



Vancouver Registry  
Court No. B131552  
Estate No. 11-1820752

**IN THE SUPREME COURT OF BRITISH COLUMBIA  
IN BANKRUPTCY**

**In the matter of the bankruptcy of  
0409725 B.C. Ltd.  
formerly dba Odenza Homes**

**Trustee's Report to the Creditors on Preliminary Administration  
January 7, 2014**

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Submitted to:           The Creditors of 0409725 B.C. Ltd.  
                                  and  
                                  The Official Receiver of the  
                                  Office of the Superintendent of Bankruptcy

Submitted by:           G. Powroznik Group Inc. of G-Force Group  
                                  Trustee in Bankruptcy

**TRUSTEE’S REPORT TO THE CREDITORS  
ON PRELIMINARY ADMINISTRATION**

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## A. Background

### Summary

0409725 B.C. Ltd., formerly Odenza Homes Ltd. ("**Odenza**") is a British Columbia company that has been in the single family housing construction and design business for many years. Odenza also had a division for renovation projects that was branded *Jack of All Trades* ("**JOAT**"). JOAT is a brand name only and not a separate legal entity.

Historically, Odenza had been a successful profitable and growing company. Based upon our initial review it appears that Odenza began substantially expanding its operations during the year ended September 30, 2011 which resulted in an operating loss of \$342,000. The operating loss for 2012 increased to \$398,000 and, despite significant optimism that 2013 would be a turnaround year, several problems occurred which Odenza could not overcome to turnaround its losses or survive. These problems included difficulties with some of its project managers, including high turnover, difficulties in collecting extras on some contracts, a lawsuit involving a significant amount, and several unprofitable jobs. These most recent issues, combined with the operating losses in 2011 and 2012, resulted in Odenza having insufficient cash to pay its liabilities as they came due and a fast-approaching cash crisis. A further discussion of the causes of financial difficulty of Odenza will follow below.

Since Odenza is a contractor, its suppliers of materials and work to its customers' (the "**Owners**") job sites rank as trust claimants ("**Trust Claimants**") for unpaid claims against any amounts collectible from the Owners and are entitled to register liens against the job sites ("**Job Sites**") pursuant to the *Builders Lien Act* ("**BLA**"). In early December 2013, the volume of creditors who were beginning to call and threaten to register liens increased dramatically.

Odenza first approached G-Force Group ("**G-Force**") on November 29, 2013, to discuss its current state of affairs and its alternatives to minimize further loss and maximize the recovery for its creditors. G-Force next met with Odenza on December 12, 2013 when Odenza concluded that it simply had too many creditors and active projects to be able to carry on its business under an "informal" restructuring or workout plan without an undeterminable cash injection which it did not have. Accordingly, a formal insolvency proceeding was required due to the complexity of the situation in order to ensure the existing creditors received equitable treatment and to ensure a plan could be put in place to facilitate the timely completion of the incomplete projects for the owners and ensure the completion costs could be paid in full. As a result, Odenza made an assignment in bankruptcy (the "**Bankruptcy**") for the general benefit of creditors pursuant to section 49 of the *Bankruptcy and Insolvency Act* ("**BIA**") on December 16, 2013.

At the time of the Bankruptcy, Odenza had approximately twenty active construction and renovation projects at various stages of completion but that were not yet completed. Furthermore, there were several projects that were completed but on which there are still amounts due, including statutory holdbacks under the BLA, to Odenza. None of these projects

were bonded. The plan for maximizing recoveries on these contracts and collecting amounts due to Odenza will be further discussed in the Trust Claim Settlement Program section below.

*Causes of Financial Difficulty*

A review of a bankrupt's historical financial results often provides insight into the reasons for a company's insolvency and also may provide evidence of any potential preferences or transactions that may require additional investigation.

The following is a summary of Odenza's unaudited operating results for the past four fiscal years (not including the current fiscal year end of September 30, 2013):

<b>Year end</b>	<b>Gross revenues</b>	<b>Expenses including income tax</b>	<b>Net income (loss)</b>
Sept. 30, 2009	647,038	499,248	147,790
Sept. 30, 2010	802,641	642,023	160,618
Sept. 30, 2011	1,333,237	1,675,257	(342,020)
Sept. 30, 2012	1,761,418	2,160,388	(398,970)

The next table summarizes Odenza's retained earnings (or deficit) position over the same period:

<b>Year end</b>	<b>Ending Retained earnings (deficit) balance</b>	<b>Dividends paid</b>
Sept. 30, 2009	138,452	-
Sept. 30, 2010	189,570	109,500
Sept. 30, 2011	(152,450)	-
Sept. 30, 2012	(551,420)	-

Based on the summary financial results above, Odenza was financially healthy at its 2010 year end. Revenues were growing at a reasonable pace and Odenza was profitable. A dividend of \$109,500 was paid to Jag Hundal in the 2010 fiscal year, and was used to pay part of Jag Hundal's purchase of the company from his father, and there was still a significant amount of equity (\$189,570) remaining in Odenza after the dividend payment.

During fiscal 2011, despite revenue growth of 66%, net operating results substantially decreased and Odenza lost over \$300,000. This was the year Odenza pursued an aggressive growth model and went from having fewer than 10 projects at any one time to 15-20 active projects. It expanded from one to three sales offices and took on significant additional overhead that was not matched by revenue growth. The business became more decentralized and much of the project management function was placed in the hands of the individual sales centers which meant increased delegation by Odenza's owner, Jag Hundal. Unfortunately, in hindsight the network of field managers did not appear to function as well as hoped.

Odenza went on to lose almost \$400,000 in fiscal 2012, even despite significant revenue growth again in that year. Revenues were still not enough to support the growth of Odenza and the increased overhead that accompanied the 2011 business expansion. We understand that Odenza was actively attempting to turnaround its negative operating performance and was very optimistic going into the 2013 fiscal year.

Regrettably, although financial statements have not yet been prepared for the fiscal year ending September 30, 2013, it appears Odenza incurred more significant losses.

To summarize, Odenza undertook a rapid growth strategy in 2011 and continued into 2013. Its revenue growth substantially lagged its increase in expenses. Odenza expanded from one head office to a total of four locations (by adding 3 sales centers) and took on significant additional overhead including significantly higher wage costs. It appears Odenza was far more profitable when it operated on a smaller scale and managed a smaller number of building projects at any one time. As noted in section A above, Odenza's failure to collect a couple of significant accounts in 2013 proved to be a fatal catalyst as the working capital deficiency had already reached a dangerous breaking point, and the resulting lack of cash pushed Odenza into a position where it could no longer continue in the normal course of business.

#### Trust Claim Program

After considering its options with its legal counsel at Lawson Lundell LLP (“**Lawsons**”) and G-Force, Jag Hundal, the director and owner of Odenza, assigned it into Bankruptcy to provide an initial framework for the orderly wind down of Odenza’s historical business and a basis upon which to implement a recovery plan (the “**Recovery Plan**”) designed by the Trustee to minimize losses to all stakeholders, including trade creditors and the Owners.

Based upon the Trustee’s initial review, most of Odenza’s creditors provided labour and materials to Owners’ specific Job Sites. Suppliers of work or materials to the Job Sites had trust claims under the BLA against any receivables collected by Odenza (the “**Trust Claims**”) and accordingly any payments that the Trustee would receive from the Owners would be impressed with a trust (“**Trust Funds**”) for those Trust Claimants.

Under the BLA, Trust Claimants are entitled to register liens (“**Lien Claims**”) against title to the Job Sites for their Trust Claims (in this capacity, “**Lien Claimants**”). Also, a Home Owner is required to holdback 10% of any payments made to a contractor for a specified period of time as provided in the BLA (the “**Holdback**”). The Holdback for a Job Site is available for the Lien Claims filed against that Job Site by Lien Claimants. The obvious impact of the Bankruptcy of Odenza to the Owners is that they immediately faced the need to contract with a new third party to complete the construction of their homes, since Odenza was no longer able to complete them. Each Owner also faced potential lien actions by Trust Claimants and Lien Claimants.

The Trust and Lien Claims, and the Trust Funds, Job Sites and Holdbacks to which they relate are governed by the BLA and fall outside the scope of the bankruptcy process under the BIA.

This is because the BIA only deals with the assets of the bankrupt, which do not include funds held in trust for others, or Job Sites owned by others.

The Trustee applied to the Court on December 19, 2013 and obtained an order (the “**Court Order**”) to establish a Trust Claim Settlement Program (“**Trust Claim Program**”) for Odenza that is similar to a program established by the Court in 2012 for another insolvent contractor, Tyam Civil Constructors Ltd., which worked very well to assist G-Force to work co-operatively with the key stakeholders to maximize the return to creditors and minimize the losses to the owners of the construction projects. G. Powroznik Group Inc. of G-Force Group was appointed claims administrator in the Trust Claim Program the (“**Claims Administrator**”) which is complementary to its role as Trustee in Bankruptcy of the estate of Odenza (the “**Estate**”). See **Exhibit 2** for a summary of these two roles.

The Trust Claim Program, which runs parallel to the bankruptcy process, allows for an integrated Recovery Plan and provides for an efficient, fair, and beneficial system and process in which Trust and Lien Claimants will participate in a summary claims process conducted by the Claims Administrator in parallel with the claims process in the bankruptcy proceedings. Trust and Lien Claimants will benefit from a more efficient and timely claims adjudication process, with the likely result that they will receive payments more quickly and with less expense than they would through normal construction litigation channels by asserting trust claims or filing liens against Job Sites.

The Trust Claim Program when integrated into the Recovery Plan also provides several potential benefits for Owners of the construction projects including:

1. One place for all trust and lien creditors to go to prove their claims that could have been made against Owners and their Job Site;
2. An option that helps Owners to complete their project more efficiently, more quickly, and at materially less net cost than would be the case if they had to deal on their own with the fallout from their contract with Odenza, and with Lien Claims against their property;
3. Access to Odenza’s experienced employees and management and the sub-trades that know the Owners project and will likely assist in its completion since they will likely see a much better result than they would if there were no coordinated effort to process their claims, complete the various construction projects and provide work to them during the completion stage;
4. A relatively efficient and non-litigious resolution to all outstanding matters and “loose ends” under Owners’ contracts with Odenza including:
  - a. Payment to the Claims Administrator of holdbacks to discharge their statutory requirement to retain holdbacks;
  - b. Obtaining release of all liens against their properties;
  - c. Eliminating unnecessary disputes and time delay;
  - d. Facilitating the filing of a provable claim in the Bankruptcy for Owners who overpaid under their contracts.

The usual experience when a construction company becomes insolvent is that the teamwork required among the key stakeholders quickly disintegrates because there are insufficient assets to cover all of the claims and everything stops and gets bogged down in legal procedures. The result is a rapid dissipation of value for most stakeholders as depicted in the exploding puzzle in **Exhibit 3**. This often results because there are no formal restructuring processes in any of the available legislation for construction companies, which are among the most complicated insolvencies because of all the trust and lien claims, holdback and trust fund issues. The Recovery Plan for Odenza includes:

- a. A bankruptcy of Odenza to provide a Court supervised orderly wind-up of Odenza's affairs and distribution to its creditors. It also allows the segregation of pre-filing creditors from post filing creditors, who are needed to finish the projects and need to be paid in full;
- b. A Court sanctioned Trust Claims Program to simplify administering trust and lien claims, holdbacks and trust receipts that come under the jurisdiction of the Builders Lien Act;
- c. A new contractor to obtain financing, harness the prior knowledge of Odenza, including former employees and trade creditors to finish the uncompleted jobs efficiently in a cost effective manner and help maximize recovery for creditors.

These elements working together can help pull the key stakeholders back together to focus on maximizing the business result for each stakeholder as shown in the second puzzle in **Exhibit 3**. The Trustee and the Claims Administrator have established the framework. Now it is up to all participants to play their part in helping to finish incomplete projects and minimize losses for owners, maximize recoveries from the contracts, minimize costs and time delays and maximize the recoveries for the creditors.

Sodi Hundal agreed to finance a new company, Odenza Homes Vancouver West Ltd., owned by Jag Hundal ("**Odenza West**") to provide an option for Owners to complete their projects as indicated in 'c' above, which is a key element to allow G-Force to implement its Recovery Plan for Odenza to maximize the return to creditors and minimize the loss and inconvenience to Owners. Odenza West was attracted to how the Trustee integrated the role of the Claims Administrator with the bankruptcy process to create potential synergy with a contractor knowledgeable about the unfinished projects. It would have been almost impossible to do this within any other available formal insolvency framework.

Each owner will need to decide whether they will engage Odenza West to finish their project and collectively help owners, the Trustee and Claims Administrator obtain the benefits set out above. We have been dealing directly with most of the Owners and their advisors and attempting to demonstrate the benefits of the Recovery Plan and its components to reduce professional costs and other unnecessary costs to complete their projects. Although Odenza West is confident that it can perform the work at less cost and an equivalent quality as another contractor, Owners still have a choice whether or not to use them. We have provided Owners with all of the information that may help them to make the best decision for each of them, including insights into some of the advantages Odenza West will have in dealing with existing trade creditors familiar with their project. We are also attempting to facilitate the access to the

plans and files that Odenza has on each project for each owner. As a result, Owners should find it easy to compare the benefits of using Odenza West to another contractor's offering. The existing trade creditors may also have a view on this for the Owner and their willingness to work with Odenza West.

## **B. Details of Security Interest(s) and Preliminary Evaluation of Assets**

### Security Interest(s)

There are no secured creditor lenders in Odenza. There are creditors holding direct security with respect to leases for two vehicles and a photocopier. The Trustee is in the process of reviewing Odenza's leases and will contact the secured lessors as appropriate. At this time, it appears there is no equity in the assets leased for the Estate.

### Preliminary Evaluation of Assets

We direct the reader to **Exhibit 1** in this report. This important exhibit contains:

- A summary of the assets of Odenza with the values disclosed on the December 16, 2013 Statement of Affairs ("SoA") noted for reference;
- Updated estimated values for the assets based on work the Trustee has done since the date of the SoA; and
- Detailed notes to provide additional information relating to the asset categories and the updated estimated values.

We provide the following summary descriptions of the assets listed in **Exhibit 1**.

### Accounts Receivables and Statutory Holdbacks

As explained in section A above, Odenza's receivables and the related statutory holdbacks originate from its home building contracts and are impressed with a trust pursuant to the BLA. The initial SoA estimated value of receivables and holdbacks was \$748,186.

The Trustee has segregated the accounts receivable into three separate accounts: accounts receivable impressed with a trust, statutory holdbacks impressed with a trust, and surpluses from receivables and holdbacks impressed with a trust.

For some projects, only the statutory 10% holdback payment is available for the Trust and Lien Claimants, which may be collected by the Claims Administrator on their behalf. For other projects, there may be additional amounts owing to Odenza (i.e. over and above the Holdback). The Trustee and the Claims Administrator are still in the process of reviewing each contract, updating the accounting records for each job and confirming any amounts due from Owners.



Under the Trust Claim Program, any receivables and Holdbacks collected by the Claims Administrator will be distributed (subject to approval by the Court) to proven Trust and/or Lien Claimants on each project. If the amount of receivables and Holdbacks that are impressed with a trust on any one project exceed the amount of trust claims on that project, then the surplus will be distributed to the Trustee for the benefit of the creditors of the Estate, which are mostly unsecured.

Based on our review, we have updated the estimated total collectible receivables and holdbacks to be \$1,057,125. In **Exhibit 1**, the amount is split between three categories as follows:

- \$903,000 of receivables and holdbacks for trust and lien claimants (on the various projects);
- \$144,000 of receivables relating to projects that have a surplus of receivables over trust and lien claims; and
- \$10,125 of receivables that are not impressed with a trust.

Odenza has a claim against a specific owner for more than \$300,000 that arose because the owner would not pay for a previously approved extra which resulted in the contract being terminated and a lien being placed on the owner's property. In the meantime, Odenza paid virtually all of the trust and lien claims on this project. The net effect of this situation caused Odenza to lose \$300,000 of its cash that would have otherwise gone to pay other creditors. The owner has subsequently submitted a claim that exceeds the amount of Odenza's claim against the owner. This is one of the biggest single assets of the Estate over and above the existing cash on hand. The Trustee intends to review this claim and if it is merited, pursue it vigorously on behalf of the creditors. Recovery of this receivable would significantly increase the estimated recovery for the unsecured creditors by 42%.

Overall, the Trustee estimates the receivables to be approximately \$309,000 higher than reflected in the SoA.

The amounts reflected above are net of an estimated 25% erosion to account for set-offs, legal and administrator costs and other contingencies that are expected in this complex situation.

### Cash

On the date of its assignment into Bankruptcy, Odenza had approximately \$527,000 of cash remaining in its two bank account groups at HSBC (the "**Initial Cash Balance**"). One account group was in the name of Odenza Homes and appears to have been Odenza's main operating account and was used for all banking relating to its home construction projects. The second account group was in the name of JOAT and appears to have been used for banking relating to some or all of Odenza's home renovation projects. On December 13, 2013, Odenza instructed HSBC, to open a new "sub-account" under its two main operating accounts for each of its active construction or renovation projects to act as a trust account for those projects. Based on our review, Odenza performed a calculation of how funds on hand at December 13

would relate to each specific job. It then transferred all the remaining funds on hand to the various bank sub-accounts for specific jobs based on the calculation. Although we see this as a good-faith attempt to segregate funds to the various projects, these funds were co-mingled in the two general accounts up to that point and likely lost any specific identity. We cannot see how the calculation and segregation is anything more than arbitrary based upon the accounting records rather than any actual segregation of funds up to that point. In fact, since all receipts and disbursements flowed through only the two original accounts, there was a high degree of co-mingling of funds and high volume of inflows and outflows that were ongoing leading up to the time of the transfers. The banking practice used by Odenza is fairly common in the construction industry.

HSBC has advised the Claims Administrator that the Initial Cash Balance will be transferred to the Claims Administrator's interest bearing trust account by the close of business on January 7, 2014.

It is not currently clear whether the Initial Cash Balance represents trust funds attributable to certain Odenza projects or whether it is a general pool of funds that is not impressed with a trust and will be available for the Estate's creditors. The Trustee and Claims Administrator must obtain an independent legal opinion on the trust or non-trust status of the Initial Cash Balance as it is a point of law and is not for the Trustee or Claim Administrator to make a determination on. The results of the independent legal opinion will be shared with the creditors when the opinion is provided. We hope that the Inspectors, if any are appointed, will ratify the appointment of independent legal counsel immediately so that we can proceed with obtaining the legal opinion on this matter.

#### Insurance Claim

Odenza reports that it has an insurance claim relating to damage to its Main St. location that should result in proceeds of approximately \$20,000 being paid into the bankrupt Estate. At this time, it is unclear whether any or all of those proceeds will be required to be re-invested to the Main St. location as a condition of payment. The Trustee has made multiple attempts to contact the insurance adjustor responsible for the matter but as of the date of this Report has not yet received a return call.

#### Other assets

Odenza owned one 2003 Chevy truck at the date of Bankruptcy. It is expected the truck sale will produce a net realization of \$1,500 after selling costs.

In addition, Odenza has other miscellaneous office furniture and computer equipment (the "**Sundry Assets**") located at its four locations. The sum of estimated values was originally reported to be \$2,500. The Trustee has inspected the Sundry Assets and we estimate there is likely little if any resale value of the items in a liquidation after selling and transportation costs. The Trustee has inventoried all physical assets at each of the four office locations. We

expect to retain an auction firm later this week to perform a review and report to the Trustee on estimated realizable values, and options for disposal.

### **C. Books & Records**

The Trustee has taken possession of the books and records of Odenza, most of which are located at its former head office on West Broadway in Vancouver, BC. A further discussion follows in section D below.

### **D. Conservatory and Protective Measures**

The Trustee has changed the locks at all four of Odenza's leased office premises. All of Odenza's former staff had been terminated by Odenza prior to the Bankruptcy and do not have access to any location, except two former staff members who have been retained by the Trustee to perform accounting work for the Estate and are working out of the Broadway location.

Also, the Trustee has made backup copies of electronic accounting and financial information and has taken possession of the records of Odenza including Owners' building/project files. The Trustee has also been given electronic access to Odenza's online project management database.

The Trustee is in control of any mail being sent to the office locations and will arrange for a redirection of mail when it abandons each location.

There was no perishable property required to be sold, nor was there an active business to continue upon our appointment as Trustee. Odenza's main business operations had effectively ceased as at the date of Bankruptcy. However, the Trustee and the Claims Administrator have spent time to determine contractual obligations of Odenza to the Owners are maintained in the short term so that any erosion of asset values is minimized.

A significant conservatory measure taken by the Trustee was the Trustee's application to Court on December 19, 2013 to obtain the Order authorizing and approving the Trust Claim Program. It was the Trustee's view that obtaining this Order was critical in order to implement the Recovery Plan to:

- preserve the assets of Odenza which were largely receivables of individual projects where work had stopped;
- prevent immediate erosion of value;
- maximize recovery of trust assets and payment of trust creditors and thereby minimize the shortfall of trust claims that will rank as unsecured claims against the Estate; and
- provide a process to protect the rights of trust and lien claimants who represent a vast majority of both trust and unsecured claims.

Odenza's principal, Jag Hundal, and his brother Sodi Hundal, have been granted ongoing access to the Broadway office by the Trustee. The Trustee requires co-operation of Odenza's former management and staff in order to carry out its review, locate records, and evaluate/understand the claims of creditors. Also, Odenza's accounting records had to be brought up to date so that the Claims Administrator could deal with the "perishable" asset being the accounts receivables that could be quickly eroded if we did not try to provide a solution for Owners with incomplete projects and who still owed money to Odenza. Also, as stated earlier, the Hundals have created Odenza West to offer Owners a cost-efficient, timely option to finish uncompleted projects in co-operation with the Trustee and the Claims Administrator as part of the Recovery Plan.

The Claims Administrator also requires the co-operation of former management to determine the creditor claims against the various projects and also needs the co-operation of Odenza West to understand the costs to complete certain projects and liaise with owners to ensure recoveries from historical work done by Odenza are being maximized. Involvement of the former management and key former staff is critical to the recoveries in the Trust Claim Program and in the Bankruptcy. We note that Jag and Sodi Hundal have expended a significant amount of time since the date of Bankruptcy responding to our questions and providing historical information relating to Odenza's affairs, all at no cost to the Estate. To date, the Hundals have provided full co-operation to the Trustee including answering all queries, and we have been given unimpeded access to all of Odenza's records.

#### **E. Provable Claims and Description of Creditors**

On December 20, 2013, after the Trust Claim Program was approved, G-Force provided creditors with Proof of Trust and Lien Claim forms and instructions on how creditors should fill out the forms based on the type of work they did for Odenza and whether they might qualify as trust or lien claimants pursuant to the BLA. Also, to streamline the eventual BIA claims process under the Bankruptcy, G-Force also provided creditors with the "standard" Proof of Claim form under the BIA ("**Form 31**").

##### Unsecured Claims

As of the date of this Report, the Trustee has received a total of 17 Form 31s with unsecured claims totalling \$958,921. The Trustee is in the process of validating those claims against the records of Odenza. A number of the claims received to date are from Owners who have overpaid on account of their project. It is expected that the number of unsecured claimants will increase significantly once the shortfalls of the Trust and Lien Claimants on individual projects are known and many trust claimants are left with residual unsecured claims.

##### Trust Claim Program

As of the date of this report, the Claims Administrator has received a total of 16 Proof of Trust and Lien Claim forms with the amount of trust and lien claims totalling \$736,436 that have been filled out in the proper format with the required information attached (the "**Completed**

**Claims**"). The Claims Administrator is in the process of verifying the Completed Claims against the records of Odenza and identifying areas of discrepancy. We have noted thus far that there are a number of discrepancies generally related to the fact creditors have higher claims than Odenza's accounting system shows because Odenza may not have received invoices that were for supplies and services delivered shortly before the Bankruptcy. Also, we have received an additional eight Proof of Trust and Lien Claims that are not complete for various reasons (e.g. not filled out correctly, missing information, information is not clear). The Claims Administrator is currently in the process of trying to obtain the required information from these claimants so that it can review the claims. We expect that the Trustee will allow many of these claims for the purposes of voting at the First Meeting of Creditors, however the claims will be subject to further review by the Claims Administrator to validate the claims in full.

As a general comment, although theoretically these claims are not unsecured claims at this stage, the trust and lien claims will be marked as "objected to" but admitted for voting purposes at the January 8 meeting. We feel that this approach is technically consistent with the spirit of the BIA and allows for equitable treatment for these claimants, many of whom will at some point become unsecured creditors but who are not unsecured claimants today.

**Exhibit 1** to this report summarizes the total estimated claims in this matter based on Odenza's accounting records.

#### Other priority claims

The Trustee expects that several former employees of Odenza will have statutory secured claims for unpaid wages (limited to \$2,000 per employee) under s. 81.3 of the BIA. These secured claims have a "super-priority" against the non-trust current assets of Odenza at the date of Bankruptcy. We currently expect the total secured portion of claims to be in the range of \$30,000. Some employees will also potentially have additional unsecured claims that can partially be recovered through the Wage Earner Protection Program ("**WEPP**"). The Trustee is currently in the process of confirming the amounts due to former employees and receiving the employees' claims.

Odenza has four landlords that may have claims in this proceeding, depending on the outcome of those leases. One outcome (of up to possibly two leases) may be that Odenza West or a third party takes an assignment of the lease to continue its business. Under this scenario, the landlord theoretically has no claim in the Bankruptcy as its contract will continue with a third party. A second potential outcome is that the Trustee disclaims leases at some time and the Landlords, depending on their contracts, have some combination of unsecured and/or preferred claims for unpaid rent under the contracts. To date, no Landlord claims have been received. The Trustee has sent notification of the Bankruptcy to all four landlords.

The Trustee is not currently aware of any priority claims from Canada Revenue Agency ("**CRA**") and Odenza's records indicate CRA was current on account of payroll taxes at the date of the Bankruptcy. It is currently not known whether CRA will have an unsecured claim for unpaid GST as Odenza's GST filings were only current to June 30, 2013.

## F. Legal Proceedings and Preference Payments

The Trustee is not currently aware of any legal proceedings against Odenza, except a counterclaim to an action to collect a significant account receivable from an Owner.

The Trustee is required to conduct a review of potential pre-bankruptcy transactions that may have provided preferences. Section 95(1) (a) of the *BIA* deals with preferences as follows:

*95. (1) A transfer of property made, a provision of services made, a charge on property made, a payment made, an obligation incurred or a judicial proceeding taken or suffered by an insolvent person*

*(a) in favour of a creditor who is dealing at arm's length with the insolvent person, or a person in trust for that creditor, with a view to giving that creditor a preference over another creditor is void as against ... the trustee if it is made, incurred, taken or suffered, as the case may be, during the period beginning on the day that is three months before the date of the initial bankruptcy event and ending on the date of the bankruptcy<sup>1</sup>; and*

*(b) in favour of a creditor who is not dealing at arm's length with the insolvent person, or a person in trust for that creditor, that has the effect of giving that creditor a preference over another creditor is void as against — or, in Quebec, may not be set up against — the trustee if it is made, incurred, taken or suffered, as the case may be, during the period beginning on the day that is 12 months before the date of the initial bankruptcy event<sup>1</sup> and ending on the date of the bankruptcy.*

The Trustee has identified several areas for its preliminary review and a summary of our initial findings follows.

### Compensation of and transactions with related parties

In the course of our preliminary review of Odenza's affairs, we sought to obtain information about transactions with related parties, including management and companies owned or connected with management. Specifically, we inquired about the compensation arrangements of management, Jag Hundal and Sodi Hundal (consultant with Astonish), and conducted searches through bank transactions and accounting records to corroborate the information we were given. Our search indicated that management was compensated as follows:

- Jag Hundal, the sole director of Odenza, was a regular salaried employee, paid semi-monthly, earning a salary which averaged \$7,816 per month for 2013. Total compensation for the calendar year up to the date of Bankruptcy was \$104,861. The last date of pay was December 13, 2013.

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<sup>1</sup> In this case, the "date of the initial bankruptcy event" (defined in the *BIA*) is day when Odenza made the assignment in bankruptcy; therefore, it is December 16, 2013.

- Astonish Holdings Ltd. ("Astonish"), a company owned by Sodi Hundal, provided marketing, sales, and business consulting services to Odenza at a rate of \$7,500 per month, plus tax. It appears that Astonish received total fees of \$90,000 in the 12 months before the Bankruptcy. The last payment found was made on November 28, 2013 for services from October to December.

Based on accounting records, there is a receivable from Astonish in the amount of \$36,684. However, this last activity in this receivable account was during fiscal 2012 and at this time it is not clear what the balance relates to or whether there are other offsets to the balance. We will follow up on the collectability of this receivable.

Jag Hundal confirmed that there were no other companies owned by him or related parties that may have conducted business with Odenza. We reviewed company records for evidence of transactions with related parties or third parties that may indicate evidence of preferences. We did not find any transactions, except as noted below, that warranted specific action at this time but we will complete our review in due course and raise and deal with any concerns as appropriate.

There is a loan receivable on the books for \$25,000 to a Jatinder Hundal Heran, originating in September of 2011. This is Jag Hundal's sister. We will perform further investigation on the collectability of this receivable.

There is a loan receivable on the books from JSG Holdings Ltd. ("**JSG**"), the sole shareholder of Odenza, for approximately \$21,365. The last activity in this account occurred during fiscal 2012. Jag Hundal believes that this account may relate to his original purchase of Odenza. We will investigate this receivable further to determine whether it is accurate and, if so, its collectability.

Jag Hundal advanced \$100,000 from his personal credit line to Odenza in early November 2013 as consideration to acquire two vehicles owned by the company and to pay off the shareholder loan account. The purpose of the transaction was to provide Odenza with much needed cash in a last ditch effort to keep it afloat. The Trustee has requested copies of the independent vehicle appraisals obtained for this transaction to satisfy itself that the vehicle sales for approximately \$65,000 reflected market value.

Odenza recently maintained five Company credit cards in the names of the following individuals:

- Jag Hundal
- Sodi Hundal
- Gurmit Hundal
- Balwinder Sandhu
- Adam Cathcart

There is a high volume of charges each month on the corporate cards. Our preliminary findings indicated that these cards were not used for the personal benefit of these individuals nor were charges to the cards for costs other than business expenses of Odenza. Also, we have seen no charges flowing through any shareholder accounts. We have not yet completed our review in this area.

Odenza Marketing Group Inc.

Sodi Hundal is the owner and director of Odenza Marketing Group Inc. ("**OMG**"), since 2001. OMG specializes in sales and marketing promotions for its clients.

OMG is the owner of the "Odenza" trademark (the "**Trademark**"), and has allowed the use of the Trademark by Odenza Homes by way of a licensing agreement dated September 20, 2009 which the Trustee has obtained and reviewed. We have verified that OMG as licensor has authorized Odenza as licensee to use the Odenza name in its business, and that the rights under the agreement are not assignable to a third party. Odenza owns its website ([www.odenzahomes.com](http://www.odenzahomes.com)) which has been removed from the internet.

We understand that several years ago (2007/2008), Sodi Hundal was contracted by Odenza to help it enter the custom home building business, and he served Odenza in the sales and marketing function, holding a variety of titles. For these services, Sodi has been paid a monthly consulting fee of \$7,500 since mid-2011, through his holding company (Astonish), which is discussed above.

As at the date of Bankruptcy, Odenza appears to have a payable to OMG of approximately \$2,000. There is a small volume of transactions (less than 10) between Odenza and OMG in the past 12 months and there is nothing in the accounting records to suggest any unusual business activity has occurred between the two companies.

Specific building projects - related persons and spec home

The following contracts have been identified as significant related party transactions. They were houses built for the Hundals or spec homes built for a third party owner. We note that in three of four cases a general manager seems to have been responsible for the project and neither Jag nor Sodi Hundal appears to have been directly involved with the construction projects, except the 5184 Sherbrooke property. The construction on this property was managed by Jag Hundal as it was the first home Odenza had built in East Vancouver and management felt it was critical to have a show home in this area. The properties include:

- 5184 Sherbrooke Road
- 3946 West 37<sup>th</sup> Avenue
- 3405 West 22<sup>nd</sup> Avenue
- 3529 West 43<sup>rd</sup> Avenue



No equity of Odenza was eroded on these projects and in fact a profit of \$91,800 was recorded on one of them.

### Highbury Street contract

One of the projects shown on the books and records of Odenza was for a contract involving a property located at 5561 Highbury Street in Vancouver, BC. The contract was for the demolition of existing structures and the design of a new home. The claims under this contract will be processed in the normal course of the Trust Claim Program and/or the Bankruptcy.

Odenza's management has indicated that, in the month prior to the filing for Bankruptcy, the owner of the property at 5561 Highbury Street was prepared to enter into a new contract for the construction of a new home. However, Odenza's management expressed that they could not in good faith allow the Owner to enter into a contract with Odenza at that point due to its mounting cash flow crisis and the increasing uncertainty of its ability to perform under its existing contracts. Odenza West was established as the first step in one of the company's contemplated restructuring plans where each store would operate as its own entity.

Management had hoped to have each general manager be a part owner of each store in the future and in return it hoped this would give the general managers more confidence in doing their jobs and provide further autonomy in the completion of construction projects. . Our inquiries have indicated that a contract between Odenza West and this Owner has been executed. It is doubtful whether there is any value in the contract for the Bankruptcy Estate, as Odenza would not have been able to perform under this new contract in any event. We also do not believe that there was any value to Odenza for the contract since it could not deliver any services. An open question for us to consider however, is whether there will be any unpaid creditors from the first contract for this Job Site and how they are dealt with by the Owner and Odenza West.

### Cash transactions

#### ***a) Background***

As Odenza had only two bank accounts prior to the Bankruptcy until new sub-accounts were opened just prior to the Bankruptcy (as noted in Section B above), and some 20 active construction/renovation projects, there is a high volume of cash transactions running through the two accounts which again is not unusual for a contractor with many active contracts. Our experience in the construction industry is that it is very rare for a contractor to have a separate bank account for each of its projects.

#### ***b) Preliminary review of transactions in past 3 months***

As noted above, there is a high volume of cash transactions running through the two operating bank accounts of Odenza leading up to the Bankruptcy. For example, in the three month period before the Bankruptcy, there are more than 570 individual cash transactions in the

Odenza bank account alone (i.e. not including the JOAT account). Our overall review of the activity in the cash accounts indicates that:

- there is a high volume of payments, for a wide range of amounts, to many third party suppliers;
- there does not appear to be any particular "pattern" of who is paid and when;
- landlords, employees, and CRA appear to have been kept as current as possible up until the Bankruptcy - this is not unusual as certain claims from these parties are often secured or preferred;
- Odenza's corporate credit card and fuel card (for vehicles) appear to have been kept current;
- many suppliers, based on a review of the detailed accounts payable ledger, received at least one payment in the three month period before the Bankruptcy; and
- it is very difficult to prove any pattern of preference for any one creditor.

It is clear from a review of bank statements and accounting records that in the weeks and months leading to the Bankruptcy, Odenza was experiencing a cash shortage and it had likely been operating in "survival mode" which usually means that cash was being used in the areas deemed most critical by management in order to continue in business and continue work on certain projects. This is not unusual for a company experiencing significant cash flow difficulties. Management has conveyed that it made an attempt in its last cheque run, before the Bankruptcy, to allocate payments in proportion to those projects where Owners had "overpaid" and were in a credit position with Odenza. However, many of these payments were stopped or bounced due to the Bankruptcy. **We have not seen any evidence of payments that would constitute preference payments.**

*c) Preliminary review of transactions in past 12 months or earlier*

We have not yet had sufficient opportunity to perform a detailed review of a longer period of time than three months prior to the Bankruptcy. Our initial review indicates the pattern of activity in the 12-month period prior to Bankruptcy was very similar to the pattern of activity discussed for the 3-month period. There is a high volume of bank transactions and payments were made to many of Odenza's suppliers, virtually all of which are unrelated companies.

Based on the financial information we have reviewed to date, there is no evidence to suggest there were any preferences in the prior year to the Bankruptcy but that payments occurred in the normal course of operations, except as otherwise noted.

The most recent dividend to the shareholder occurred in the 2010 fiscal year (Odenza's last profitable year). Odenza was still profitable and had residual equity at that time.

To date, we have seen no other unusual payments to related persons or parties in the 12-month period preceding the Bankruptcy, other than in the normal course of business.

We will complete our remaining review for preferences and, if we continue to find none, we do not plan to undertake any extended review procedures in this area unless something is brought to our attention that warrants further review.

### **G. Fee Guarantees, Third Party Deposits and Disclosures**

The Trustee had no involvement with Odenza, its principal, the principal's brother, Sodi Hundal, or any related companies prior to being approached by Odenza on November 29, 2013 to consider its options including the filing of an assignment in bankruptcy under the BIA.

As Trustee of Odenza's estate, we report that prior to the Bankruptcy, Odenza paid a retainer of \$30,000 to the Trustee in order to fund the Trustee so that it could perform its statutory duties under the BIA. Due to the complexity of issues surrounding the estate, we expect our fees and costs to significantly exceed the amount of the retainer.

### **H. Intention to Act for Secured Creditor(s)**

There are no secured creditors relating to this matter, other than creditors holding direct security with respect to a lease (e.g. 2 vehicles, a photocopier). The Trustee has taken possession of these items and is in the process of reviewing Odenza's leases and will contact the lessors to deal with these assets as appropriate.

### **I. Projected Distribution and Anticipated Asset Realization**

In our experience, construction company insolvencies are by far the most difficult because of the myriad of complexities brought about by the BLA which does not always work in conjunction with the BIA which is an Act mainly designed to obtain recovery for unsecured creditors.

In the case of Odenza, many of the Trust and Lien Claimants pursuant to the BLA will also become unsecured creditors under the BIA due to shortfalls on Odenza's various construction projects. It is important to recognize that each of the construction projects really has its own realization "picture" under the BLA with a sum of potential Trust Funds and Holdbacks available to pay the group of Trust and Lien Claimants who worked on each Job Site. Our review of Odenza's project accounting tells us there are very few surpluses meaning many of the Trust and Lien Claimants will become unsecured creditors to some extent. There are still many aspects of each project for the Trustee and Claims Administrator to review and there are several variables to work through, including:

- determining the nature and amount of receivables from owners;
- calculating and collecting the statutory holdbacks for owners;
- determining all claims on all projects with trust funds and holdbacks;
- disallowing improper claims and handling any appeal of the disallowance(s);
- determining potential Owner set-off claims and challenging unsupported set-offs; and

- dealing with other unforeseen complexities and/or legal issues that may arise during the process.

The realization picture for trust and lien claimants on each project will not be known until some or all of the variables above are addressed and completed. Other than on projects that are largely complete, we anticipate that it will be at least three months before we have firm realization estimates on many of the various projects, and potentially longer depending on the complexity and length of construction of any specific project.

Accordingly, due to the high number of unknown variables it is very difficult to project realizations for the unsecured creditors in the Bankruptcy because some of the assets and many of the claims that come into the Bankruptcy will be a direct result (or flow-through) of the Trust Claim Program and the efforts to complete the projects for the Owners. Although the Bankruptcy process and the Trust Claim Program are separate legal processes they are totally interrelated to maximize recovery and distribution to creditors. However, co-operation of all creditors to file accurate claims, remove liens and to act reasonably in completing jobs will be important as will reasonable co-operation from the Owners will be to get the best possible result for everyone.

Based on the asset and liability estimates presented in **Exhibit 1** we can provide a high level estimate of possible realizations in the Bankruptcy. These estimates are subject to significant change based on the many variables and unforeseen complexities that could occur in the Trust Claim Program or in the Bankruptcy.

Item	\$
Total non-trust asset realizations including surpluses from projects **	703,496
Less: employees' secured claims	(30,000)
Trustee, legal fees, recovery costs and contingency	<u>(190,000)</u>
Net amount available for unsecured creditors (A)	<u>478,496</u>
Total expected shortfall on all trust and lien claims	1,560,000
Owners with unsecured claims	1,248,000
Other estimated unsecured claims	<u>200,000</u>
Total claims (B)	<u>3,008,000</u>
Estimated recovery for unsecured creditors (A / B)	<b>15.9%</b>

\*\*This figure is the sum of estimated assets available from unsecured creditors from Exhibit 1 and assumes the independent legal opinion (discussed in section B above) concludes that the Initial Cash Balance is available for all unsecured creditors and is not impressed with a trust for trust creditors on specific Job Sites.

We note this does not provide any estimate of what Trust and Lien Claimants will receive from the Trust Funds and Holdbacks that the Claims Administrator will obtain. Overall, we expect a very broad realization for trust creditors (on a global basis) in the range of 30- 37 cents on the dollar on total claims of \$2,461,856. However, the actual realization amount on each project could range from no recovery to 80 cents on the dollar, depending on the trust receipts and trust proven claims for each project.

#### *Summary Observation on Recoveries for Creditors Including Owners Who Are Unsecured Creditors*

Each creditor, Owner and creditor who has an opportunity to assist in finishing existing projects can work within the Recovery Plan that has been established to increase the recoveries to Trust and Lien Claimants and unsecured creditors alike. This includes:

- filing claims with the Trustee and Claims Administrator on an efficient and accurate basis;
- working with those who can demonstrate that they can complete an unfinished project at the best possible cost to mitigate unnecessary additional costs and ultimate claims in the Bankruptcy;
- minimizing unnecessary professional costs of the Trustee, Claims Administrator and other professional advisors by focusing on the business and administrative decisions required to get remaining jobs done on a timely and satisfactory quality basis;
- minimizing unnecessary Court applications or filing of lien claims.

The Recovery Plan can make a significant difference in the recovery for creditors. It doesn't mean that we can recover money that has already been lost. However, it does mean we can do a lot to avoid unnecessary additional erosion of asset value which usually happens with insolvent construction companies and their creditors' interests. Please understand how you can help avoid further erosion of Odenza's assets.

Information updates for creditors will be posted to our website <http://www.g-forcegroup.ca/bankruptcy-of-0409725-b-c-ltd/> a minimum of every two months starting with March 1, 2014.

#### **RESTRICTIONS AND QUALIFICATIONS**

This report on the preliminary administration of the bankrupt estate of Odenza summarizes the Trustee's findings and conclusions from its review of Odenza's records and other information received, and from its investigations since the date of Bankruptcy. It is subject to change based on subsequent findings or receipt of additional information. It is customary in an insolvency proceeding for new or changing information to constantly surface and supersede any previous information that may have been received and/or reported. Readers are cautioned accordingly.

In conducting our research and preparing our report, we obtained certain information and representations from the Director, former employees and consultant of Odenza, creditors and other third parties. Information, data and documentation furnished by others was presumed to be reliable and, except as expressly noted in our report, was not verified. Accordingly, the Trustee or G-Force assumes no responsibility for the accuracy of third party information provided.

We are pleased to answer any questions you may have.

**Exhibit 1**

**In the matter of the bankruptcy of 0409725 B.C. Ltd. formerly dba Odenza Homes  
Updates of Statement of Affairs ("SoA") financial information  
Prepared as at January 6, 2014**

	Original SoA Value (note 1)	Updated Estimated Value/Recovery (note 1)	Notes
<b>Assets</b>			
<b><i>Receivables and holdbacks</i></b>			
Accounts receivable, net of doubtful accounts	748,186	-	2
Accounts receivables, impressed with trust	-	229,500	3
Statutory holdbacks, impressed with trust	-	817,500	4
Subtotal - receivables and holdbacks	<u>748,186</u>	<u>1,047,000</u>	
Less: estimated surpluses on projects where receivables exceed claims	-	(144,000)	5
Net receivables and holdbacks for trust and lien claimants	748,186	903,000	
<b><i>For unsecured creditors</i></b>			
Estimated surpluses of receivables and holdbacks from above	-	144,000	5
Accounts receivables or holdbacks with no trust or lien claims against it	-	10,125	6
Furniture	2,000	-	7
Vehicle	3,500	1,500	7
Computer equipment	500	-	7
Insurance claim	20,000	20,000	8
Cash on hand (currently assumed to be non-trust)	500,000	527,871	9
Subtotal - non-trust assets for unsecured creditors	<u>526,000</u>	<u>703,496</u>	
<b>TOTAL ASSETS</b>	<u><b>1,274,186</b></u>	<u><b>1,606,496</b></u>	13
<b>Creditors</b>			
Unsecured creditors (not including trust and lien shortfalls)	1,844,638	<i>unknown</i>	10
Home owners as unsecured creditors	873,371	1,247,931	11
Shortfalls for trust and lien claimants	-	<i>unknown</i>	12
Subtotal - unsecured creditors	<u>2,718,009</u>	<u>1,247,931</u>	
Trust and lien claimants as trust creditors	-	2,461,856	12
<b>TOTAL CREDITORS</b>	<u><b>2,718,009</b></u>	<u><b>3,709,787</b></u>	13

## Notes

- 1 - The original Statement of Affairs was sworn by Jag Hundal on December 16, 2013 and included information obtained from Odenza's financial records at the time and from management's estimates on potential recoveries. Since that time, the Trustee has updated Odenza's records for goods and services supplies in the few weeks preceding the bankruptcy which has resulted in an increased number of creditors and liabilities. Also we have provided our own preliminary estimates of realization from the assets. We caution the reader that this updated schedule, prepared at January 6, 2014, is a "point in time" estimate only and is subject to further change based on our receiving new and/or updated information, the processing of claims and actual realizations from the assets and on the recoveries of trust assets and the processing of trust and lien claims by the Claims Administrator.
- 2 - This was the initial estimate of collectible accounts receivables and holdbacks disclosed in the Statement of Affairs. The Trustee has segregated the accounts receivable into three separate accounts: accounts receivable impressed with a trust, statutory holdbacks impressed with a trust, and Surpluses from receivables and holdbacks impressed with a trust and more fully set out in notes 3, 4 and 5. Also, the total receivables are approximately \$310,000 higher than originally stated in the Statement of Affairs.
- 3 - Accounts receivables impressed with a trust are any receivables from the contracts with home owners that are over and above the 10% statutory holdback amount under the *Builders Lien Act from the* home owner. We estimate a potential \$229,500 of collectible amounts in this category. This amount could increase for any approved extras or if there are additional invoices received for work done prior to Dec. 16. This amount could decrease if there are any set-offs for deficiencies or if there are any disallowed claims that have previously been charged against the contract. The collection of these accounts and the review of the adjustments for accuracy or reasonableness will be dealt with primarily by the Claims Administrator.
- 4 - Based on the updated accounting records, this is the estimated total of statutory holdbacks due from owners of all projects whether they were completed by Odenza prior to the bankruptcy or still in progress. Under the Builders Lien Act, "the person primarily liable on each contract...under which a lien may arise under this Act must retain a holdback equal to 10% of the greater of the value of the work done or material provided under the contract, and the amount of any payment made on account of the contract or subcontract price." In some cases, we are aware that owners may not have set aside the 10% holdback and their obligation to pay it is a real surprise. In several cases, owners have overpaid Odenza on account of the contract which will make the additional payment of the holdback a more significant hardship.
- 5 - Our initial review indicates that there are two projects where receivables and holdbacks may exceed the trust claims against the project. However, this can not be verified until all trust and lien claims are received and collections are completed on these contracts. At this time, we expect approximately \$144,000 to flow from those contracts into the Estate for the non-trust creditors.
- 6 - Our review of Odenza's records indicates there are a small number of contracts that may have no trust and lien claims against them, so any recoveries from those contracts would be available to the Estate and the non-trust creditors. More work is required to be able to verify the existence and amount of receivables relating to those contracts.
- 7 - Odenza at its three former showrooms (Dunbar, Kerrisdale and Main St.) has various used office furniture, a television, a few pieces of used computer equipment and kitchen appliances, other miscellaneous used office items, and a 2003 Chevy truck that has a considerable amount of wear tear. The initial SoA estimated recoveries from these items to be \$6,000. The Trustee's initial view



is that these items will produce approximately \$1500 net of costs. The Trustee is currently in the process of having the items reviewed by an auctioneer for an offer and an estimate of recoverable value. The Trustee is also asking the landlord whether it is interested in some of these items since the Trustee plans to abandon at least two of the premises immediately.

- 8 - Odenza has an insurance claim relating to its Main Street location that management estimates a recovery of \$20,000 for the estate. The Trustee has made unsuccessful attempts to contact the insurance adjustor to obtain a status update on payment of the claim, however we believe the adjustor has been away on vacation. We hope to obtain further information on this asset shortly.
- 9 - As at the date of bankruptcy, Odenza had cash of \$527,871 of cash in its bank accounts at HSBC Canada. The Trustee and Claims Administrator advises the Bank of its appointment and asked the Bank to transfer the amount into a trust account for the Claims Administrator. The Trustee and the Claims Administrator intend to obtain an independent legal opinion to determine whether any of these funds, which were previously co-mingled in Odenza's two general operating bank accounts, have "trust" status for either owners or trust and lien claimants on individual projects. If they do not, then the funds will be transferred to the Trustee and be available for the general creditors of the bankruptcy Estate. The legal opinion should be available later this month and will be posted on the G-Force website.
- 10 - Based on our review of creditors, a significant number of creditors (likely 95% or more) will be trust and lien claimants in the Trust Claim Settlement Program. To date, the only preferred and unsecured creditors that have arisen, other than those trust and lien claimants who will later become unsecured creditors due to shortfalls on individual projects, relate to the claims of former employees or Landlords. Until we receive the claims of former employees, landlords, and other regular unsecured creditors it is difficult to estimate the sum of this group of claimants.
- 11 - Based on the updated accounting records, the amount of claims from Owners who may have overpaid Odenza on their contracts totals \$1,247,931. These claims will rank as unsecured. The SoA did not include the 10% statutory holdback for owners who had overpaid their contracts. Since they are liable to pay this holdback regardless of whether they have overpaid their contract, we have included these potential payments as an increase in the amount of their unsecured claim against the Estate.
- 12 - The Calculation of total unsecured claims will not be known until such time when:
  - a. all trust and lien claims have been adjudicated;
  - b. the Claims Administrator has collected trust funds and holdbacks from the owners; and
  - c. the residual shortfall to trust and lien creditors on each project can be calculated based on 'a' and 'b' above and those trust and lien claimants who suffered shortfalls on the individual projects then become unsecured creditors for the balance of their claims.

It is too early to estimate shortfalls on any individual projects at this stage as there are still several potential variables impacting the projects including:

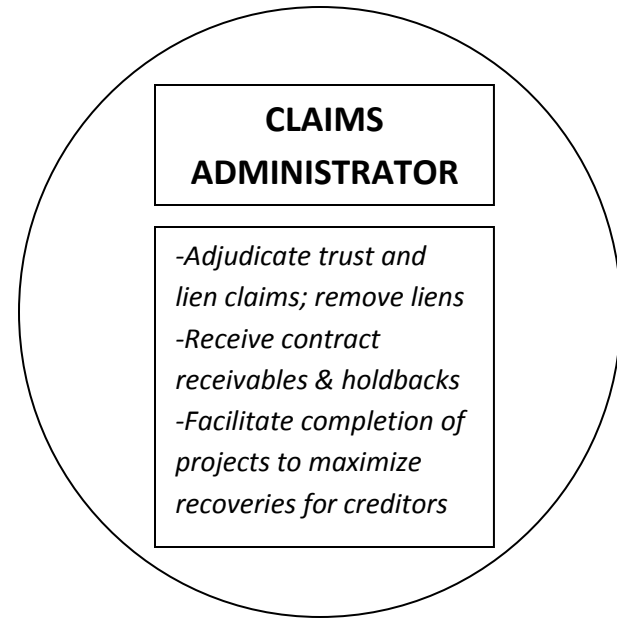
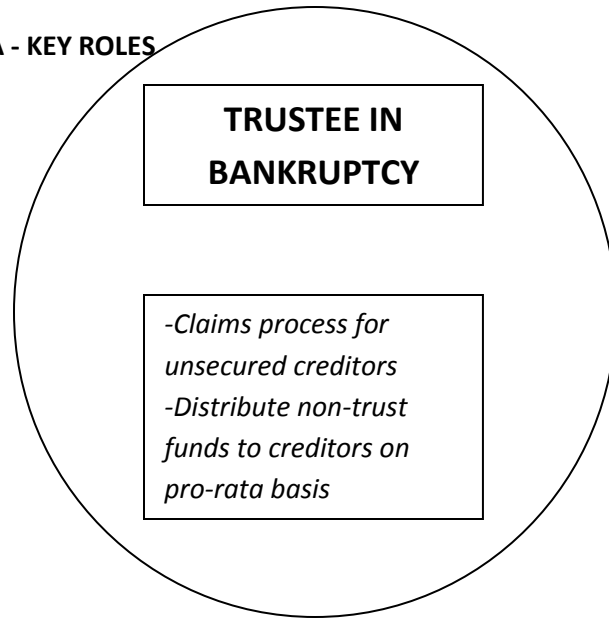
- i) on some completed projects, the Claims Administrator may only collect the 10% holdback and nothing more;
- ii) on some unfinished projects, Newco may not complete the contract and the owner may have set-off claims against the receivables relating to damages or higher costs to complete the project;
- iii) there are disputes on a couple of contracts, the outcome of which is not yet known; and
- iv) some owners may take legal positions that delay collection of receivables or cast uncertainty on the likelihood of collection.

Based upon our initial review, there are expected shortfalls on most of the individual construction projects Odenza had worked on. The exact quantum of the shortfalls has yet to be determined. The overall trust shortfall from all contracts appears to be in excess of \$1,550,000.

- 13 - The estimates and totals represented in this schedule are subject to change based on the many factors and variables that are discussed above. Most of the activity will be conducted by the Claims Administrator in collecting receivables and holdbacks on various projects and processing of lien and trust claims. These claims may fluctuate based upon the activity by owners to complete their projects and attempt to use existing trades who have outstanding claims for the completion work. The Claims Administrator expects to provide a monthly progress report to the Trustee on the results of its activities and the assets and liabilities that will become part of the bankruptcy Estate.

**Exhibit 2 - ODENZA - KEY ROLES**

**G-FORCE**



**CREDITORS**

- >REGULAR UNSECURED CREDITORS
- >FORMER EMPLOYEES (PREFERRED AND UNSECURED)
- >TRUST CLAIMANTS WHO EXPERIENCE SHORTFALLS AND ARE UNSECURED FOR THE BALANCE OF CLAIMS
- >OWNERS AS UNSECURED CREDITORS FOR LOSSES

- >TRUST AND LIEN CLAIMANTS WHO SUPPLIED LABOUR AND/OR MATERIALS TO SPECIFIC JOB SITES
- >FILE PROOF OF TRUST AND LIEN CLAIMS WITH CLAIMS ADMINISTRATOR AND AVOID FILING LIENS ON TITLE AS RIGHTS ARE PROTECTED

**OWNERS**

- > FILE PROOF OF CLAIM WITH TRUSTEE IF THEY HAVE OVERPAID ON CONTRACT (UNSECURED)

- >PAY TO CLAIMS ADMINISTRATOR ANY AMOUNTS DUE UNDER THE CONTRACT AND STATUTORY HOLDBACKS (10%)
- >FIND A PARTY TO COMPLETE THEIR PROJECT WHILE CLAIMS ADMIN. HANDLES HISTORICAL CLAIMS AGAINST ODENZA

Exhibit 3  
Failing vs Going-Concern Construction Companies/Projects

**Failing Construction Projects Can  
Disintegrate Values For All**



**Construction Projects – Key Stakeholders**

