta Ltd.

Management Prepared 13 Week Cash Flow Forecast

For the period from December 20 2023 to March 15, 2024

unaudited, in CAD \$000's

	Notes	Week 1 22-Dec-23	Week 2 29-Dec-23	Week 3 5-Jan-24	Week 4 12-Jan-24	Week 5 19-Jan-24	Week 6 26-Jan-24	Week 7 2-Feb-24	Week 8 9-Feb-24	Week 9 16-Feb-24	Week 10 23-Feb-24	Week 11 1-Mar-24	Week 12 8-Mar-24	Week 13 15-Mar-24	Week 1 to Week 13
Cash Receipts															
Accounts receivable	1	65	-	-	-	-	-	91	52	12	-	-	-	-	219
Unbilled active projects	2	-	-	-	-	-	-	17	-	-	-	177	249	-	443
Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts		65	-	-	-	-	-	108	52	12	-	177	249	-	663
Operating Disbursements															
F2024 project costs	3	15	7	-	187	155	140	110	-	-	-	-	-	-	613
F2025 project costs	4	-	-	75	-	-	-	-	-	-	-	-	-	-	75
Payroll and benefits	5	-	86	-	48	-	86	-	78	-	70	-	62	-	430
Rent	6	-	-	15	-	-	-	-	15	-	-	-	15	-	45
Insurance	7	-	-	-	-	10	-	-	-	10	-	-	-	10	30
IT	8	-	3	2	-	3	-	-	2	3	-	-	2	3	16
Utilities	9	-	-	4	-	-	-	-	4	-	-	-	4	-	12
Other operating costs	10	-	6	26	-	6	-	-	10	6	-	-	10	6	71
Contingency	11	-	15	-	15	-	15	-	15	-	15	-	15	-	90
Total Operating Disbursements		15	117	122	249	174	241	110	124	19	85	-	108	19	1,382
Net Cash Flow from Operations		50	(117)	(122)	(249)	(174)	(241)	(1)	(72)	(7)	(85)	177	141	(19)	(719)
Non-Operating Disbursements															
Companies' Counsel's Fees	12	-	-	100	-	35	-	35	-	30	-	25	-	25	250
Monitor's Fees and Disbursements	12	-	-	100	-	50	-	50	-	50	-	40	-	40	330
Monitor's Counsel's Fees	12	-	-	50	-	20	-	20	-	20	-	20	-	20	150
Interim Financing Interest	13	-	-	-	-	-	-	6	-	-	-	8	-	-	14
Total Non-Operating Disbursements		-	-	250	-	105	-	111	-	100	-	93	-	85	744
Net Cash Flow		50	(117)	(372)	(249)	(279)	(241)	(112)	(72)	(107)	(85)	84	141	(104)	(1,463)
Opening Cash		301	351	235	13	63	85	43	82	109	102	17	101	242	301
Net Cash Flow		50	(117)	(372)	(249)	(279)	(241)	(112)	(72)	(107)	(85)	84	141	(104)	(1,463)
Interim Financing Advance/(Repayment)		-	-	150	300	300	200	150	100	100	-	-	-	-	1,300
Ending Cash		351	235	13	63	85	43	82	109	102	17	101	242	138	138
Opening Interim Financing balance		-	-	1,300	1,150	850	550	350	200	100	-	-	-	-	1,300
Advances		-	-	150	300	300	200	150	100	100	-	-	-	-	1,300
Repayments		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Interim Financing balance		-	-	1,150	850	550	350	200	100	-	-	-	-	-	-

Unaudited cash flow forecast to be read in conjunction with the cash flow notes and the Proposed Monitor's report on the cash flow forecast

Candesto Enterprises Corp.,
D3 Infrastructure Services Inc.
and Safe Roads Alberta Ltd.

Jan Van Boven
Director

Alvarez & Marsal Canada Inc., in its capacity as
Proposed Monitor of Candesto Enterprises Corp.,
D3 Infrastructure Services Inc. and Safe Roads Alberta Ltd.
and not in its personal or corporate capacity

Orest Konowalchuk, LIT
Senior Vice President

Candesto Enterprises Corp., D3 Infrastructure Services Inc. and Safe Roads Alberta Ltd.
(collectively, the "Companies")
Notes to Management Prepared 13 Week Cash Flow Forecast
For the period from December 20, 2023 to March 15, 2024

Disclaimer

*In preparing this cash flow forecast (the "**Forecast**"), the Companies have relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast includes assumptions discussed below with respect to the requirements and impact of a filing under the Companies' Creditors Arrangement Act ("CCAA"). Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Forecast period will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or protections will be realized. The Forecast is presented in thousands of Canadian dollars.*

Note 1 Accounts receivable

Forecast collections of invoiced amounts and holdback for completed projects.

Note 2 Unbilled active projects

Collections of unbilled progress payments and holdback for active projects.

Note 3 F2024 project costs

Costs related to ongoing projects which are expected to be completed by the end of the Companies' fiscal year ending January 31, 2024.

Note 4 F2025 project costs

Estimated payment of design and pre-fabrication costs related to the Companies' projects which are expected to commence in April 2024.

Note 5 Payroll and benefits

Salaries, wages, statutory remittances and benefits for salaried and hourly employees.

Note 6 Rent

Monthly rent payments for the Companies' two leased properties.

Note 7 Insurance

Monthly payment for equipment, vehicle and commercial general liability insurance policies.

Note 8 IT

Monthly payments to third-party providers for IT infrastructure and software.

Note 9 Utilities

Estimated monthly utility costs at the Companies' two leased premises.

Note 10 Other operating costs

Includes payment of monthly equipment and vehicle leases required for the ongoing operations of the Companies.

Note 11 Contingency

A bi-weekly contingency of \$15,000 has been included to account for possible unforeseen expenditures.

Note 12 Professional Fees and Expenses

Disbursements include forecast payments to the Companies' counsel, the Monitor and the Monitor's counsel. The respective professionals have been provided with a cumulative retainer of \$125,000.

Note 13 Interim Financing Interest

Forecast payments to be made to the interim financing lender. The interim financing agreement has not yet been finalized at this time.

Candesto Enterprises Corp.,
D3 Infrastructure Services Inc.
and Safe Roads Alberta Ltd.

Alvarez & Marsal Canada Inc., in its capacity as
Proposed Monitor of Candesto Enterprises Corp.,
D3 Infrastructure Services Inc. and Safe Roads Alberta Ltd.
and not in its personal or corporate capacity

Jan Van Bruggen
Director

Orest Konowalchuk, LIT
Senior Vice President

APPENDIX "D"

Candesto Enterprises Corp., D3 Infrastructure Services Inc.
and Safe Roads Alberta Ltd.

December 19, 2023

Alvarez & Marsal Canada Inc.
Bow Valley Square 4
Suite 1110, 250 6th Ave SW
Calgary, AB T2P 3H7

Attention: Orest Konowalchuk

Dear Sirs:

Re: Proceedings under the *Companies' Creditors Arrangement Act* ("CCAA") for Candesto Enterprises Corp., D3 Infrastructure Services Inc. and Safe Roads Alberta Ltd. (collectively, the "Companies")

Responsibilities/Obligations and Disclosure with Respect to Cash Flow Projections

In connection with the application of the Companies for the commencement of proceedings under the CCAA in respect of the Companies, the management of the Companies ("**Management**") prepared the attached cash flow statement and the assumptions on which the cash flow statement is based.

Companies confirms that:

1. the cash flow statement and the underlying assumptions are the responsibility of the Companies;
2. all material information relevant to the cash flow statement and to the underlying assumptions has been made available to Alvarez & Marsal Canada Inc. in its capacity as Proposed Monitor; and
3. Management has taken all actions that it considers necessary to ensure:
 - a. that the individual assumptions underlying the cash flow statement are appropriate in the circumstances;
 - b. that the assumptions underlying the cash flow statement, taken as a whole, are appropriate in the circumstances; and
 - c. that all relevant assumptions have been properly presented in the cash flow statement or in the notes accompanying the cash flow statement.
4. Management understands and agrees that the determination of what constitutes a material adverse change in the projected cash flow or financial circumstances, for the purposes of your monitoring the on-going activities of the Companies, is ultimately at your sole discretion, notwithstanding that Management may disagree with such determination.

5. Management understands its duties and obligations under the CCAA and that breach of these duties and obligations could make the Companies Management liable to fines and imprisonment in certain circumstances.
6. The cash flow statement and assumptions have been reviewed and approved by the the Companies' board of directors or Management has been duly authorized by the Companies' board of directors to prepare and approve the cash flow assumptions.

Yours Truly,

A handwritten signature in black ink, appearing to be 'Jan Van Bruggen', is written over a horizontal line.

Name: Jan Van Bruggen
Title: Director

APPENDIX "E"

DURISOL LTD.

December 19, 2023

Jan van Bruggen
Candesto Enterprises Corp., D3 Infrastructure Services Inc., Safe Roads Alberta Ltd.
29339 Hwy 2A, Crossfield, Alberta
T0M 0S0

RE: Debtor-in-Possession Financing

Dear Jan,

Candesto Enterprises Corp., D3 Infrastructure Services Inc., and Safe Roads Alberta Ltd. (collectively, the **"Borrowers"**) have initiated restructuring proceedings under the *Companies' Creditor Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the **"CCAA"**). The Court of King's Bench of Alberta (the **"Court"**) has jurisdiction over such proceedings. Further, Alvarez & Marsal Canada Inc. (**"A&M"**) is contemplated to be appointed as Monitor in the CCAA proceedings.

Based on the information provided by the Borrowers, Durisol Ltd. (the **"Lender"**) is prepared to offer the Borrowers, on a joint and several basis, debtor-in-possession financing in the amount of up to \$1,400,000 (the **"DIP Loan"**) according to the terms and conditions set forth in this letter of offer (the **"Letter of Offer"**).

LOAN PURPOSE		FUNDING	
Financing only of the day-to-day expenses of the Borrowers in accordance with the cash flow projection approved and recommended by A&M and filed with the Court in support of the request for DIP financing (the "Cash Flow Projection"), attached hereto as Schedule "A" (the "Project"), subject to the terms and conditions of this Letter of Offer.	\$ 1,400,000	DIP Loan	\$ 1,400,000
	\$ 1,400,000		\$ 1,400,000

Neither the Project nor the terms and conditions of the DIP Loan may be changed without the prior written consent of the Lender. The amount of the DIP Loan may only be applied to this Project.

Amount of Loan	\$1,400,000
Authorization Date	December 19, 2023
Term	<p>The term of the DIP Loan shall be that period commencing on the date of issuance of the DIP Order (as hereinafter defined) and ending on the earliest of (such ending date, the “Maturity Date”):</p> <ul style="list-style-type: none"> (a) June 30, 2024; (b) the termination of the CCAA proceedings; or (c) the occurrence of an Event of Default (as hereinafter defined).
Disbursement Procedure	<p>The DIP Loan shall be disbursed in weekly instalments based on the Cash Flow Projection. The Borrowers may request disbursements in increments of \$50,000.</p> <p>In addition to the conditions precedent and underlying conditions set forth in this Letter of Offer, the Borrowers agree that each disbursement shall be conditional upon the fulfilment of each of the following conditions to the satisfaction of the Lender:</p> <ul style="list-style-type: none"> (a) the Borrower shall have given the Lender, in the form set out in Schedule “B” attached hereto, a draw notice signed by an officer of the Borrowers confirming that the said disbursement falls within the Cash Flow Projection; and (b) A&M shall confirm that the disbursement requested in the draw notice is compliant with the terms and conditions of this Letter of Offer.
Repayment	<p>On the Maturity Date, the Borrowers shall repay the entire outstanding principal amount of the DIP Loan in full, together with any accrued interest, fees and expenses without deduction or set-off.</p> <p>During the Term, the Borrowers may repay any principal amount of the DIP Loan without penalty provided the minimum amount of any such repayment is no less than \$50,000. The amount of the DIP Loan shall automatically be reduced by the amount of such repayment and any repaid amount may not subsequently be reborrowed.</p>
Interest	Interest is payable monthly, at a rate of Eight and One Half Percent per annum (8.5%).
Payment of Interest	The Borrower shall pay the interest calculated monthly at the rate and in the manner set out in this Letter of Offer on the first Business Day of each month.

Security

As a specific and continuous guarantee of the performance by the Borrowers of all their obligations toward the Lender under this term sheet (including the payment of principal, interest, fees and any other sums), the Borrowers along with Barracades and Signs Ltd. agree to grant the following security:

- (a) a Court authorized first-ranking, valid, enforceable financing charge with priority over all creditors of the Borrowers, in an amount to match the anticipated draws required by the Borrowers from the Lender from time to time as prescribed by the Cash Flow Projection, which shall not exceed \$1,400,000 (the **"DIP Charge"**) charging all the property, assets and undertakings of the Borrowers granted pursuant to the DIP Order (as hereinafter defined) that includes standard debtor-in-possession terms and conditions satisfactory to the Lender acting reasonably, pursuant to section 11.2 of the CCAA, as the case may be, subject only to an administration charge not to exceed \$500,000 (the **"Administration Charge"**)

(collectively, the **"DIP Lender Security"**)

- (b) a joint, several, irrevocable and unconditional guarantee (in the form and substance attached hereto), as primary obligor and not merely as surety for the full amount of the DIP Loan (\$1,400,000) by Barricades and Signs Ltd. further secured by a General Security Agreement and PPSA Registration

DIP Documentation

All documentation with respect to the DIP Loan, including the DIP Lender Security and DIP Order (as defined hereafter) (collectively, the **"DIP Loan Documentation"**) shall be in form and substance acceptable to the Lender.

Conditions Precedent

Prior to any disbursement, the following conditions precedent will have been met in a manner satisfactory to the Lender at its sole discretion:

- (a) the Borrowers are subject to proceedings under the CCAA;
- (b) the Borrowers have obtained an order made by the Court (the **"DIP Order"**) in form and content satisfactory to the Lender, which DIP Order shall include, among other things: (a) the approval of the DIP Loan and all the terms and conditions hereof; (b) authorizing the Borrowers to borrow on the terms and conditions outlined in this Letter of Offer and approving same; (c) creating various court-ordered priority charges including (i) the granting of the DIP Charge in favour of the Lender as security over all present and future

assets, property and undertaking of the Borrower notwithstanding the terms and conditions of any other agreement to which the Borrowers are a party; (ii) the granting of the Administration Charge not to exceed \$500,000 without the approval of the Court; (d) prohibiting the granting of any additional liens, charges, security interests or any other encumbrances upon any of the assets, property or undertaking of the Borrowers, without the prior written consent of the Lender; (e) granting the Lender the right, upon the Maturity Date, to enforce the rights and remedies available to it, upon five (5) days written notice to the Borrowers and to A&M and their respective legal counsel, pursuant to the DIP Order, this Letter of Offer, the DIP Lender Security, and any additional rights and remedies available to it, at law or in equity; (f) prohibiting any further borrowing by the Borrowers, without the prior written consent of the Lender; (g) authorizing (but not obligating) the Lender to effect such registrations, filings and recordings wherever the Lender in its discretion deems appropriate regarding the DIP Loan Documentation including the DIP Lender Security and the DIP Charge; (h) declaring that the granting of the security by the Borrowers provided for in the DIP Loan Documentation including the DIP Lender Security and the DIP Charge and the execution and delivery of all other documents and instruments contemplated herein, the payment of all amounts by the Borrower to the Lender, including any and all fees and interest, and the actions taken to perfect and record the DIP Lender Security do not constitute fraudulent preferences, fraudulent conveyances, transfers at undervalue, conduct meriting an oppression remedy, or other transactions which might be challenged or reviewed under applicable federal or provincial legislation; (i) declaring the DIP Order, and the DIP Charge granted thereunder, binding upon a trustee in bankruptcy of the Borrowers, a proposal trustee, a monitor, a receiver, an interim-receiver, a receiver-manager or any other officer of the Court each a “**Receiver**”); (j) staying any other secured or unsecured creditor from exercising any rights against the Borrowers and its property, without further order of the Court; and (m) such other terms and conditions as the Lender may reasonably deem necessary or appropriate;

- (c) the DIP Order shall be in full force and effect; final and non-appealable; and shall not have been reversed, stayed, modified, amended or varied, without the express written consent of the Lender; and no application or motion shall have been made to the Court for any stay, modification or amendment of the DIP Order;
- (d) no Event of Default (as hereinafter defined) shall have occurred;
- (e) the Lender has received A&M's report pursuant to subsection 23(1)

of the CCAA with respect to the Cash Flow Projection. The conclusions of A&M's report shall be satisfactory to the Lender; and

- (f) the Borrowers shall have granted the DIP Lender Security.

Underlying Conditions

During the Term of the DIP Loan, the following underlying conditions shall be met in a manner satisfactory to the Lender at its sole discretion:

- (a) the Borrowers shall only use the DIP Loan for the purposes set out in this Letter of Offer, unless otherwise agreed to in writing by the Lender;
- (b) the Borrowers shall comply with any order made by the Court;
- (c) the Borrowers shall diligently continue its proceedings under the CCAA;
- (d) the Borrowers shall not pay any interest, dividends, salaries, remuneration, management fees or any other form of payments or distributions to the shareholders of the Borrowers without the prior written consent of the Lender, except for salaries paid in the usual and ordinary course of the Borrowers' business, with the prior approval of the Monitor;
- (e) the Borrowers shall comply with the financial projections set forth in the Cash Flow Projection;
- (f) the Borrowers shall provide such documents or information to the Lender as the Lender shall reasonably request, which shall be provided within a reasonable time according to the circumstances;
- (g) the Borrowers shall authorize A&M to disclose to the Lender any financial or other information of which it is aware pertaining to the Borrowers at the Lender's sole and unfettered discretion, further allowing for a review of any and all financial statements, instruments or otherwise upon five (5) business days' notice by the Lender;
- (h) the Borrowers shall provide written notice of an occurrence (an "**Occurrence**") of a default under a material contract to which the Borrowers are a party which is likely to have a material adverse effect or of an Event of Default (as defined below) together with any notice, letter or other document (a "**Default Notice**") received by the Borrowers from a third party advising of an Occurrence, within three days of the date of the Occurrence or of receipt of the Default Notice;
- (i) the Borrowers shall maintain the current insurance coverage over its assets and property and designate the Lender as loss payee as

its interest may appear; and

- (j) the Borrowers shall not sell, transfer, assign or deal in any way with any of its property, assets or undertaking out of the ordinary course of business, without the prior written consent of the Lender or an order of the Court.

Events of Default

In addition to the events of default set out in the DIP Lender Security, the following events shall constitute events of default (each, an “**Event of Default**”):

- (a) if the Borrowers fail to pay to the Lender when due any amount of principal, interest, fees or other amounts under the DIP Loan, whether by acceleration or otherwise;
- (b) if the Borrowers default in the observance or performance of any underlying condition or covenant contained in this Letter of Offer or the DIP Lender Security;
- (c) if the Borrowers deviate materially from the Cash Flow Projection;
- (d) if the Lender determines, acting reasonably, that a material adverse change has occurred after the date hereof in respect of the business, affairs or financial condition of the any of the Borrowers;
- (e) if DIP Order is varied without the written consent of the Lender or any other order is made which is or may be prejudicial to the Lender's interests;
- (f) if the Borrowers fail to pay, when due, any statutory liens, trusts and other Crown claims including employee source deductions, GST and any payments required by any work place safety legislation, wages, vacation pay and insurance premiums;
- (g) if the stay of proceedings granted to the Borrowers pursuant to the restructuring proceedings under the CCAA, as the case may be, is terminated or lifted; or
- (h) if any person challenges the enforceability of any of the rights of the Lender hereunder or pursuant to any of the DIP Lender Security and any such challenge has not been dismissed or determined by the Court within the CCAA proceedings, as the case may be, within 15 days.

Remedies

Upon the Maturity Date, the Lender may immediately terminate the DIP Loan and enforce, upon five (5) Business Days written notice to the Borrowers and A&M, and A&M's legal counsel, all of its rights and remedies against the Borrowers and its property, assets and undertaking including, without limitation, the enforcement of the DIP Lender Security

and the ability to apply to the Court for the appointment of a Receiver; and all amounts outstanding under the DIP Loan shall immediately become due and payable without further notice, demand or delay.

Other Costs

In addition, any and all costs, charges, and expenses (including, without limitation, lawyers' fees as between solicitor and his own client, on a full indemnity basis, as well as accounting, appraisal, environmental and consulting fees) incurred by the Lenders in connection with the restructuring proceedings, the DIP Loan, the DIP Loan Documentation, the DIP Lender Security, the DIP Order, the DIP Charge, the enforcement of any rights and remedies regarding the aforementioned and the restructuring of the Borrowers including, are for the account of the Borrowers.

Governing Law

This Letter of Offer as well as the interpretation and exercise of the recourses hereunder shall be subject to and governed by the laws of the Province of Alberta and the laws of Canada applicable therein.

Solidary Liability

When there is more than one borrower, their obligations shall be solidary and each of them shall constitute a principal debtor.

Further Assurances

Upon notice from the Lender, the Borrowers shall sign (or cause to be signed) all further documents, do (or cause to be done) all further acts, and provide all reasonable assurances as the Lender may reasonably require to give effect to this Letter of Offer and the financing contemplated hereunder.

Amendments

This Letter of Offer may only be amended by a written agreement signed by the Lender and the Borrowers.

Counterparts

This Letter of Offer may be signed in any number of counterparts and by facsimile or portable electronic document format, each of which when taken together shall constitute one and the same original document.

Expiry Date

This Letter of Offer shall become null and void if it is not accepted by 4 p.m. (Calgary time) on December 19, 2023.

Thank you for giving us the opportunity to discuss our ability to meet your financing requirements. We look forward to continuing to work with you.

Yours truly,

Durisol Ltd.

Per:

I have authority to bind the corporation

ACCEPTANCE

To: **Durisol Ltd.**

We certify that all the information provided to the Lender is true, we accept the terms set forth herein and we acknowledge receipt of a copy of this Letter of Offer and the schedules forming part thereof.

Accepted on December ____, 2023.

CANDESTO ENTERPRISES CORP.

Per: _____
Name:
Title:

D3 INFRASTRUCTURE SERVICES INC.

Per: _____
Name:
Title:

SAFE ROADS ALBERTA LTD.

Per: _____
Name:
Title:

Schedule "A"

CASH FLOW PROJECTION

DRAFT - FOR DISCUSSION PURPOSES ONLY

Candesto Enterprises Corp, D3 Infrastructure Services Inc. and Safe Roads Alberta Ltd.

Management Prepared 13 Week Cash Flow Forecast

For the period from December 20 2023 to March 15, 2024

unaudited, in CAD \$000's

	Notes	Week 1 22-Dec-23	Week 2 29-Dec-23	Week 3 5-Jan-24	Week 4 12-Jan-24	Week 5 19-Jan-24	Week 6 26-Jan-24	Week 7 2-Feb-24	Week 8 9-Feb-24	Week 9 16-Feb-24	Week 10 23-Feb-24	Week 11 1-Mar-24	Week 12 8-Mar-24	Week 13 15-Mar-24	Week 1 to Week 13
Cash Receipts															
Accounts receivable	1	65	-	-	-	-	-	91	52	12	-	-	-	-	219
Unbilled active projects	2	-	-	-	-	-	-	17	-	-	-	177	249	-	443
Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts		65	-	-	-	-	-	108	52	12	-	177	249	-	663
Operating Disbursements															
F2024 project costs	3	15	7	-	187	155	140	110	-	-	-	-	-	-	613
F2025 project costs	4	-	-	75	-	-	-	-	-	-	-	-	-	-	75
Payroll and benefits	5	-	86	-	48	-	86	-	78	-	70	-	62	-	430
Rent	6	-	-	15	-	-	-	-	15	-	-	-	15	-	45
Insurance	7	-	-	-	-	10	-	-	-	10	-	-	-	10	30
IT	8	-	3	2	-	3	-	-	2	3	-	-	2	3	16
Utilities	9	-	-	4	-	-	-	-	4	-	-	-	4	-	12
Other operating costs	10	-	6	26	-	6	-	-	10	6	-	-	10	6	71
Contingency	11	-	15	-	15	-	15	-	15	-	15	-	15	-	90
Total Operating Disbursements		15	117	122	249	174	241	110	124	19	85	-	108	19	1,382
Net Cash Flow from Operations		50	(117)	(122)	(249)	(174)	(241)	(1)	(72)	(7)	(85)	177	141	(19)	(719)
Non-Operating Disbursements															
Companies' Counsel's Fees	12	-	-	100	-	35	-	35	-	30	-	25	-	25	250
Monitor's Fees and Disbursements	12	-	-	100	-	50	-	50	-	50	-	40	-	40	330
Monitor's Counsel's Fees	12	-	-	50	-	20	-	20	-	20	-	20	-	20	150
Interim Financing Interest	13	-	-	-	-	-	-	6	-	-	-	9	-	-	15
Total Non-Operating Disbursements		-	-	250	-	105	-	111	-	100	-	94	-	85	745
Net Cash Flow		50	(117)	(372)	(249)	(279)	(241)	(112)	(72)	(107)	(85)	83	141	(104)	(1,464)
Opening Cash		301	351	235	13	63	85	43	81	109	102	17	100	241	301
Net Cash Flow		50	(117)	(372)	(249)	(279)	(241)	(112)	(72)	(107)	(85)	83	141	(104)	(1,464)
Interim Financing Advance/(Repayment)		-	-	150	300	300	200	150	100	100	-	-	-	-	1,300
Ending Cash		351	235	13	63	85	43	81	109	102	17	100	241	137	137
Opening Interim Financing balance		-	-	-	1,300	1,000	700	500	350	250	150	150	150	150	1,300
Advances		-	-	150	300	300	200	150	100	100	-	-	-	-	1,300
Repayments		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Interim Financing balance		-	-	-	1,000	700	500	350	250	150	150	150	150	150	-

Unaudited cash flow forecast to be read in conjunction with the cash flow notes and the Proposed Monitor's report on the cash flow forecast

Candesto Enterprises Corp.,
D3 Infrastructure Services Inc.
and Safe Roads Alberta Ltd.

Alvarez & Marsal Canada Inc., in its capacity as
Proposed Monitor of Candesto Enterprises Corp.,
D3 Infrastructure Services Inc. and Safe Roads Alberta Ltd.
and not in its personal or corporate capacity

Jan Van Bruggen
Director

Orest Konowalchuk, LIT
Senior Vice President

Candesto Enterprises Corp., D3 Infrastructure Services Inc. and Safe Roads Alberta Ltd.
(collectively, the "Companies")
Notes to Management Prepared 13 Week Cash Flow Forecast
For the period from December 20, 2023 to March 15, 2024

Disclaimer

*In preparing this cash flow forecast (the "**Forecast**"), the Companies have relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast includes assumptions discussed below with respect to the requirements and impact of a filing under the Companies' Creditors Arrangement Act ("CCAA"). Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Forecast period will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or protections will be realized. The Forecast is presented in thousands of Canadian dollars.*

Note 1 Accounts receivable

Forecast collections of invoiced amounts and holdback for completed projects.

Note 2 Unbilled active projects

Collections of unbilled progress payments and holdback for active projects.

Note 3 F2024 project costs

Costs related to ongoing projects which are expected to be completed by the end of the Companies' fiscal year ending January 31, 2024.

Note 4 F2025 project costs

Estimated payment of design and pre-fabrication costs related to the Companies' projects which are expected to commence in April 2024.

Note 5 Payroll and benefits

Salaries, wages, statutory remittances and benefits for salaried and hourly employees.

Note 6 Rent

Monthly rent payments for the Companies' two leased properties.

Note 7 Insurance

Monthly payment for equipment, vehicle and commercial general liability insurance policies.

Note 8 IT

Monthly payments to third-party providers for IT infrastructure and software.

Note 9 Utilities

Estimated monthly utility costs at the Companies' two leased premises.

Note 10 Other operating costs

Includes payment of monthly equipment and vehicle leases required for the ongoing operations of the Companies.

Note 11 Contingency

A bi-weekly contingency of \$15,000 has been included to account for possible unforeseen expenditures.

Note 12 Professional Fees and Expenses

Disbursements include forecast payments to the Companies' counsel, the Monitor and the Monitor's counsel. The respective professionals have been provided with a cumulative retainer of \$125,000.

Note 13 Interim Financing Interest

Forecast payments to be made to the interim financing lender. The interim financing agreement has not yet been finalized at this time.

Candesto Enterprises Corp.,
D3 Infrastructure Services Inc.
and Safe Roads Alberta Ltd.

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and not in its personal or corporate capacity

Jan Van Bruggen
Director

Orest Konowalchuk, LIT
Senior Vice President

Schedule "B"

DRAW NOTICE

To: **Durisol Ltd.**

RE: Debtor-in-Possession Financing

Dear Sir,

We refer you to the Letter of Offer of debtor-in-possession financing entered into on December 19, 2023 between Candesto Enterprises Corp., D3 Infrastructure Services Inc., and Safe Roads Alberta Ltd. as Borrowers and **[the Lender]**, as DIP Lender. Capitalized terms which are used but not defined in this draw notice have the meaning given to them in the Letter of Offer.

We confirm our draw notice concerning a disbursement as follows:

Amount of disbursement: \$

Disbursement date:

As of the date hereof, we confirm that the representations made or given in the DIP Loan are still true and accurate in all material respects, that the said disbursement falls within the Cash Flow Projection and that no Event of Default has occurred.

We also confirm the execution of the previous draw by each of the parties.

CANDESTO ENTERPRISES CORP.

Per: _____
Name:
Title:

D3 INFRASTRUCTURE SERVICES INC.

Per: _____
Name:
Title:

SAFE ROADS ALBERTA LTD.

Per: _____
Name:
Title: