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COURT OF KING'S BENCH  
OF ALBERTA

JUDICIAL CENTRE

CALGARY

PLAINTIFF

DURISOL LTD.

DEFENDANTS

CANDESTO ENTERPRISES CORP.,  
D3 INFRASTRUCTURE SERVICES INC., AND  
SAFE ROADS ALBERTA LTD.

DOCUMENT

**SECOND REPORT OF THE RECEIVER**

**November 4, 2024**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

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## **TABLE OF CONTENTS**

<b>INTRODUCTION .....</b>	<b>3</b>
<b>TERMS OF REFERENCE .....</b>	<b>5</b>
<b>BACKGROUND AND OVERVIEW .....</b>	<b>6</b>
<b>ACTIVITIES OF THE RECEIVER SINCE THE FIRST REPORT .....</b>	<b>7</b>
<b>SECURITY OPINION .....</b>	<b>9</b>
<b>ACCOUNTS RECEIVABLE.....</b>	<b>9</b>
<b>THE EQUIPMENT AUCTIONING PROCESS .....</b>	<b>12</b>
<b>FINAL STATEMENT OF RECEIPTS &amp; DISBURSEMENTS .....</b>	<b>13</b>
<b>FORECAST RECEIPTS AND DISBURSEMENTS .....</b>	<b>14</b>
<b>APPROVAL OF PROFESSIONAL FEES AND EXPENSES .....</b>	<b>17</b>
<b>DESTRUCTION OF BOOKS AND RECORDS .....</b>	<b>18</b>
<b>DISCHARGE OF THE RECEIVER .....</b>	<b>18</b>
<b>RECEIVER’S CONCLUSIONS AND RECOMMENDATIONS .....</b>	<b>19</b>

## **APPENDICES**

<b>APPENDIX A</b>	<b>Assignment of Receivables Agreement</b>
<b>APPENDIX B</b>	<b>Summary of the Receiver's Fees and Costs and the Receiver's Counsel's Fees and Costs</b>

## INTRODUCTION

1. On April 17, 2024 (the “**Receivership Date**”), the Court of King’s Bench of Alberta (the “**Court**”) granted an Order (the “**Receivership Order**”) whereby Alvarez & Marsal Canada Inc. (“**A&M**”) was appointed receiver and manager (the “**Receiver**”) of Candesto Enterprises Corp. (“**CEC**”), Safe Roads Alberta Ltd. (“**Safe Roads**”) and D3 Infrastructure Services Inc. (“**D3**”) (collectively, the “**Debtors**” or the “**Companies**”) in respect of all of the Companies’ current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the “**Property**”).
2. The Receivership Order empowers and authorizes, but does not oblige, the Receiver to, among other things, take possession and control of the Property and of any and all proceeds, receipts and disbursements arising out of or from the Property, and to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business subject to Court approval, as necessary.
3. Prior to the granting of the Receivership Order, on December 20, 2023, the Companies were granted an initial order (the “**Initial Order**”) by the Court, under the *Companies’ Creditors Arrangement Act, RSC 1985, c. C-36*, as amended (the “**CCAA**”). On December 20, 2023, the Court granted the Companies a concurrent order (the “**Amended and Restated Initial Order**”) within the Companies’ CCAA proceeding (the “**CCAA Proceedings**”). A&M was appointed as the CCAA monitor (the “**Monitor**”) of the business and financial affairs of the Companies. On January 12, 2024, the Court granted a stay extension of the CCAA Proceeding.
4. The CCAA Proceeding was terminated on April 17, 2024, and on the same day, this Honourable Court granted the Receivership Order appointing A&M as receiver over the Property.

5. On June 12, 2024, this Honourable Court granted an Order (the “**Auction Approval and Vesting Order**”) authorizing the Receiver to enter into an auction services agreement (the “**Auction Agreement**”) with McDougall Auctioneers Ltd. (the “**Auctioneer**”) to allow for the Auctioneer to conduct an auction (the “**Auction**”) in accordance with the terms of the Auction Agreement between the Auctioneer and the Receiver (the “**Auction**”), and vesting the Equipment (as defined below) of the Debtors purchased at the Auction in a purchaser free and clear of all encumbrances.
6. The purpose of this second report of the Receiver (the “**Second Report**” or “**this Report**”) is to provide this Honourable Court with information in respect of the following:
  - a) the activities of the Receiver since the First Report of the Receiver dated June 5, 2024 (the “**First Report**”);
  - b) an update with respect to the auction results of the Equipment (as defined below) previously owned by the Debtors, which concluded on July 18, 2024, pursuant to the Auction Approval and Vesting Order;
  - c) an update with respect to the Receiver’s collection efforts of the Debtors’ outstanding accounts receivable and holdbacks (the “**Receivables**”) and the Receiver’s request of this Honourable Court to approve the Assignment of Receivables Agreement attached at **Appendix “A”** (the “**Assignment Agreement**”) between the Receiver and the Debtors’ interim lender within the CCAA Proceeding, Durisol Ltd. (“**Durisol**”);
  - d) the final statement of receipts and disbursements since the Receivership Date to November 1, 2024 (“**Final R&D**”), and the cash flow actual results for the period from June 1, 2024 to November 1, 2024 (the “**Reporting Period**”);
  - e) the Receiver’s application for:

- i. an Order declaring that, upon the Receiver filing a certificate with this Honourable Court (the “**Receiver’s Certificate**”), the Receiver is discharged as Receiver in these receivership proceedings (the “**Receivership Proceedings**”);
  - ii. an Order approving the Assignment Agreement;
  - iii. an Order approving a distribution to the interim lender, Durisol in the amount of \$1,150,000;
  - iv. an Order approving the actions, activities and conduct of the Receiver up to the date of this Second Report;
  - v. an Order approving the Receiver’s and its legal counsels, fees and disbursements up to October 31, 2024, including its forecast fees and costs (the “**Forecast Fees & Costs**”) to complete the administration of the Companies’ estates;
  - vi. the Receiver’s request to approve the Final R&D; and
  - vii. an Order approving the destruction or transfer of the Companies books & records; and
- f) the Receiver’s conclusions and recommendations;
7. Capitalized words or terms not otherwise defined in this Report are as defined in the Receivership Order.
8. All references to dollars are in Canadian currency unless otherwise noted.

## **TERMS OF REFERENCE**

9. In preparing this Second Report, the Receiver has relied upon: (i) the representations of certain management and other key stakeholders of the Companies; and (ii) financial and other information contained in the Companies’ books and records, which were produced and maintained principally by the

Companies. The Receiver has not performed an audit, review or other verification of such information.

10. The Receiver has not performed an audit, review or otherwise attempted to verify the accuracy or completeness of the Companies' financial information that would wholly or partially comply with Canadian Auditing Standards ("CASs") pursuant to the *Chartered Professional Accountants Canada Handbook*, and accordingly, the Receiver expresses no opinion or other form of assurance contemplated under CASs in respect of the financial information. Any future oriented financial information relied upon in this Report is based on the Receiver's assumptions regarding future events and actual results achieved will vary from this information and the variations may be materials.

## **BACKGROUND AND OVERVIEW**

### Background

11. The Debtors 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**").
12. The goods and services provided by the Debtors 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.
13. 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 counterparty for most incoming jobs in Alberta.
14. Safe Roads (formerly 1957282 Alberta Ltd.) is an Alberta corporation incorporated under the *Business Corporations Act* (Alberta) 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 more recently that sourcing had been done predominantly from other suppliers. Leading into the receivership Safe Roads was largely dormant, with little to no operations and/or cash flow.

15. As previously discussed, on December 20, 2023, due to market and operational issues, the Companies filed for creditor protection pursuant to the CCAA in an effort to restructure its affairs. The CCAA Proceedings were terminated on April 17, 2024 and on the same day, the Receivership Order was granted.
16. Further information regarding the cause of the Companies' insolvency and these Receivership Proceedings, including affidavits and motion materials, as well as information filed in the CCAA Proceedings are available on the Receiver's website at: [www.alvarezandmarsal.com/candesto](http://www.alvarezandmarsal.com/candesto) ("**Receiver's Website**").

#### **ACTIVITIES OF THE RECEIVER SINCE THE FIRST REPORT**

17. Since the First Report, the Receiver's activities have included, but are not limited to, the following:
  - a) communication and planning with the Auctioneer with respect to the Auction and the various equipment and inventory (the "**Equipment**") owned by the Debtors;
  - b) working with the Auctioneer to have all of the Equipment picked up by the successful purchasers and have all remaining material removed from both of the leased properties of the Debtors for purposes of vacating their leased premises;
  - c) various communications with both landlords for the Crossfield, AB lay down yard as well as the Winterburn, AB yard and notifying both landlords of the termination of the Debtors' lease effective as of July 31, 2024;

- d) ongoing communications with Service Canada, as well as former employees of the Companies, with respect to the Wage Earner Protection Program (“**WEPP**”) and assisting each of the former employees in filing their claims;
- e) communicating with the insurance broker to ensure appropriate insurance is in place both preceding and following the liquidation of the Equipment;
- f) various and ongoing communications with the secured lenders and indemnitors of the Companies, including relating to the assignment of the Receivables, as well as other matters respecting the Receivership Proceedings;
- g) executing a sale of custom road signage, which was completed prior to the Receivership Proceedings, to the customer it was originally designed for, Ledcor Highways Ltd., and completing the sale on an “as is, where is” and “no representations, and no warranties” basis;
- h) numerous communications with general contractors regarding outstanding accounts receivable and holdbacks for work completed by the Companies and working with the Receiver’s legal counsel, Gowling WLG (Canada) LLP (“**Gowling**” or “**Receiver’s Counsel**”) to deliver demand notices for the collection of the Receivables, which is discussed in more detail within this Second Report;
- i) issuing an objection notice to the Canada Revenue Agency (“**CRA**”) with respect to a pre-receivership GST re-assessment of the obligations of CEC and D3 outstanding totaling \$272,065.85 and \$54,163.35, respectively, and discussions with the directors and Secured Creditors regarding same;
- j) various discussions with creditors regarding outstanding invoices as a result of the Receivership Proceedings;

- k) hosting multiple update calls with the Secured Creditors, directors and the ownership group of the Debtors on the status of the Receivership Proceedings, dealings with Trisura Guarantee Insurance Company (“**Trisura**”), the Debtors bonding company, and other matters; and
- l) providing instructions to Gowling, on a variety of matters with respect to these Receivership Proceedings.

## **SECURITY OPINION**

- 18. As noted in the First Report, the Companies’ secured lenders are 1288078 Ontario Inc. (the “**Primary Lender**”) and Barricades and Signs Ltd. (“**BSL**”) as well as Durisol Ltd. (“**Durisol**”) as the interim lender during the CCAA Proceedings (collectively the “**Secured Creditors**”). These entities are controlled by the same principals.
- 19. In assessing the various priority charges of these Receivership Proceedings, the Receiver, in coordination with its counsel, has determined that the Interim Lender’s Charge that was granted during the CCAA Proceedings in the amount of \$1.4 million and continued on into these Receivership Proceedings is the first ranking charge in priority to any other “super priority” claims that may be held, such as Service Canada (WEPP claims) and CRA respecting outstanding GST, but subordinate to the Receiver’s Charge and Receiver’s Borrowing Charge as granted in the Receivership Proceedings, and the Administration Charge granted in the CCAA Proceedings. As such, no security opinion has been conducted on the Primary Lenders security as forecasted distributions from the Debtors’ estates will not surpass indebtedness owing by the Debtors to Durisol pursuant to the \$1.4 million interim lending it provided to the Debtors during the CCAA Proceedings and the \$1.4 million the Interim Lender’s Charge.

## **ACCOUNTS RECEIVABLE**

- 20. As of Receivership Date, CEC’s books and records indicated outstanding accounts receivable totaling approximately \$1.7 million. Approximately \$1 million of the

outstanding AR was outstanding with Calgary Safelink Partners (“**Safelink**”), to which the Receiver had agreed to a direction to pay where Safelink paid Candesto’s sub-contractor, Nova Pole International Inc., directly.

21. Of the remaining \$780,000 in outstanding Receivables, the Receiver, delivered various letters for the repayment of these Receivables (the “**AR Collection Letters**”). Specifically, on or around May 13, 2024, the Receiver delivered AR Collection Letters to the nine customers identified with outstanding accounts requesting that the outstanding accounts be paid to the Receiver by no later than May 31, 2024.
22. The Receiver has either received no response from the AR Collection Letters, or those customers who had responded indicated that they were of the view that no amounts were owing to CEC as a result of set off claims against the Receivables. In some cases, the customers advised that CEC was in a net payable position to these customers.
23. In an attempt to understand these set off claims, the Receiver requested that the customer(s) provide any or all supporting information to the Receiver to support their argument for the right of set off. To date, the CEC customer(s) have not provided any supporting information to the Receiver.
24. Between August 13, 2024 and October 4, 2024, the Receiver’s Counsel delivered formal demand letters (“**Demand Letters**”) to three of CEC’s customers whose outstanding account balances were deemed material to pursue by the Receiver totally a net book value of approximately \$554,000. In response, all three customers continued to maintain their positions that they believe they do not owe CEC due to their right of set offs for costs they incurred because of CEC being unable to complete the scope of its work, deficiencies arising from CEC’s work, or future warranty work may be required.
25. The Receiver’s Counsel followed up with these three customers requesting supporting information from the identified customers with respect to their positions

and the costs they have incurred to complete the project work as stipulated within the CEC contract. To date, the three customers have not been unable to provide such information, as the customers explained that the work remains outstanding and/or the warranty period for the work completed is yet to expire.

26. In consultation and agreement with the Secured Creditors, given the nature of the work and the scale of the projects being completed, the time and effort required to determine the outcome of the outstanding accounts receivable, the Receiver believes that the professional fees and costs of the Receiver to further pursue the collection of all Receivables, may exceed the overall recovery on same. As discussed further below, given that Durisol is not expecting to be paid in full the amounts owing to it pursuant to the Interim Lender Charge, when considering the likely costs of collecting the Receivables, the Receiver with the support of the Secured Lenders, believes it would be the most cost-effective and in the best interest of the Debtors' stakeholders to assign the Receivables to Durisol so that it can preserve the value of the Receivables and take steps towards collection.
27. The Receiver is respectfully requesting that this Honourable Court approve the assignment of the Receivables to Durisol for the following reasons:
  - a) the Receivership Order allows the Receiver to enter into agreements, to transfer assets with court approval outside of the ordinary course of business, and take any other steps reasonably incidental to the exercise of the Receiver's power;
  - b) the Receiver has exhausted its efforts in attempting to realize on the Receivables in an efficient manner;
  - c) the Receiver believes that assigning the Receivables to Durisol will afford Durisol, as interim lender to the Companies, the best opportunity to realize on the Receivables in a cost-effective manner to assist in recouping its outstanding loan that is subject the Interim Financing

Charge, and which will not be paid in full from the realization of the Debtors other assets in these Receivership Proceedings;

- d) the Receiver believes that the costs and time associated with realizing on the Receivables within these Receivership Proceedings may likely exceed the collection value of the Receivables; and
- e) the Secured Creditors (the Primary Lender and Durisol) are supportive of the Receiver assigning the Receivables to Durisol.

### **THE EQUIPMENT AUCTIONING PROCESS**

- 28. As discussed in the First Report, the Receiver engaged the services of the Auctioneer, as authorized within the Auction Approval and Vesting Order, to conduct a sale of the Equipment.
- 29. The online auction of the Equipment was launched on June 12, 2024 and concluded on July 18, 2024. The auction resulted in proceeds from sale (net of costs) of \$998,417 being delivered to the Receiver. The amount of the proceeds equaled the net minimum guarantee of that was negotiated in the Auction Agreement with the Auctioneer, as the proceeds did not exceed the thresholds past the net minimum guarantee, as outlined in greater detail in the confidential appendices of the Receiver's First Report.
- 30. In addition to the Equipment subject to the Auction Agreement, there were three additional pieces of equipment that were sold as a part of the auction, and which were not contemplated within the Auction Agreement. This equipment was identified and recovered from various mechanic shops after the Auction Agreement was entered into and approved by this Honourable Court. As such, the three pieces of equipment were sold on consignment on behalf of the Receiver in the Auction. The proceeds of sale from these three pieces of equipment totalled \$76,049.27 net of costs incurred.

## FINAL STATEMENT OF RECEIPTS & DISBURSEMENTS

31. The following is a summary of the Final R&D and the cash flow results over the Reporting Period:

<b>Candesto Enterprises Corp., D3 Infrastructure Services Inc., and Safe Roads Alberta Ltd.</b> <b>Interim Statement of Receipts and Disbursements</b> <b>April 17, 2024 to November 1, 2024</b> <i>in CAD \$000's</i>			
	<b>First Report</b> <b>Apr 17/24 to</b> <b>May 31/24</b>	<b>Reporting Period</b> <b>Jun 1/24 to</b> <b>Nov 1/24</b>	<b>Total</b> <b>April 17/24 to</b> <b>Nov 1/24</b>
<b>Opening cash balance</b>	\$ 613	\$ 641	\$ 613
<b>Receiver's borrowings</b>	\$ -	\$ -	\$ -
<b>Receipts</b>			
Collection of Accounts Receivable	-	16	16
Collection of Holdback	32	0	32
Other	11	70	81
Tax Refund	-	3	3
Auction and Equipment Sale Proceeds	190	962	1,152
<b>Total Receipts</b>	<b>\$ 233</b>	<b>\$ 1,051</b>	<b>\$ 1,284</b>
<b>Disbursements</b>			
Contractor payments	-	-	-
Rent	31	15	46
Insurance	9	72	81
IT	0	1	1
Utilities	0	2	2
Other operating costs	0	1	1
GST Payable	9	15	24
OSB Fees	-	0	0
Auctioneer Costs	-	4	4
Professional Fees and Costs	155	348	502
Contingency	-	-	-
<b>Total Disbursements</b>	<b>\$ 204</b>	<b>\$ 457</b>	<b>\$ 661</b>
<b>Total Receipts and Disbursements</b>	<b>\$ 29</b>	<b>\$ 594</b>	<b>\$ 622</b>
<b>Ending cash balance</b>	<b>\$ 641</b>	<b>\$ 1,235</b>	<b>\$ 1,235</b>

32. Opening cash in the Reporting Period was \$641,000.
33. Receipts collected during the Reporting Period consisted of approximately \$962,000 which is largely from the sale of the Equipment, and approximately \$89,000 relating to the collection of certain accounts receivables, interest income and various refunds primarily from the Companies insurance provider.

34. Disbursements paid during the Reporting Period was approximately \$457,000, which primarily related to professional fees, rent and insurance.
35. Professional fees and costs of the Receiver and the Receiver's Counsel relate to services rendered from June 1, 2024 to October 31, 2024 totaled approximately \$348,000 (exclusive of GST). The remaining fees and costs of the Receiver and its counsel that are expected to be paid to conclude these Receivership Proceedings are reflected in the Forecast Fees & Costs, as discussed further below.
36. As at the date of the Receivership, the Receiver and the Receiver's Counsel, were in receipt of retainers held from the CCAA Proceedings. The total of the combined retainers is \$51,468.64. The Receiver's Counsel has applied its retainer portion (\$26,468.64) towards its May 2024 and June 2024 invoices for services rendered in these Receivership Proceedings. The Receiver's retainer (\$25,000) is reflected as a receipt coming back into the estate as reflected with the Forecast Fees & Costs, as discussed below.
37. The ending cash available within the Receiver's bank account as at November 1, 2024 was approximately \$1,235,000. The Receiver did not borrow any funds in the Receivership Proceedings.

#### **FORECAST RECEIPTS AND DISBURSEMENTS**

38. The Receiver prepared the below estimated realization analysis that outlines the anticipated recoveries and distribution to Durisol ("**ERA**"), including the Receiver's estimated forecast receipts and disbursements to finalize the Receivership Proceedings (the "**Forecast R&D**").

**Candesto Enterprises (Consolidated) - In Receivership**  
**Estimated Realization Analysis and Forecast R&D**  
**November 1, 2024**  
*CAD \$000's*

	NBV	Estimated Realization	
		Low Scenario	High Scenario
<b>Ending cash as at Nov.1/24</b>		<b>\$ 1,235</b>	<b>\$ 1,235</b>
<b>Forecast Receipts</b>			
GST Refund		25	35
Retainer Held in Trust		25	25
<b>Total Forecast Receipts</b>		<b>\$ 50</b>	<b>\$ 60</b>
<b>Forecast Disbursements</b>			
A&M - Professional Fees (October)		40	40
A&M - Professional Fees (est. November)		30	25
Gowling - Professional Fees (est. November)		15	10
Contingency		13	10
Wage Earners Protection Act - Statutory Claim		2	2
<b>Total Forecast Disbursements</b>		<b>\$ 100</b>	<b>\$ 87</b>
<b>Estimated Funds Available For Distribution</b>		<b>\$ 1,186</b>	<b>\$ 1,209</b>
<b>Less: Durisol Debt (Interim Lender Charge)</b>		1,400	1,400
<b>Net Estimated Shortfall to Durisol</b>		<b>\$ (214)</b>	<b>\$ (191)</b>
<b>Forecast Receipts</b>			
Estimated range of recoveries on Outstanding AR	784	-	196
	<b>\$ 784</b>	<b>\$ -</b>	<b>\$ 196</b>
<b>Net Estimated Shortfall to Durisol after Potential Receipts</b>		<b>\$ (214)</b>	<b>\$ 5</b>

39. The Receiver has estimated that it will require approximately \$100,000 (the “**Holdback**”) to complete the remaining administration of the estate and to make a final distribution to Durisol (“**Durisol Distribution**”). The Forecast R&D contemplates the following forecast receipts and disbursements:

- a) GST refund of approximately \$25,000 of the debtors;
- b) retainer from the CCAA Proceedings of \$25,000;
- c) super priority WEPP payment of approximately \$2,000;
- d) professional fees and costs of the Receiver that were rendered but not yet paid for the period of October 1, 2024 to October 31, 2024 of approximately \$40,000;

- e) professional fees and costs of the Receiver to complete these Receivership Proceedings of approximately \$30,000;
  - f) forecast professional fees and costs of the Receiver's Counsel for the forecast period from November 1, 2024 to discharge of \$15,000; and
  - g) a contingency of approximately \$13,000 to address any unforeseen costs.
40. Based on the remaining funds after the Holdback, the Receiver is seeking permission from this Honourable Court to deliver an initial distribution of approximately \$1,186,000 (the "**Initial Distribution**"). It is expected that Durisol will experience a shortfall between \$191,000 to \$214,000, with respect to its loan of \$1.4 million within the CCAA Proceedings, that is protected by the Interim Lender charge. It is anticipated that there will be no recoveries to the Primary Lender, BSL or any other creditor.
41. The Receiver proposes to provide the Secured Creditors with a final statement of receipts and disbursements once all of the collectible forecast receipts have been collected and the forecast disbursements have been paid, at which time any remaining funds available and held by the Receiver will be transferred to Durisol (the "**Final Distribution**"). The Receiver notes that the Forecast R&D is an estimate and the amounts collected and/or paid may be subject to change based on the actual results.
42. It may be possible that Durisol will be paid in full from the Interim Distribution plus recovery of the Receivables. If this occurs there could be excess funds available to other creditors, subject to relevant priorities. Should this occur, the Receiver recommends and seeks an order from the Court to have any potential surplus funds from the collection of the Receivables that is in excess of Durisol's total debt outstanding, be paid in Court on notice to the service list in the Receivership Proceedings. Any creditor who believes they are entitled to such funds, must apply to court upon notice the service for payment out of the funds.

## **APPROVAL OF PROFESSIONAL FEES AND EXPENSES**

43. Pursuant to paragraphs 18 to 20 of the Receivership Order, the Receiver seeks approval from this Honourable Court of the respective professional fees and disbursements of the Receiver and the Receiver's Counsel for the period from June 1, 2024 to October 31, 2024 (the "**Interim Taxation Period**"). The Receiver and the Receiver's Counsel previously had its accounts approved by the Court for services rendered up to May 30, 2024, as discussed in prior reports.
44. Professional fees and expenses rendered by the Receiver during the Interim Taxation Period total \$221,815. 56 (exclusive of GST) (the "**Receiver's Fees and Costs**"). Professional fees and expenses of the Receiver's Counsel during the Interim Taxation Period total \$42,273.93 (exclusive GST) (the "**Receiver's Counsel's Fees and Costs**").
45. A summary of the Receiver's Fees and Costs and the Receiver's Counsel's Fees and Costs are attached as Appendix "**B**".
46. The Receiver and the Receiver's Counsel's invoices outline the date of the work completed, the description of the work completed, the length of time taken to complete the work and the name of the individual who completed the work. Copies of the invoices will be made available by the Receiver for this Court (upon request) at the upcoming application scheduled for November 13, 2024.
47. The Receiver and the Receiver's Counsel's estimated fees and costs to complete Receivership Proceedings (November 1, 2024 to filing of the Receiver's Discharge Certificate) is estimated at approximately \$45,000 (the "**Forecast Fees and Costs**"), which include fees and costs incurred but not paid.
48. The Receiver respectfully submits that its professional fees and disbursements and those of Gowling in this operating receivership commensurate with the work performed as outlined in this Report, are commercially fair and reasonable and were validly incurred in accordance with the provisions of the Receivership Order.

## **DESTRUCTION OF BOOKS AND RECORDS**

49. The Receiver is in custody of certain records relating to the Companies (the “**Records**”). The Receiver is seeking authorization from this Honourable Court to allow the Receiver to destroy any and all such Records (excluding the account receivable records to be delivered to Durisol, subject to court approval), only if the Records are not required by any of the current directors or shareholders of the Companies, as set forth in the proposed Discharge Order.
50. The Receiver will communicate its plan to destroy the Records to the Companies’ director(s) and shareholder(s) and if they wish to retain the Records the Receiver will ensure that the Records are delivered to them prior to filing the Receiver’s discharge certificate (as noted below).

## **DISCHARGE OF THE RECEIVER**

51. The Receiver respectfully requests that this Honourable Court grant an Order which, amongst other things, and subject to filing a certificate which confirms the Receiver has satisfied its obligations under the Receivership Order, discharges A&M as Receiver, absolutely, forever and unconditionally releases the Receiver from any claims arising from, relating to, or in connection with, the performance of the Receiver’s duties and obligations as Receiver, save and except for claims based on fraud, gross negligence or wilful misconduct.
52. The Receiver’s administration of the estate is substantially complete, subject to:
- a) assigning the Receivables to Durisol, subject to Court approval;
  - b) filing all outstanding and required GST returns and corporate tax returns (if required);
  - c) making the Interim Distribution and potential Final Distribution, as discussed within this Report;
  - d) addressing any remaining administrative matters.

53. In addition, the Receiver may have certain miscellaneous administrative matters to attend to post-discharge. The Receiver is of the view that these items are administrative in nature and should not prevent this Court from granting a discharge.
54. Upon completion of the above, the Receiver will file a discharge certificate with the Court confirming same. The Receiver is requesting an order that provides that upon filing the discharge certificate, the Receiver will be automatically discharged without further order of the Court.

### **RECEIVER'S CONCLUSIONS AND RECOMMENDATIONS**

55. For the foregoing reasons, the Receiver respectfully recommends that this Honourable Court approve:
- a) approving the assignment of the Receivables to Durisol by way of the Assignment Agreement;
  - b) approving the Receiver's Fees and Costs, the Receiver's Counsel's Fees and Costs, and the Forecast Fees and Costs, without obtaining further order from this court;
  - c) approving the destruction and/or delivery of the books and records to the current or prior directors and/or shareholders;
  - d) approving the Holdback, the Interim Distribution and Final Distribution (should funds become available for a final distribution);
  - e) approving the actions, activities and conduct of the Receiver to date and throughout the Receivership Proceedings; and
  - f) approving the Receiver's request for discharge, upon filing the discharge certificate.

All of which is respectfully submitted this 4<sup>th</sup> day of November, 2024.

**ALVAREZ & MARSAL CANADA INC.,  
in its capacity as the Court-appointed Receiver of  
the Companies. and not its personal or corporate capacity**



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



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Bryan Krol  
Director

## **APPENDIX A**

## ASSIGNMENT OF RECEIVABLES AGREEMENT

**THIS ASSIGNMENT** effective as of November 4, 2024 made by Alvarez & Marsal Canada Inc. (the "**Receiver**") as receiver of Candesto Enterprises Corp., D3 Infrastructure Services Inc., and Safe Roads Alberta Ltd. (collectively the "**Companies**") under Court of King's Bench of Alberta ("**Court**") File No. 2401-04879 (the "**Receivership Proceeding**") and not in its personal or corporate capacity in favour of Durisol Ltd. (the "**Interim Lender**").

**WHEREAS** the Receiver was appointed as receiver without security of all of the assets, undertaking and property of the Companies within the Receivership Proceeding.

**AND WHEREAS** the Interim Lender previously granted the Companies, interim financing (the "**Interim Financing**") up \$1,400,000 pursuant to a commitment letter between the Companies and the Interim Lender dated as of December 19, 2023 (the "**Commitment Letter**") within insolvency proceedings pursuant to the *Companies Creditors Arrangement Act* proceeding under Court of King's Bench of Alberta File No. 2301-16982 (the "**CCAA Proceeding**") and was granted an interim financing charge in the amount of \$1,400,000 within the CCAA Proceeding (the "**Interim Lender's Charge**") securing all amounts provided by the Interim Lender pursuant to the Commitment Letter.

**AND WHEREAS** the Interim Lender's Charge continued on within the Receivership Proceeding, and the Interim Lender is the fulcrum creditor of the Companies and is owed \$1,400,000, plus ongoing interest, fees and other costs, pursuant to the Commitment Letter.

**AND WHEREAS** the Receiver has agreed, *inter alia*, to assign to the Interim Lender, the Receivables (as defined below) in accordance with the provisions of this Agreement.

**NOW THEREFORE**, in consideration of \$1.00 and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Receiver, the Receiver covenants and agrees with the Interim Lender as follows:

1. **Assignment.** Subject to approval by the Court, the Receiver hereby assigns, conveys and transfers to the Interim Lender all right, title and interest of the Companies in and to all book debts and all accounts, debts, dues, claims, choses in action and demands of every nature and kind howsoever arising which are now due, owing or accruing or growing due to or owned by or which may hereafter become due, owing or accruing or growing due to the Companies or the Receiver (collectively, the "**Receivables**"), including but not limited to the Receivables set out in **Schedule "A"** of this Agreement. The Receiver and the Interim Lender intend that: (a) such assignment constitutes and true and absolute sale and conveyance of the Receivables that conveys all ownership rights in such Receivables to the Interim Lender; (b) the Receiver shall have no right of redemption or right to purchase back any of the Receivables; and (c) the Interim Lender shall have no recourse to the Receiver in respect of the risk of non-payment of the Receivables.
2. **Separate Assignments.** Each of the rights, privileges, benefits, contracts, permits, policies or other documents or interests comprised in the Receivables shall be deemed to be the subject of a separate and individual assignment by the provisions hereof. The Interim Lender may exercise all rights hereunder in respect of each Receivable separately and whether or not the Interim Lender in its discretion exercises its rights in respect of all or any of the other Receivables.

3. **Collections.** The Interim Lender shall apply all amounts recovered on account of the Receivables to repay all amounts outstanding under the Interim Financing and the Commitment Letter, including but not limited to all principal, all accrued and unpaid interest at the rates set out in the Commitment Letter, 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 Interim Lender in connection with the restructuring proceedings, the Interim Financing, the DIP Loan Documentation, the DIP Lender Security, the DIP Order, the DIP Charge (each as defined in the Commitment Letter) the enforcement of any rights and remedies regarding the Interim Financing, the collection and recovery of the Receivables and the restructuring of the Companies (collectively, the "**DIP Indebtedness**"), provided that if there are any proceeds of the Receivables remaining after the indefeasible repayment of the DIP Indebtedness in full (the "**Surplus**"), the Interim Lender is authorized and directed to pay such Surplus into Court to the credit of the Receivership Proceeding on notice to the Service List maintained in such Receivership Proceeding.
4. **Account Debtors.** All persons being a debtor on an intangible or chattel paper, an obligor on an instrument or any other person being obligated to pay any account receivable or other debt due, owing or accruing due to the Companies (each an "**Account Debtor**" and collectively, "**Account Debtors**"), are entitled at all times to treat and regard the Interim Lender as the assignee and transferee from the Receiver, entitled in the place and stead of the Receiver and the Companies to receive such accounts and other debts. The Interim Lender may give notice to all or any of such Account Debtors to remit all such accounts and other debts directly to the Interim Lender whether or not the Receiver was making collections on the Receivables prior to notification by the Interim Lender.
5. **Books and Records.** Prior to its final discharge as Receiver of the Companies, the Receiver will provide to the Interim Lender copies of all books and records related to the Receivables listed in Schedule "A" of this Agreement in the Receiver's possession including but not limited to: (a) all communications between the Receiver and each of the Account Debtors; and (b) any communications between the Receiver and any third party in relation to the Receivables. Any professional fees incurred by the Receiver to provide the books and records related to the Receivables shall be paid for by the estates of the Companies secured by the Receivership Charge in the Receivership Proceeding. Following its discharge as receiver, the Receiver shall have no further obligations to provide any other information, books or records to Durisol relating to the Receivables.
6. **Successors and Assigns.** This Agreement will enure to the benefit of, and be binding on, the Receiver, and will enure to the benefit of, and be binding on, the Interim Lender and its respective successors and assigns.
7. **Entire Agreement.** This Agreement constitutes the entire agreement of the parties relating to the subject matter hereof and supersedes all prior written and verbal discussions or communications between the parties and their agents and may not be amended or modified except by written consent executed by all parties.
8. **Recourse.** Any claim that the Interim Lender may have against the Receiver arising from this Agreement shall be against the Receiver solely in its capacity as receiver within the Receivership Proceeding and not in its personal or corporate capacity.

9. **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein, and will be treated, in all respects, as an Alberta contract.

**IN WITNESS WHEREOF** the Receiver has caused this Assignment to be executed as of the day first written above.

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



Per: \_\_\_\_\_

Name: Orest Konowalchuk, CPA-CA, CIRP, LIT  
Title: Senior Vice-President

Durisol Ltd.

Per: \_\_\_\_\_

Name:  
Title:

## SCHEDULE "A"

### RECEIVABLES

Candesto Enterprises Corporation A/R Listing Detail							
Company	Customer	Project No.	Invoice No.	Invoice Total	A/R Outstanding	Current Holdback Outstanding	A/R and Current Holdback Outstanding
CEC	Ledcor Highways Ltd.	468N	PS-INV100569	121,334.40	121,334.40	26,258.80	147,593.20
			Sub-Total	121,334.40	121,334.40	26,258.80	147,593.20
CEC	E-Construction	444N	N/A	-	-	44,927.51	44,927.51
			Sub-Total	-	-	44,927.51	44,927.51
CEC	Volker Stevin Contracting	434S	PS-INV100373	13,614.79	13,614.79	-	13,614.79
CEC	Volker Stevin Contracting	434S	PS-INV100375	12,026.53	12,026.53	-	12,026.53
CEC	Volker Stevin Contracting	439S	PS-INV100534	20,648.70	20,648.70	-	20,648.70
CEC	Volker Stevin Contracting	434S	PS-INV100537	23,156.06	23,156.06	-	23,156.06
CEC	Volker Stevin Contracting	439S	PS-INV100538	27,289.03	27,289.03	-	27,289.03
			Sub-Total	96,735.11	96,735.11	-	96,735.11
CEC	Aecon Transportation West	423S	N/A	-	-	45,766.00	45,766.00
CEC	Aecon Transportation West	497S	PS-INV100462	978.08	978.08	-	978.08
CEC	Aecon Transportation West	497S	PS-INV100519	9,349.83	9,349.83	7,609.00	16,958.83
CEC	Aecon Transportation West	465S	PS-INV100536	7,531.32	7,531.32	-	7,531.32
CEC	Aecon Transportation West	481S	PS-INV100546	42,847.30	42,847.30	-	42,847.30
CEC	Aecon Transportation West	481S	PS-INV100561	5,021.22	5,021.22	-	5,021.22
			Sub-Total	65,727.75	65,727.75	53,375.00	119,102.75
CEC	PCL Constructors	452S	PS-INV100455	98,824.83	33,724.98	28,235.49	61,960.47
			Sub-Total	98,824.83	33,724.98	28,235.49	61,960.47
CEC	Carmacks Enterprises Ltd	424N	PS-INV100535	14,316.75	14,316.75	273,379.60	287,696.35
			Sub-Total	14,316.75	14,316.75	273,379.60	287,696.35
CEC	Border Paving Ltd.	493S	N/A	-	-	15,204.57	15,204.57
			Sub-Total	-	-	15,204.57	15,204.57
CEC	Central City Asphalt Ltd.	479S	N/A	-	-	10,415.57	10,415.57
			Sub-Total	-	-	10,415.57	10,415.57
Grand Total				396,938.84	331,838.99	451,796.52	783,635.51

## **APPENDIX B**

**Candesto Enterprises Corp., D3 Infrastructure Services Inc., and Safe Roads Alberta Ltd.**  
**Summary of Receiver's Fees and Disbursements**  
**April 17, 2024 to October 31, 2024**

**Invoices previously approved by the Court**

Inv. No.	Period	Fees	Disbursements	Total Fees & Disbursements	GST	Total
Invoice #1	April 17, 2024 - April 30, 2024	66,538.00	831.49	67,369.49	3,368.47	70,737.96
Invoice #2	May 1, 2024 - May 31, 2024	132,929.00	2,169.55	135,098.55	6,754.93	141,853.48
<b>Total</b>		<b>199,467.00</b>	<b>3,001.04</b>	<b>202,468.04</b>	<b>10,123.40</b>	<b>212,591.44</b>

**Invoices subject to Court Approval**

Inv. No.	Period	Fees	Disbursements	Total Fees & Disbursements	GST	Total
Invoice #3	June 1, 2024 - July 27, 2024	105,435.00	1,717.96	107,152.96	5,357.65	112,510.61
Invoice #4	July 28, 2024 - August 31, 2024	50,359.00	1,344.90	51,703.90	2,585.20	54,289.10
Invoice #5	September 1, 2024 - September 30, 2024	25,234.85	51.85	25,286.70	1,261.74	26,548.44
Invoice #6	October 1, 2024 - October 31, 2024	37,622.00	50.00	37,672.00	1,883.60	39,555.60
<b>Total</b>		<b>218,650.85</b>	<b>3,164.71</b>	<b>221,815.56</b>	<b>11,088.19</b>	<b>232,903.75</b>
<b>Grand Total</b>		<b>418,117.85</b>	<b>6,165.75</b>	<b>424,283.60</b>	<b>21,211.59</b>	<b>445,495.19</b>

**Candesto Enterprises Corp., D3 Infrastructure Services Inc., and Safe Roads Alberta Ltd.**  
**Summary of Receiver's Counsel's Fees and Disbursements**  
**April 17, 2024 to October 31, 2024**

**Invoices previously approved by the Court**

Inv. No.	Period	Fees	Disbursements	Total Fees & Disbursements	GST	Total
20267469	March 27, 2024 - April 30, 2024	16,712.00	262.17	16,974.17	848.71	17,822.88
20282416	May 1, 2024 - May 31, 2024	11,493.00	179.65	11,672.65	583.18	12,255.83
<b>Total</b>		<b>28,205.00</b>	<b>441.82</b>	<b>28,646.82</b>	<b>1,431.89</b>	<b>30,078.71</b>

**Invoices subject to Court Approval**

Inv. No.	Period	Fees	Disbursements	Total Fees & Disbursements	GST	Total
20299759	June 1, 2024 - June 30, 2024	13,666.00	315.43	13,981.43	698.02	14,679.45
20320494	July 1, 2024 - July 31, 2024	12,882.50	-	12,882.50	644.13	13,526.63
20337740	August 1, 2024 - August 31, 2024	5,943.50	597.00	6,540.50	314.88	6,855.38
20239711	September 1, 2024 - October 31, 2024	8,869.50	-	8,869.50	443.48	9,312.98
<b>Total</b>		<b>41,361.50</b>	<b>912.43</b>	<b>42,273.93</b>	<b>2,100.51</b>	<b>44,374.44</b>
<b>Grand Total</b>		<b>69,566.50</b>	<b>1,354.25</b>	<b>70,920.75</b>	<b>3,532.40</b>	<b>74,453.15</b>