

COURT NO. B131552
ESTATE NO. 11-1820752
VANCOUVER REGISTRY

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

IN THE MATTER OF THE BANKRUPTCY OF

0409725 B.C. LTD.

**FIRST REPORT OF G. POWROZNIK GROUP INC.
OF G-FORCE GROUP
AS CLAIMS ADMINISTRATOR OF THE
TRUST CLAIM SETTLEMENT PROGRAM**

FEBRUARY 16, 2014



Background

1. 0409725 B.C. Ltd. formerly doing business as Odenza Homes ("**Odenza**") made an assignment in bankruptcy (the "**Bankruptcy**") pursuant to section 49 of the *Bankruptcy and Insolvency Act* ("**BIA**") on December 16, 2013 and ceased its operations. On that date, G. Powroznik Group Inc. of G-Force Group was appointed as Trustee in Bankruptcy (the "**Trustee**") for the estate of Odenza. The Trustee's appointment was later ratified by the creditors at the first meeting of creditors on January 8, 2014 (the "**First Meeting of Creditors**").
2. In its report to This Honourable Court dated December 18, 2013 (the "**Trustee's First Report**"), the Trustee provided its rationale for the authorization of the Trust Claim Settlement Program ("**TCSP**"), in order to attempt to maximize recoveries for the creditors of Odenza while minimizing asset dissipation and costs. A significant number of Odenza's creditors are also trust and lien claimants under the *Builders Lien Act* ("**BLA**"). A significant amount of the assets in the possession of Odenza were (or upon receipt would be) impressed with a trust under the BLA, and would therefore not be part of the bankrupt estate; and accordingly, these trust claims and trust assets could not be dealt with under the BIA process. On December 19, 2013, the Court made an Order authorizing the TCSP (the "**December 19 Order**") and appointing G. Powroznik Group Inc. as Claims Administrator ("**Claims Administrator**") of the TCSP. No appeals were filed within the appeal period for the December 19 Order.
3. On December 20, 2013, the Trustee and the Claims Administrator sent concurrent notices (the "**Creditor Package**") to all known creditors of Odenza to notify them of the Bankruptcy, provide them with statutory BIA documents, notify them of the December 19 Order, provide to them a copy of the December 19 Order, and provide them with copies of Proofs of Trust and Lien claim forms contemplated by the December 19 Order, along with covering letters to explain the Bankruptcy and the TCSP. Also on that date, letters were sent to the owners (the "**Owners**") of the properties for which Odenza had previously been engaged for construction projects, to explain the TCSP process and the intended collateral benefits and outcomes for them.
4. At the First Meeting of Creditors in the Bankruptcy, it became apparent that there was a significant amount of anger and hostility toward Odenza and its principals, from certain creditors of Odenza, and also from some of Odenza's customers (the Owners of the home building projects for which Odenza had been engaged). During and subsequent to the first meeting of creditors, it became clear that very few (if any) of the owners would be prepared to engage the proposed new contractor Odenza Homes Vancouver West Ltd. ("**New Odenza**") to complete their homes. This was a significant departure from the expectation of G-Force that most Owners would wish to engage New Odenza, who would then engage Odenza's subcontractors to finish projects quickly and efficiently. The fact that this has not occurred has created various new complications and hurdles, as described below in this report.
5. This report should be read in conjunction with the Trustee's First Report filed in these proceedings (a copy of which is attached as **Schedule "A"**) as there is a significant

amount of background information presented in that document on Odenza, BLA issues and the intended outcomes of the TCSP generally for the benefit of the trust and lien claimants. This report may also be read in conjunction with the Trustee's Report to the Creditors on Preliminary Administration (the "**Preliminary BIA Report**", a copy of which is attached as **Schedule "B"**) that was presented at the First Meeting of Creditors on January 8, 2014. A copy of the Preliminary BIA Report has been filed with the Court in this proceeding and provides a significant amount of background and information on the Bankruptcy and the TCSP.

Purpose of this Report

6. The purpose of this Report is to:

- a) provide a summary of the administration by the Claims Administrator to date of the TCSP, including comparing the Claims Administrator and Trustee's actual experience so far to what was anticipated in the Trustee's First Report;
- b) provide a summary of the key issues and unanticipated problems that, in the view of the Claims Administrator, have made it necessary to request certain amendments and additions (the "Requested Amendments") to the December 19 Order;
- c) summarize the intended purpose of each of the Requested Amendments, which are intended to streamline the TCSP as much as possible, for the benefit of all trust and lien claimants;
- d) comment on the professional fees incurred to date and highlight key areas that have required a significant amount of professional time, and how future professional time and costs can be managed if the Requested Amendments are approved and additional co-operation of key stakeholders is obtained; and
- e) seek such other direction from the Court as may be appropriate in the circumstances.

TCSP - Summary of Claims Administrator's Experience to Date

7. In the Trustee's First Report, the Trustee summarized the overall plan for the administration of the estate of Odenza, and highlighted certain potential benefits of the TCSP for maximizing recoveries for creditors and minimizing costs for all stakeholders.
8. Since the date of the Court's granting of the order, the Claims Administrator has encountered certain challenges which have made the administration of the TCSP more difficult and time-consuming than was originally anticipated. The following section will compare the Claims Administrator's experience to date against what was anticipated as set out in the Trustee's First Report.

Paragraph of First Report	Issue	Claims Administrator's Experience to date	Implications
9	Sub-contractors have Lien rights that can be filed against title to the job site on which they delivered work or supplies (in each case, the " Owner's Title ")	Many of Odenza's projects were largely completed well before the date of Bankruptcy but many claimants on those projects (" Early Projects ") did not file liens against the Owner's Title within the time period allowed under the BLA.	The December 19 Order does not sufficiently protect the rights of those claimants who missed filing liens against the Owner's Title although it provides protection for the creditors (the " Lien Claimants ") who file a claim and lien with the Claims Administrator against amounts due from Owners, including the applicable Holdback. If the Owner does not pay the Holdback into Court or to the Claims Administrator, the Claims Administrator does not have the power to pursue the Owner for the Holdback on behalf of the Lien Claimants who did not file a lien on the Owner's Title.
10	Owners are required under the BLA to maintain a 10% statutory holdback for potential lien claims (the " Holdback ")	Many Owners did not maintain a Holdback, and some of those Owners have also overpaid Odenza on their contract	The Trustee has no claim against an Owner who has overpaid and no right to lien their Owner's Title. Under the December 19 Order, the Claims Administrator has no power to pursue Owners who did not maintain a Holdback on behalf of the Lien Claimants.
11	It was estimated in the First Report that Odenza had \$2.7 million in creditors at the date of Bankruptcy, representing 156 creditors	After updating Odenza's records, and considering Owners' overpayments (which gives those owners an unsecured claim against Odenza), the Trustee estimates the true number of creditor claims is over \$3.7 million	There is a considerably higher number of creditor claims for the Claims Administrator to adjudicate than was anticipated.
17, 37	A significant element of the tools required to maximize the recovery for assets for trust and lien claimants in a construction company insolvency is open access to key personnel of the debtor to assist in confirming and updating records relating to accounts receivable (" A/R "), costs to complete existing projects, and creditor claims, as well as completing existing projects to maximize undisputed A/R recovery	The backlash against Odenza's management and their plan for Newco at the First Meeting of Creditors was significant. As a result, Newco has had difficulty retaining key employees other than the owner of Odenza, has not yet been retained by any of the Owners to complete the unfinished projects and, as a result, has been severely limited in providing support to the Trustee and Claims Administrator in expected key areas. Many of the disruptive forces we see occurring with insolvent construction companies have emerged. In particular, two former	Newco's inability to gain "traction" has impacted the Claims Administrator's ability to get timely information and co-operation from many of the key former managers to deal with assessing the status of Owners' projects, assessing creditor claims and maximizing goodwill with Owners and collection of amounts due from them to Odenza. Although none of this is unusual with these types of insolvencies, the TCSP and the cooperation required to manage the overall realization was expected to

	<p>while minimizing unnecessary chargebacks. As set out in para. 27 of the Trustee's First Report, Odenza's management had set up Newco, to help provide these key resources to the Claims Administrator and Trustee, and advised G-Force that it had tentatively assembled the commitment and support of some key former employees, owners and Trust Claimants.</p>	<p>senior project managers with support from a few of Odenza's sub-trades successfully pursued certain uncompleted projects in competition with Newco. As a result, the former managers have much less commitment to assist the Trustee or Claims Administrator with the same level of support or commitment as the principal of Odenza and Newco has, in order to maximize the recovery of assets from the uncompleted projects with the Owners, or to minimize unjustifiable pre-bankruptcy claims against Odenza.</p>	<p>significantly overcome the usual asset dissipation and escalation in costs that normally occurs.</p>
36	<p>The TCSP and the cooperation from former management and employees expected through Newco were expected to provide significant benefits over the normal unstructured liquidation of Odenza that normally characterizes insolvent construction companies.</p>	<p>To date, Newco and the former management of Odenza have been unable to:</p> <ul style="list-style-type: none"> -obtain support from former managers, subtrades or Owners to finish projects on a timely, efficient basis; -obtain information to assist the Claims Administrator in obtaining complete claims on a timely basis; and -obtain payment of Holdbacks and receivables without utilizing the full powers within the BLA and Court Order. <p>This has resulted in more problems surfacing than expected, and higher than anticipated professional costs.</p>	<p>In order to maximize the comparative benefits to the creditors of the TCSP and the seamless interface with the Trustee in fulfilling its separate mandate under the BIA, the Claims Administrator will be required to take a more active role to ensure the TCSP process is 'water-tight' and to secure the background knowledge and cooperation of Odenza's former management, former project managers and Lien Claimants, all with a view to maximizing the net return to the creditors (which should still be significantly better than the likely zero recovery that would result for many creditors if there was no coordinated realization plan.)</p>

9. The Claims Administrator submits that its role under the TCSP must be somewhat expanded to take into account the unique circumstances of this insolvency. The support expected for Newco to complete projects and to provide the Claims Administrator with key information relating to the collection of receivables and holdbacks and reviewing the creditor claims has not materialized. Accordingly, additional tools are required by the Claims Administrator so that it can continue to pursue the objectives set out in paragraph 39 of the Trustee's First Report.
10. Newco was not able to obtain confidence from Owners, former managers, and the subtrades, and thus its plan to complete some or all of the projects has not materialized. The Claims Administrator is now working to facilitate transition of the projects and related plans, permits and information directly to the Owners, to allow them to choose a contractor and finish their project and share information with respect to claims with the Claims Administrator. It is in all stakeholders' best interests that the projects continue on a timely basis in order to preserve Odenza's accounts receivable and to ensure the

payment of applicable Holdbacks by the Owners. The preservation and collection of these amounts will then fund the processing, adjudication and *pro rata* payment of claims in respect of each project.

11. Notwithstanding the challenges faced in the evolution of the bankruptcy and the TCSP, the Claims Administrator remains optimistic that trust and lien claimants, and Odenza's creditors, will be much better off than they would be in the alternative: in a simple bankruptcy with *ad hoc* lien enforcement against individual properties, many or most creditors would likely recover little or nothing as accounts receivable would largely evaporate. Some creditors might make some recovery against holdbacks by liening the Owners' Titles, but those recoveries would likely be predominantly made by larger creditors, at the expense of most of the smaller unpaid subtrades who would find it uneconomic to pursue lien claims and would likely just walk away. Further, with no organized overall claims administration process, it could be very costly to determine the accuracy of either the claims or the holdbacks due to the loss of employees and no one available to update the records, even if such records could be found intact.
12. The Claims Administrator notes that notwithstanding the challenges that have emerged, there have been several key benefits of the TCSP including:
 - There has been a relatively smooth transition of information and authority to allow Owners to complete their projects;
 - There is a consolidated process to file and adjudicate claims (although more time to review claims is needed than contemplated by the December 19 Order, due to deficiencies in Odenza's records and the unanticipated limited access to former staff of Odenza);
 - The TCSP provides Owners and their contractors with confidence that a system is in place to deal with pre-bankruptcy claims of suppliers, some of whom may still be working on the Owners' projects; and
 - The TCSP provides a simple system in which to enhance recoveries (or put another way, to minimize losses) for trust and lien claimants, and for Owners to deal with pre-bankruptcy claims that could result in liens on their property.

Requested Amendments to December 19 Order

13. In connection with the issues set out above, the Claims Administrator and Trustee have identified certain "gaps" in the December 19 Order that need to be addressed in order to facilitate the proper functioning of the TCSP. Attached as **Schedule "C"** is a blackline to the December 19 Order, showing the requested changes to the December 19 Order as discussed below.

Background and Difficulty in Adjudicating Claims

14. Claimants started to submit trust and lien claims under the TCSP on December 23, 2013. Claims continue to be submitted as at the date of this report. The following table

summarizes some key figures surrounding claims submitted to the Claims Administrator to date:

Total dollar value of claims submitted to date	\$2,528,482
Number of claimants who have submitted a claim in the proper form (note 1)	55
Number of individual claims against Odenza projects	380
Number of claimants to date whose claims are consistent with Odenza's records	11
Percentage of claimants whose claims were submitted in the proper form and have been agreed in full to Odenza's records to date (11 out of 55)	20%
Percentage of all claims submitted that have been agreed in full to Odenza's records to date (11 out of 64)	17.2%
Non Trust/Lien Claims submitted	36
Creditors who have not submitted claims yet and who were sent a Notice to Prove Claim under Paragraph 10 of the Order on February 13, 2014.	72

Note 1: There are an additional 9 claims that have been submitted but are missing various information, require clarification or that have not been filled out correctly. The Claims Administrator is attempting to obtain further information from those claimants so that it can proceed with adjudicating those claims.

15. The Claims Administrator did not know at the time of the December 19 Order the "success rate" that it would encounter in trying to reconcile the creditors' claims to the records of Odenza, but it had hoped for a far lower percentage of discrepancies than has occurred so far. The Claims Administrator summarizes below the primary reasons why it believes there is a high level of discrepancies in the claims compared to Odenza's records:

- **Odenza's financial records were not up to date as at the date of Bankruptcy.** The Trustee and the Claims Administrator hired two former Odenza accounting staff who expended a significant amount of effort to obtain, and post to the accounting system, invoices from suppliers that had not yet been posted as at the date of Bankruptcy. This initial effort was required in order to try to bring Odenza's records up to date and to have a satisfactory baseline against which claims could be compared. An estimated \$400,000 of additional accounts payable was posted to the system in the two weeks after the Bankruptcy.
- **New supplier invoices are still appearing.** It is clear that the updating of the Odenza accounts payable ledger, discussed above, still did not capture all pre-Bankruptcy outstanding invoices as many claimants are submitting claims to the Claims Administrator up to the date of this Report that include new invoices. The implication is that it is difficult for the Claims Administrator to verify these new invoices quickly in some instances because it has been unable to consult or gain access to former managers of these jobs who were terminated the day prior to the Bankruptcy. Also, the former President of Odenza has limited knowledge of the details of many of these jobs and cannot accurately assess many of the claims submitted.

- **"Work in process" invoices are difficult to verify.** Due to the nature of the work some of the suppliers performed on job sites, it is difficult for the Claims Administrator to verify that the amount invoiced for work done actually relates to work performed. For example: Supplier A has performed 60% of its contract at a job site, but has billed Odenza for a 75% progress payment. Supplier A is not necessarily being dishonest and it may have simply sent in an invoice that had been issued to Odenza pre-Bankruptcy. Once the job effectively stopped on Bankruptcy, Supplier A did not have an opportunity to complete the remaining portion of work but is still treating whatever invoice it had issued to Odenza as valid. The Claims Administrator does not yet have the knowledge to be able to determine what portion of the work has been done at the date of Bankruptcy without access to Odenza's former managers.
 - **Some subtrades are continuing to work on the same projects post bankruptcy and are being paid for this work.** Some suppliers have been hired to provide work or supplies to specific incomplete projects and some former managers have been hired as the contractor to complete projects for Owners. In these circumstances, the Claims Administrator recognizes that some arrangements on the completion phase of these contracts may affect the accuracy of the claim previously filed by the trade creditors and would like to be informed where adjustments should be made to the original claims. This is very difficult and in some cases impossible for the Claims Administrator to monitor on its own, and it is seeking the co-operation from Owners, the new contractor or the creditor where adjustments should be made to the pre-Bankruptcy claims initially filed with the Claims Administrator.
 - **Allegations have been made that some invoices may not be valid.** The Claims Administrator has recently been advised that some suppliers may be trying to increase their claims by either claiming a higher amount than is proper or by creating fictitious invoices to increase their claim. Although the Claims Administrator has not yet seen direct evidence that this has occurred, this must be monitored closely, to the extent possible. Inflated claims would have no effect other than to reduce the recovery by honest creditors in favour of dishonest ones.
16. Under paragraph 16 of the December 19 Order, the Claims Administrator has a period of 40 days to adjudicate individual trust and lien claims from the time those claims are submitted to it. Due to the complicating factors noted above, particularly the loss of project managers who have key knowledge of many of the Owners' projects, the Claims Administrator respectfully submits that 40 days is not enough time to properly adjudicate claims and to address the multitude of issues and discrepancies that are arising. Also, under the December 19 Order, the only current method for the Claims Administrator to deal with these "problem" claims is to issue a Notice of Disallowance ("**Disallowance**") and then attempt to reconcile the claim later. Due to the large number of discrepancies in claims, the sending of a significant number of Disallowances by registered mail, simply because the Claims Administrator was unable to reconcile the claim in 40 days, will cause additional costs and will accomplish nothing. Unfortunately, the Claims Administrator had to send Notices of Disallowance on February 7, 2014 to 9 creditors and to another 7 creditors on February 14, 2014 since it had not received sufficient

information from Odenza's records or former management to determine whether their claims were valid. If the Court grants an extension of the time period for the Claims Administrator to complete the review of these claims, the Claims Administrator will withdraw or amend the Notice of Disallowance, as appropriate, once the required information to properly adjudicate the claims is received

17. Accordingly, the Claims Administrator respectfully requests that This Honourable Court amend the period in which trust and lien claims must be adjudicated to the later of 90 days from the date of the Claims Administrator's receipt of the claim or completion of the Owner's project to which that claim relates. The Claims Administrator expects that 90 days will be a sufficient period of time to be able to properly review the individual trust and lien claims and to address any issues that arise; however, a longer period to project completion may be required to allow suppliers to finish their work and get a true understanding of the amount of work that had remained as at the date of Bankruptcy.

Sending Notices of Claims to Owners

18. Paragraph 25 of the December 19 Order currently states "*the Claims Administrator shall, on behalf of all persons who have claimed a lien, deliver written notice to the respective Owner....of such claim or claims of lien.*" One interpretation of this paragraph is that it makes it mandatory for the Claims Administrator to send every Owner separate notices of every individual claim that is filed with respect to their project. To date, the Claims Administrator has e-mailed copies of claims filed to each Owner and has found this to be an onerous and time-consuming process that, except for notifying Owners of the fact trust and lien claims have been submitted with respect to their project, provides little value as the majority of the claims are not adjudicated yet so the Owner cannot even tell at the time of receiving notice of the claim(s) whether those claims are valid.
19. The Claims Administrator respectfully requests that paragraph 25 of the December 19 Order be amended to allow the Claims Administrator to send every two weeks, after the date it sends its notice of the first claim to the Owner, a summary notice of claims (the "Claims Summary") filed against an Owner's project, instead of sending the Owner each individual claim as it is submitted. The Claims Administrator envisions that the Claims Summary would include the following details:
- Date claim was filed;
 - Name of claimant;
 - Amount of claim; and
 - Whether claim is complete or not, and whether it has been allowed or disallowed and, if so, for what value.
20. The Claims Administrator anticipates that a summary method of notifying Owners of claims will decrease professional costs of administrating the TCSP and will generally simplify the process. Owners will still have the right to access the actual claim document(s) upon request to the Claims Administrator.

Payment of Holdbacks

21. Paragraph 3 of the December 19 Order states that Holdbacks “*may...be paid by the Owners...to the Claims Administrator for distribution in accordance with this Order under the TCSP.*” Paragraph 3 also states that Potential Trust Funds (as defined in the Order) owing to Odenza “shall” be paid to the Claims Administrator. This leaves a “gap” in the administration of the TCSP as follows:
- a) The December 19 Order does not require Owners to pay Holdbacks to the Claims Administrator, although they are required to pay other amounts due under the contract to the Claims Administrator;
 - b) The December 19 Order does not require trust and lien claimants to prove their claims with the Claims Administrator, it simply authorizes them to, and bars them from participating in a distribution of the trust funds held by the Claims Administrator if they don’t prove their claim in the TCSP process;
 - c) The trust and lien claimants are not barred by the December 19 Order from asserting their claims against the projects, or against the owners, as the case may be; and
 - d) In some cases Owners have overpaid Odenza and there are no further amounts owing for the Trustee to collect. However, such Owner may still be obligated to pay the Holdback amount for the benefit of unpaid sub-trades; and therefore the “gap” occurs if a lien claimant or trust claimant proves their claim on a project with the Claims Administrator, but the Owner for that project pays its Holdback into Court. In this scenario, the lien claimants in particular could potentially lose their right to the Holdback because they may not have filed a lien on the Owner’s Title in the appropriate time period. Meanwhile, under the current December 19 Order the Claims Administrator will not have access to the Holdback so it won’t be able to make an equitable distribution under the TCSP to all the claimants on that project.
22. The Claims Administrator respectfully submits that the “gap” discussed above will be eliminated if This Honourable Court amends the December 19 Order to allow the Claims Administrator to apply for access to Holdback that are paid into Court by Owners or prevent funds from being paid out of Court until the TCSP claims process is complete. The proposed change to the Order is that if the Owner pays its Holdback into Court, it will add the Claims Administrator as a Respondent so that the Claims Administrator will have standing to make application in respect of the funds paid into Court. This will allow those claimants who filed a trust and lien claim with the Claims Administrator (and by doing this made a lien claim against the Holdback) to stand on equitable footing with those claimants who filed a lien on the Owner’s Title and all parties with lien claims, on land or against the Holdback (or both), will receive a *pro rata* distribution of all funds that they will be entitled to share in from the Claims Administrator. This contemplated change to the order will not change an Owner's position; the Owner will still be absolved

of responsibility under the BLA upon paying the proper amount of the Holdback into Court or to the Claims Administrator in any event.

23. In the opinion of the Claims Administrator, it will create cost efficiencies and reduce complexity if the Requested Amendments are granted in order to deal with the challenges that have arisen in the course of the administration of the bankruptcy and the operation of the TCSP. It is clear to the Claims Administrator after six weeks of administration that the Requested Amendments and the plan to enlist additional support from Odenza's former managers and employees and the Lien Claimants will help maximize the net return to the creditors as a whole on an equitable basis.

Estimate of Professional Costs to Date

24. G-Force has coordinate the Claims Administrator and the Trustee in Bankruptcy roles with a view to:
- a) Maximizing recovery of receivables and holdbacks for the trust and lien creditors (the "**Trust Assets**");
 - b) Providing an efficient process to adjudicate trust and lien claims ("**Trust and Lien Claims**") which will also allow them to be accepted as unsecured claims in the bankrupt estate ("**Estate**") to the extent they are not paid from the Trust Assets;
 - c) Minimizing administration, overhead and legal costs and time delay;
 - d) Maximizing the net distribution to the Trust and Lien Claimants; and
 - e) Ensuring the potential surplus from the Trust Assets on any individual project flows seamlessly to the Estate for the benefit of the unsecured creditors.
25. The Trustee in Bankruptcy has specific statutory powers to protect the assets of the bankrupt that the Claims Administrator does not have (e.g. launch a collection action on behalf of the Estate). In the absence of the Claims Administrator role, the Trustee normally would not take an action to protect and recover surplus from Trust Assets where it would be too difficult to determine whether any net benefit would accrue to the Estate. Accordingly, the Claims Administrator role is designed to be complementary to the Trustee's role so that the recovery of Trust Assets and surplus is improved using the mandates of the Trustee and Claims Administrator in a coordinated way. This requires there to be a recovery of the costs of the Trustee and the Estate from the benefits received by the Trust and Lien creditors where they potentially benefit from the actions of the Trustee.
26. Accordingly, the Bankruptcy Trustee respectfully submits that the costs of the Trustee to assist the Claims Administrator, including its legal costs, should be recovered from the Trust Assets recovered by the Claims Administrator. Where the Trustee receives a

surplus from the Trust Assets then it would bear a reasonable proportion of the costs incurred to assist the Claims Administrator to recover the related Trust Assets.

27. The Claims Administrator is currently charging all its costs to a general account and not yet allocating any costs specifically to any one asset or receivable since most of its activities are dealing with establishing the TCSP and beginning to administer it, which benefits all Claimants. These activities have included:
- a) All matters relating to applying for and obtaining the December 19 Order to establish the TCSP;
 - b) All notices, communications and meetings with creditors and/or their agents or counsel and Newco relating to the TCSP and procedures to file Proofs of Trust and Lien Claims;
 - c) All notices, communications and meetings with the Owners and/or their agents or counsel relating to the TCSP including transition procedures and recommendations on the completion of their projects where appropriate, procedures to deal with all pre-bankruptcy lien claims on their property or against the holdback, providing copies of drawings, permits, invoices and other important information relating to their project, recommending steps to avoid being billed more than once by sub-trades and in dealing with a new contractor and requirements to maintain a holdback regardless of whether they had overpaid Odenza under their contract;
 - d) All communications and meetings with Owners, former employees, creditors to explain the options to complete unfinished projects (using Newco or another contractor) in an effort to maximize recovery of receivables and holdbacks, minimize unnecessary chargebacks and costs and maximize the synergy with the former managers and other resources of Odenza as well as the required co-operation with the Trustee and Claims Administrator, thereby creating benefits for both the Owners and the Trust and Lien Creditors (the “**Transition Benefits**”);
 - e) Identification of areas where Odenza’s principal and Newco could not provide the expected support to the Trustee and Claims Administrator in circumstances where competitors, including two former managers of Odenza, were successful in competing with Newco to secure many of the project completion mandates from the Owners;
 - f) Identification of necessary amendments to the Order and other resources to help preserve and achieve as much of the Transition Benefits as possible;
 - g) Extensive consultation with BLG LLP, counsel to the Claims Administrator (“**BLG**”) on numerous technical and procedural issues relating to BLA matters affecting the Owners and Trust and Lien Claims and procedural matters of the TCSP, collection and dispute matters with various Owners and their counsel and


determining the Requested Amendments to help deal with gaps and unforeseen issues to protect the Claimants as set out in this Report;

- h) Extensive work required to deal with Odenza's incomplete accounting records and lack of access to most former managers who were familiar with the status of the contracts with the Owners and the details relating to the costs and related proper billings to the date of Bankruptcy. The Claims Administrator has received a tip that 'fake' claims are being submitted or planned by a number of creditors who were encouraging others to do the same but we have not yet been able to verify whether this has in fact been done;
 - i) Additional work to deal with higher than expected claims and incomplete and inaccurate submission of Trust and Lien Claims with minimal access to knowledgeable former employees and extensive efforts to determine alternative sources of information to properly adjudicate the claims being received; and
 - j) Establishing extensive administrative procedures, templates and workbooks to manage the TCSP and the settlement of accounts with the Owners.
28. The estimated professional costs of the Claims Administrator and recoverable costs of the Trustee to January 31, 2014 are \$180,000 which includes 605 hours at normal chargeout rates. Estimated legal costs are \$47,000 (fees, disbursements and taxes (total) to January 31).
29. The Amended Order provisions, if approved, should have the following effect on the administration, recovery of assets and distribution to creditors:
- a) They should reduce the reliance of the Claims Administrator on the Trustee to pursue the Trust Assets;
 - b) They should integrate the procedures and minimize the costs for the Claims Administrator to obtain access to all of the Holdbacks from the Owners and ensure that the Claims Administrator confirms the applicable Holdback amount prior to discharge of liens from an Owner's property;
 - c) They will eliminate the gap for Claimants who have liens against an Owner's property to pursue an Owner where that Owner has fully paid or overpaid its contract with Odenza and may have no motivation to pay the Holdback, thereby increasing the amount available to the Claimants;
 - d) They will reduce the time required to put Owners on notice for the filing of lien claims with the Claims Administrator;
 - e) They will provide a more reasonable timeframe in the current circumstances for sufficient information to be obtained by the Claims Administrator to accurately adjudicate the Trust and Lien Claims; and

- f) Generally, they should provide for a more efficient administration which should enhance the recovery of assets for the Claimants and lower the administration and professional costs.
30. The Claims Administrator is taking the additional following steps to overcome the unforeseen hurdles it has faced in order to improve recoveries, reduce costs and obtain sufficient information to accurately adjudicate claims:
- a) Increase the demands upon the owner of Odenza, Jag Hundal, to review all Owners' accounts of the former managers who have become competitors and who are otherwise unavailable to assist on an objective basis;
 - b) Increase the use of former accounting and staff;
 - c) Consolidate all of Odenza's records and engagement staff into one location to obtain optimal engagement team efficiency;
 - d) Enlist the support of the Inspectors and other creditors on the Estate provided they can act in a conflict free manner; and
 - e) Ask Owners to share with the Claims Administrator the estimated costs to complete their projects to ensure that it is consistent with Odenza's records and the Trust and Lien Claims filed on their projects.

All of which is respectfully submitted this 16th day of February, 2014.

G. Powroznik Group Inc. of G-Force Group
In its capacity as Claims Administrator
for the Trust Claim Settlement Program



Per: Mr. Gary Powroznik
Managing Director

Schedule "A"

TRUSTEE'S FIRST REPORT



COURT NO. _____
ESTATE NO. 11-1820752
VANCOUVER REGISTRY

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

IN THE MATTER OF THE BANKRUPTCY OF

0409725 B.C. LTD.

**REPORT ON THE MERITS OF A PROPOSED TRUST CLAIM
SETTLEMENT PROGRAM FOR 0409725 B.C. LTD. dba ODENZA HOMES**

By:

**G. POWROZNIK GROUP INC. OF G-FORCE GROUP
AS TRUSTEE IN BANKRUPTCY FOR THE ESTATE OF
0409725 B.C. LTD. dba ODENZA HOMES**

December 18, 2013



Purpose of the Report

1. The purpose of this Report is to:
 - a) provide This Honourable Court with a background on the business and bankruptcy of 0409725 B.C. Ltd. dba Odenza Homes ("**Odenza**") and the nature of its assets and its creditors' claims against it and against certain construction projects that it has been working on;
 - b) provide This Honourable Court with the Trustee's recent experience in successfully designing and administering a similar trust claims settlement program for another insolvent contractor; and
 - c) summarize for This Honourable Court the proposed trust claim settlement program ("**Trust Claim Settlement Program**") for the benefit of Odenza's creditors and customers, and reasons why the Trustee respectfully requests This Honourable Court to authorize the Trust Claim Settlement Program in the circumstances.

Background and Current Status

2. Odenza made an assignment in bankruptcy (the "**Bankruptcy**") pursuant to section 49 of the *Bankruptcy and Insolvency Act* ("**BIA**") on December 16, 2013 and ceased its operations.
3. Odenza was a custom home builder in Vancouver, B.C. having four sales offices and 16 employees at the time of the Bankruptcy. Odenza had 18 home building projects/contracts and additional home renovation projects (together "**Projects**") at various stages of completion at job sites in Vancouver (the "**Job Sites**"). for home owners ("**Owners**").
4. G. Powroznik Group Inc. of G-Force Group ("**G-Force**") was appointed Trustee in Bankruptcy for Odenza (the "**Trustee**") subject to creditor ratification at the First Meeting of Creditors which is tentatively scheduled for January 8, 2014. G-Force is a licensed corporate trustee in bankruptcy and, with its related entities in the G-Force Group, has significant experience in the real estate, construction, and other industries.
5. Historically, Odenza had been a growing and profitable business. However, recently Odenza suffered an unprecedented downturn in construction activity in one of its submarkets in Vancouver, which resulted in a loss of sales and increased operating costs in this market. In addition, Odenza lost a key manager and experienced losses relating to disputes arising from 2 or 3 specific contracts, and it has commenced litigation on those contracts. Due primarily to these factors, Odenza experienced a cash crunch and could not keep current with its payables although it attempted to complete other contracts in the normal course of business to overcome its difficulties. Based on the Trustee's initial assessment, these recent challenges were the primary cause of the insolvency of Odenza.
6. The principal of Odenza, Mr. Jag Hundal, has considered his options to overcome the current financial difficulties, complete Odenza's Projects and maximize the recovery for

the creditors although his shareholder's investment was already completely lost. He has found a relative who has agreed to fund the completion of the Projects through another entity, provided Odenza implements a plan to provide an orderly recovery of its assets and distribution to its creditors in a manner that will maximize the return to them (the "**Restructuring Plan**"). After considering its options with its legal counsel at Lawson Lundell LLP ("**Lawsons**") and G-Force, Mr. Hundal assigned Odenza into bankruptcy to provide an initial framework for the orderly wind down of Odenza's historical business and a basis upon which to implement the Restructuring Plan to minimize losses to all stakeholders, including the Owners.

Effect of the Bankruptcy

7. Odenza has no existing secured creditors or lenders. Based on the Trustee's initial review of creditor composition, Odenza's creditors comprise trust/lien claimants pursuant to the British Columbia *Builders Lien Act* ("**BLA**"), unsecured creditors and employees. However, if Odenza's contracts with the Owners cannot be completed, substantial receivables will likely be unrecoverable and several Owners will likely become creditors or have increased claims against Odenza.
8. Most of Odenza's creditors provided labour and materials to owners' specific Job Sites. Suppliers of work or materials to the Job Sites ("**Trust Claimants**") have trust claims under the BLA against any receivables collected by Odenza (the "**Trust Claims**") and accordingly any payments that the Trustee receives from the Owners of the Job Sites are impressed with a trust ("**Trust Funds**") for those Trust Claimants.
9. 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**"). Sub-subcontractors who do not have a Trust Claim (because they do not have a direct contract with Odenza) are still Lien Claimants who can file liens against the applicable Job Site.
10. Under the BLA, 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.
11. Odenza currently has approximately \$2.7 million in accounts payable recorded on its books at the date of bankruptcy, representing 156 creditors. Most of the creditors are potential Trust Claimants and many have provided work and/or materials to more than one Job Site. Accordingly, the number of potential Trust and Lien Claims could exceed the number of creditors by a multiple of two or more.
12. A preliminary review of Odenza's records indicates that the number of creditors who did not specifically supply work or supplies to a Job Site and therefore will not have a Trust or Lien Claim will likely not exceed thirty creditors, or about 20% of Odenza's total number of creditors. Accordingly, approximately 80% of Odenza's creditors will likely have a Trust or Lien Claim.

13. There are currently eighteen contracts to build new houses with the Owners. Odenza reflects approximately \$700,000 of accounts receivables on its books, not including additional potential receivables that are subject to litigation relating to other contracts, relating to these contracts, at the date of the bankruptcy. The Trustee estimates that over 75% of the \$700,000 in accounts receivable are (or can be characterized as) Holdbacks held by the Owners pursuant to the BLA.
14. The obvious impact of the bankruptcy of Odenza to the Owners is that they immediately face the need to contract with a new third party to complete the construction of their homes, since Odenza is no longer able to complete them.
15. Each Owner will also face potential lien actions by Trust Claimants and Lien Claimants (together "**Claimants**") who have lien rights against its specific Job Site.
16. The Trust and Lien Claims (together, the "**BLA Claims**"), and the Trust Funds, Job Sites and Holdbacks to which they relate are governed by the BLA (the "**Trust Claim Elements**") 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.
17. Other than as proposed for the Trust Claim Settlement Program, there are no overall legal or restructuring frameworks to administer the Trust Claim Elements efficiently or to incorporate the elements of Odenza's Restructuring Plan to have a different and unrelated company ("**Newco**") complete as many Projects as possible, and thereby maximize the recovery to the Claimants and unsecured creditors, and minimize claims by the Owners.
18. In addition to the bankruptcy proceeding under the BIA, Odenza will also require a formal, efficient and cost-effective process to adjudicate and administer the significant numbers of BLA Claims in a way to facilitate completion of the Projects for the Owners and maximize recovery of Trust Funds and the Holdbacks.
19. G-Force has recent experience in designing and effectively administering a claims process for trust and lien creditors of an insolvent construction company, Tyam Civil Constructors Ltd. ("**TCC**")¹. The result of TCC's trust claim settlement program ("**Tyam Process**") over other available *ad hoc* processes was to increase the realization from the contracts and other assets, process and pay claims much faster, reduce costs of realization and administration, obtain higher recoveries for most creditors and complete most projects to the satisfaction of the owners. The Tyam Process process is described in more detail below.

Trust Claim Settlement Program for Odenza

20. The Trustee is seeking an order to establish a Trust Claim Settlement Program for Odenza that is similar to a program established by TCC pursuant to court orders pronounced on April 2, 2012 and May 30, 2012 in Action No. B-120334/Vancouver

¹ TCC is a bankrupt company under Office of the Superintendent of Bankruptcy estate no. 11-1602931. The Court Filing Number for the Tyam matter is B-120334.

Registry (the “**Tyam Proceeding**”). G-Force is also acting as the administrator of the Tyam Process in the Tyam Proceeding.

21. The proposed role of G-Force as claims administrator in the Trust Claim Settlement Program (the “**Claims Administrator**”) is in addition to (and complementary to) its role as Trustee in Bankruptcy of Odenza.
22. The Trust Claim Settlement Program proposed for Odenza will provide for an efficient, fair, and beneficial system and process in which Claimants will participate in a summary claims process conducted by the Claims Administrator in parallel with the claims process in the bankruptcy proceedings. Claimants will, we believe (both conceptually and from our experience with the Tyam Process), 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.
23. If the Order sought by the Trustee is granted, the Claims Administrator will:
 - (a) immediately send an initial notice of the Trust Claim Settlement Program to Odenza’s creditors, asking them to file their claims in a prescribed manner. Attached and marked as Exhibit “A” to this Report is a draft letter addressed to the creditors of Odenza (“**Initial Notice**”) which will include a copy of the Proof of Trust and Lien Claim Form, and Proof of Lien Claim Form (both as defined in the draft Order and included as Schedules A and B, respectively, thereto) to be completed, as appropriate, and delivered to the Claims Administrator.
 - (b) send a Notice to Prove Claim (as defined in the draft Order and included as Schedule C thereto) by registered mail, attaching the Proof of Trust and Lien Claim Form, and Proof of Lien Claim Form, as appropriate, to be completed and delivered to the Claims Administrator within thirty (30) days, to each potential Claimant that does not respond to the Initial Notice of the Trust Claim Settlement Program by filing an appropriate claim form within 28 days of the date the Initial Notice was sent to it by the Claims Administrator;
24. To assess any claims against the Holdbacks that have been made by persons who are not otherwise creditors of Odenza, and who are therefore not Trust Claimants (in other words, sub-subcontractors of Odenza who have the ability to assert liens against the Holdbacks or file liens against the Job Sites) (“**Third Party Lien Claimants**”), the Claims Administrator proposes to send to the Third Party Lien Claimants a form (the “**Proof of Lien Claim**”), to be completed and delivered to the Claims Administrator, and to have their claims and entitlement to the Holdbacks determined under the Trust Claim Settlement Program. The Proof of Lien Claim is scheduled to the Order sought by the Trustee and is included as Schedule B thereto.
25. The Claims Administrator proposes that delivery of the Proof of Lien Claim by it to the Third Party Lien Claimants will be accompanied by a letter advising (i) of the need to complete and return the enclosed Proof of Lien Claim to the Claims Administrator within

thirty (30) days, and (ii) that if they fail to complete and deliver the Proof of Lien Claim to the Claims Administrator within the said thirty day period then they will not be entitled to participate in the distribution of the Holdback available to that particular group of claimants.

26. The Trust Claim Settlement Program, in our opinion, represents an efficient process for assessing and resolving Trust and Lien Claims arising under the BLA in an orderly fashion in conjunction with the bankruptcy proceedings of Odenza. It also allows the Claims Administrator and Trustee to efficiently deal with the fact that many Claimants will also have unsecured claims against Odenza under the BIA, and may need assistance to determine which portions of their claims fall into which category. A single claims adjudication process will also ensure that there is no "double counting of claims" or other conflicts that would result if there were two separate but concurrent claims processes dealing with overlapping groups of creditors and claimants.
27. The Claims Administrator expects that the process under the Trust Claim Settlement Program will be instrumental to facilitate the co-operation required to work with Newco, which we are advised has financing in place and which has already tentatively assembled the commitment and support of some key former employees, Owners and Trust Claimants of Odenza to complete the projects for the Owners. This will be important in maximizing the collection of receivables and Holdbacks and the ultimate recovery for Odenza's creditors, while allowing Owners to complete their homes without costly and time-consuming construction litigation and disputes with Claimants and in respect of their contracts with Odenza.
28. In our opinion, it is reasonable to require creditors or Claimants who receive a Notice to Prove Claim (as defined in the Notice of Application dated December 18, 2013) from the Claims Administrator, to complete and return the applicable forms to the Claims Administrator within 30 days upon receipt of that notice. Thirty days is double the length of the time period provided for under section 81(4) of the BIA which requires a creditor to prove its claim to or in property within fifteen days of notice from a trustee in bankruptcy.
29. In our opinion, it is reasonable to provide the Claims Administrator with forty (40) days in which to assess each claim that it receives under the Trust Claim Settlement Program. If the Claims Administrator decides to disallow, in whole or in part, a claim that is delivered to the Claims Administrator, the Claims Administrator should, in our opinion, be authorized to deliver to that claimant a form (a "**Notice of Disallowance**", as defined in the draft Order and included as Schedule D thereto) that is similar and analogous to Form 77 - Notice of Disallowance of Claim, Right to Priority or Security or Notice of Valuation of Claim under the BIA.
30. The sending of a Notice of Disallowance will mirror the process set out in the BIA for the adjudication of creditors' claims. In our opinion, it would be fair and reasonable, and in line with the single claims adjudication process provided by the Trust Claim Settlement Program, that the appeals process available to any claimant upon receipt of a Notice of Disallowance be analogous to the appeals process for creditor claims as set out in the

BIA; that is, if the Claims Administrator delivers a Notice of Disallowance to a claimant, then the Notice of Disallowance shall be final and conclusive unless such claimant appeals the decision of the Claims Administrator to This Honourable Court in this proceeding within a 30-day period after the date on which the Notice of Disallowance is delivered, or within such further time as This Honourable Court in this proceeding may allow upon an application within the original 30-day period.

31. In our opinion, it is appropriate for the Claims Administrator to be given the authority to amend a Notice of Disallowance in circumstances where the Claims Administrator receives additional information regarding a claim filed in the Trust Claim Settlement Program if circumstances warrant such an amendment (the “**Amended Notice of Disallowance**” as defined in the draft Order and included as Schedule E thereto). It was G-Force’s experience in the Tyam Process that an Amended Notice of Disallowance was useful in the few circumstances where new information arose later to support or reject a trust or lien claim.
32. Under the Trust Claim Settlement Program, if the Claims Administrator issues an Amended Notice of Disallowance then the Amended Notice of Disallowance shall be final and conclusive unless such claimant appeals the decision of the Claims Administrator to This Honourable Court in this proceeding within a 30-day period after the date on which the Amended Notice of Disallowance is delivered, or within such further time as This Honourable Court in this proceeding may allow upon an application within the 30-day period.
33. In order for the Claims Administrator to make a full distribution of Trust Funds following completion of the projects, and the adjudication of claims of Trust Claimants or a full distribution of the Holdback following adjudication of claims of Lien Claimants, the Claims Administrator will need to collect the Holdbacks from each of the Owners of projects for which Odenza, or any of Odenza’s “contractors”, “subcontractors” or “material suppliers” (as such terms are defined in the BLA), has performed “work” or “provided materials” (as such terms are defined in the BLA). The Holdbacks will ultimately form part of the pool of funds to be distributed as part of the Trust Claim Settlement Program. In our opinion, it would be beneficial for the Owners, Lien Claimants and the Trust Claimants if the Owners were authorized to pay the Holdbacks to the Claims Administrator in lieu of paying them into Court under Section 23 of the BLA, such amount to be held and dealt with by the Claims Administrator on the same basis as holdback monies paid into Court. This will assist the Owners to discharge the builders liens registered on their properties relating to the Holdbacks.
34. In our opinion, it will be more cost effective and timely if the Claims Administrator delivers all forms and materials in connection with Odenza’s Trust Claim Settlement Program to claimants, creditors and owners of Projects, by email, facsimile or regular mail to the last known address in Odenza’s records, as deemed most appropriate in the circumstances by the Claims Administrator except, in the case of sending any Notice to Prove Claim, Notice of Disallowance or Amended Notice of Disallowance, in which case registered mail or delivery in person shall be used.

35. Table 1 attached below provides a summary of the key forms, notices and timelines that may be used in the Trust Claim Settlement Program:

Table 1 - Summary of Key Notices, Forms and Timelines for the Trust Claim Settlement Program

Action Item	Time allowed for response	Consequences/Appeals
Claims Administrator to send an Initial Notice of the Trust Claim Settlement Program with the Claim Forms Attached.	Claimants have an initial period of <u>28 days</u> to submit Claims from the date the Initial Notice was sent by the Claims Administrator	If Claimants do not respond in the initial 28 day period they will be sent a Notice to Prove Claim form
For those Claimants who do not submit a Claim after the initial 28 day period noted above, the Claims Administrator shall send a Notice to Prove Claim by registered mail or personal delivery.	Claimants have a period of <u>30 days</u> , from the time the Notice to Prove Claim was sent by the Claims Administrator, to submit Claims to the Claims Administrator	Claimants who do not respond to the Notice to Prove Claims within 30 days, will not be entitled to participate in the distribution of Trust Funds and/or Holdbacks available to that particular group of claimants
Claims Administrator has a minimum time period, from the time each individual claim is received, to determine whether or not to issue a Notice of Disallowance.	Within <u>40 days</u> of receipt of a claim, the Claims Administrator must determine whether to issue a Notice of Disallowance.	n/a
The Claims Administrator may issue a Notice of Disallowance of claims that do not fall within the scope of the BLA or are otherwise incorrect	The claimant may appeal a Notice of Disallowance within a <u>30-day period</u> after the date on which the Notice of Disallowance is delivered.	Notice of Disallowance is final and conclusive unless the claimant appeals the decision of the Claims Administrator to the Court within the 30 day appeal period, or within such further time as the Court may allow upon an application within the original 30-day period
The Claims Administrator may issue an Amended Notice of Disallowance for claims that were originally disallowed in full or in part and where new or updated information has been obtained by the Claims Administrator.	The claimant may appeal an Amended Notice of Disallowance within a <u>30-day period</u> after the date on which the Amended Notice of Disallowance is delivered	Same as above with the Notice of Disallowance.

Trustee's Previous Experience with TCC's Trust Claim Settlement Program

36. TCC was in the civil construction business with most of its contracts involving road building and excavating and servicing residential development projects. TCC filed a Notice of Intention to make a proposal to creditors ("NOI") under the BIA on March 15, 2012. Its plan was to restructure its affairs while it finished construction contracts so that it could maximize recoveries from each contract for its creditors. At the time of the filing, TCC had several ongoing construction contracts and most of its creditors had trust claims and many lien rights to most of the current and future accounts receivable and holdbacks relating to these contracts under the BLA. There were 8-10 project owners who were holding potential trust funds and/or holdbacks that TCC had not been able to collect, estimated in the range of \$4-5 million at the time of the NOI. TCC had approximately 290 creditors with several hundred claims totaling approximately \$9-million. We estimate that at least 90% of the TCC creditors were trust or lien claimants pursuant to the BLA. TCC finished all of its bonded contracts and some of its unbonded contracts.
37. The benefits of the Tyam Process relating to claims and the adjudication of claims included:
- (a) adjudicating over 400 individual claims totalling more than \$8.5 million in approximately five months which, in our experience, was a much faster period (and less expensive process) for resolving a high volume of trust claims on construction projects than would have otherwise been the case through conventional trust and lien enforcement procedures and *ad hoc* construction litigation involving creditors and owners in specific projects;
 - (b) issuing 54 Notices of Disallowance (the "**Disallowances**") for the claims of creditors that were incorrect or that did not represent an allowable claim under the BLA. None of those Disallowances were appealed and no complaints were received on our Court application to distribute funds to the trust and lien claimants. In our opinion, and based upon the majority of feedback we received from the creditors, the Tyam Process provided for a fair, efficient and cost effective claims process that quickly determined what the valid claims were, which in turn allowed distributions to be made much more quickly;
 - (c) an efficient, practical and inexpensive process involving the claims administrator and TCC staff to deal with most of the creditors' issues which were not controversial or that did not require legal counsel, resulting in lower costs and a higher return to creditors;
 - (d) the legal costs and potential set-off claims against TCC by owners were minimized, and collections of trust funds were maximized, resulting in a higher return generally for creditors;
 - (e) providing a level of comfort to many suppliers who were continuing to work, provide services or materials to the project sites for TCC's ongoing construction contracts after TCC's Notice of Intention under the BIA was filed because they

could see that there was a process was in place for the adjudication of their pre-NOI claims while they continued to be paid in full for any post-NOI work or supplies provided. Completion of the active projects in an efficient manner with the TCC's existing personnel and suppliers contributed greatly to the collection of most of the pre-NOI receivables and holdbacks from the owners;

- (f) resolving disputes and potential disputes related to technical issues on the job sites or contracts relatively easily and with minimal legal costs because G-Force had utilized one of its senior construction industry personnel to provide objective assessments and practical advice to the stakeholders on how to resolve the matters;
- (g) lack of any negative feedback from employees, creditors or owners relating to the Tyam Process. Rather, there was a clear level of co-operation from creditors and owners, as well as from TCC's secured creditor, during the administration of the Tyam Process; and
- (h) minimal Court applications were required (only four) to administer the bulk of the estate through this process, which enabled the implementation of a sound business solution in place of an otherwise piecemeal liquidation and a high degree of litigation that would likely have resulted. Further, there was no opposition to the Court applications made to obtain the Court's approval of the claims adjudication process or distributions of trust funds or holdbacks made to trust and lien claimants.

38. Generally speaking, our experience with the Tyam Process indicates that the main purposes and benefits of a Trust Claim Settlement Program for Odenza, if enacted, will be to:

- (a) provide a streamlined and simplified process for adjudicating and paying Claims that fall under the BLA and outside of the BIA, including both Trust Claims and Lien Claims against Holdbacks;
- (b) provide all creditors with a cost-effective and streamlined "one-stop" process in which to file any claims to which they are entitled under either the BIA or BLA, including trust, lien and unsecured claims, with one party acting in the roles as of both Claims Administrator and as Trustee under the authority of the Court;
- (c) provide a single claims adjudication process will also ensure that there is no "double counting of claims" or other conflicts that would result if there were two or more separate but concurrent claims processes dealing with overlapping groups of creditors and claimants;
- (d) provide confidence to the Owners to allow the completion of their Projects by Newco within the specifications of the original contract, to the satisfaction of the Owner and with minimal complication arising from unpaid Claimants;

- (e) provide assurance to Newco, which is providing new financing and resources to complete the Projects for the Owners, that there is a cost effective and efficient process to handle Odenza's unpaid Trust and Lien Claims and collect Trust Funds and Holdbacks from each of the Job Sites due to Odenza which will minimize interference, disruption and unnecessary costs during the completion phase by Newco;
- (f) obtain confirmation of the outstanding Trust and Lien Claims more quickly and at substantial lower cost than would be the case if creditors had to pursue their individual claims under each applicable contract or through separate legal actions; and

provide an integrated process for the Trustee and Claims Administrator to facilitate the efforts of Newco to retain Odenza's key employees and suppliers and retain the confidence of its customers to work co-operatively with the Trustee and Claims Administrator to maximize the recovery of assets for the creditors on in a more efficient, timely and cost effective process than would be possible under any other scenario.

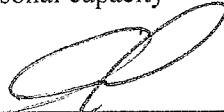
Summary & Recommendations

39. The Trustee respectfully recommends to this Honourable Court that the proposed Trust Claim Settlement Program as set out in this report and in the Draft Order be approved in order to provide a crucial framework to the Claims Administrator and the Trustee to help:
1. Maximize the net realization from Odenza's assets, particularly the Trust Funds and Holdbacks from its contracts with the Owners;
 2. Minimize costs of determining valid Trust and Lien Claims and overall costs generally;
 3. Maximize the payments to the Claimants, employees and the unsecured creditors on a timely basis; and
 4. Provide a forum in which Owners' homes can be completed in a process that provides them with certainty and efficiency, while avoiding the delay and expense of lien claims against their Job Sites.

All of which is respectfully submitted this 18th day of December, 2013.

G. Powroznik Group Inc. of G-Force Group

In its capacity as Trustee for the bankrupt estate of
0409725 B.C. Ltd. dba Odenza Homes, and not in its
personal capacity



Per: Mr. Gary Powroznik
Managing Director



Exhibit 'A'

G. Powroznik Group Inc.
780 – 333 Seymour Street
Vancouver, British Columbia
Canada V6B 5A6
Phone: 778.370.0003
Fax: 778.370.0043

December 19, 2013

To the Creditors of 0409725 B.C. Ltd.
dba Odenza Homes ("Odenza")

(Please keep this letter for reference in dealing with Odenza or G-Force
regarding your claim)

Dear Sirs:

**In the matter of the bankruptcy of 0409725 B.C. Ltd. dba Odenza
"Trust Claim Settlement Program and Non-Trust Claims"**

In the enclosed letter dated December 18, 2013, we informed you that on December 16, 2013, Odenza made an assignment into bankruptcy for the general benefit of its creditors pursuant to section 49 of the *Bankruptcy and Insolvency Act* ("BIA") and G. Powroznik Group Inc. of G-Force Group ("G-Force") was appointed Trustee in bankruptcy (the "Trustee").

The bankruptcy process provides for the orderly realization of assets of a bankrupt company and distribution to its unsecured creditors. It does not however provide for a process to deal with trust and lien claims of its creditors (the "Trust Creditors" or trust funds and holdbacks as defined under the *Builders Lien Act* ("BLA") which applies to Odenza's contract to build or renovate houses on specific sites ("Job Sites") for its clients or owners of the Job Sites (the "Owners"). As a result, the Trustee applied to the Supreme Court of British Columbia for approval of a program that G-Force has used before to provide for an orderly and cost-efficient process to deal with trust and lien claims, trust funds and holdbacks to significantly improve the recovery for creditors, efficiently complete unfinished projects, minimize losses for owners and minimize overall costs for most stakeholders.

Trust Claim Settlement Program

We confirm that on December 19, 2013, the Supreme Court of British Columbia made an Order (the "Order") authorizing and approving a process to deal with trust and lien claims, trust funds and holdbacks and related matters (the "Trust Claim Settlement Program") and appointed G-Force as **Claims Administrator**. The Trust Claims Settlement Program includes the following key elements for the Trust Creditors and Owners involved with Odenza:

1. An efficient and timely process for Trust Creditors to prove their proper trust and lien claims with the Claims Administrator;
2. An option for the Trust Creditors to file their lien claims with the Claims Administrator instead of incurring the additional cost of filing liens against title to the Job Sites;
3. Authority for the Claims Administrator to collect all trust funds and holdbacks from the Owners and determine who is entitled to them;
4. Authority for the Owners to pay all amounts due to Odenza for work on the Job Sites to the Claims Administrator including balances due under their contracts with Odenza and holdbacks to properly discharge their responsibilities to Odenza and Odenza's Trust Creditors, including those who hold lien rights against the Job Sites ("**Lien Creditors**");
5. A requirement of the Claims Administrator to obtain approval of the Court for distribution of all trust funds and holdbacks it receives to the Trust and Lien Creditors.

A copy of the Order is posted on the G-Force webpage dedicated to the Odenza matter. We encourage creditors to regularly monitor the webpage for updates. The URL for the website is:

<http://www.g-forcegroup.ca/bankruptcy-of-0409725-b-c-ltd/>

Am I a Trust Creditor?

G-Force is requesting Odenza's creditors to file proofs of claim (described below) to confirm the status of their claim (i.e. trust or non-trust) and their entitlement to the potential trust funds and holdbacks for each Odenza contract. A creditor who can prove that it supplied materials, work or equipment relating to an improvement¹ to a Job Site covered by an Odenza contract, in accordance with the BLA, may qualify its claim as a trust claim and lien claim. We expect that every creditor who has lien rights under the BLA for unpaid work and services will also have a trust claim for the same amount. Under the Trust Claim Settlement Program, creditors need not file liens on title relating to the Odenza contracts. Instead, creditors can file trust and lien claims with G-Force and this will be equivalent to the filing of a lien on title.

To support your Trust and Lien Claims, creditors should submit with the Proof of Trust Claim and Lien Claim Form, copies of any invoices, purchase orders and any other evidence that the direct supply of materials, labour and equipment to a specific Odenza Job Site. G-Force will review all Trust and Lien Claims submitted to confirm whether they qualify as proper trust and lien claims under the BLA, utilizing its independent legal counsel or consulting the Court as necessary.

What if I do not have a Trust Claim?

Some creditors will not have any Trust and Lien Claims or a portion of their claim will not be a trust and lien claim. However, concurrently, The Trustee is required to run a claims process

¹Creditors can review the definition of an Improvement in the BLA which can be found at the following website:
http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/00_97045_01

for the unsecured creditors of Odenza (the “**BIA Claim Process**”). The BIA Claim Process is independent of the Trust Claim Settlement Program.

Creditors whose claims do not or do not entirely qualify as a Trust and Lien Claim should file a standard Form 31 Proof of Claim under the BIA for the non-trust portion of their claim. We anticipate that some creditors will file both types of claims. The two claim forms are explained in more detail below.

Forms for Proving Claims

As described above, there are two separate claims that creditors may file:

- Proof of Trust Claim and Lien Claim for trust claimants; and/or
- Form 31 Proof of Claim for non-trust claims.

These claim forms are available for downloading and printing from the G-Force’s dedicated Odenza webpage (URL is above).

Proof of Trust Claim and Lien Claim: If you believe that you have a claim against the Potential Trust Funds and holdbacks, please complete this form, attach all relevant supporting documentation (e.g. invoices, purchase orders etc.) with a summary page displaying the particulars of the invoices broken down by Odenza Contract or Job Site, and send the claim to G-Force by e-mail (mail@g-forcegroup.ca) or ordinary mail.

Form 31 Proof of Claim: If you believe that you do not have a Trust and Lien Claim, or not all of your claim qualifies as a Trust and Lien Claim, please complete the standard BIA Proof of Claim form, Form 31, attach the required statement of account (marked as Schedule "A" to the claim) and e-mail or mail your claim to G-Force.

There are more detailed instructions for preparing the claim forms on the G-Force website. Also, creditors whose claim differs from the balance that appears in the initial list of creditors included in this package, or require clarification about whether their supply relates to a specific improvement or not, should contact Jag Hundal of Odenza (jag@odenzahomes.com) or telephone (604) 764-1100) or Scott Ashton (sashton@g-forcegroup.ca or telephone (778) 371-0016) of G-Force.

If you have any general questions regarding the matters referred to above, please contact Patricia Foster (778-370-0003 at G-Force.

Yours truly,

G. Powroznik Group Inc.
Claims Administrator for the Trust Claim Settlement Program
and Trustee in bankruptcy for the estate of 0409725 B.C. Ltd. dba Odenza Homes

Per: Gary D. Powroznik, FCA
Managing Director

GDP:pf
Enclosure

Schedule "B"

TRUSTEE'S REPORT TO THE CREDITORS ON PRELIMINARY ADMINISTRATION





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**

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):

Year end	Gross revenues	Expenses including income tax	Net income (loss)
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:

Year end	Ending Retained earnings (deficit) balance	Dividends paid
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 bankruptcy¹; 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 event¹ 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.

¹ 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) 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 37th Avenue
- 3405 West 22nd Avenue
- 3529 West 43rd 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)	15.9%

**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
Assets			
Receivables and holdbacks			
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	-	<u>(144,000)</u>	5
Net receivables and holdbacks for trust and lien claimants	748,186	903,000	
For unsecured creditors			
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)	<u>500,000</u>	<u>527,871</u>	9
Subtotal - non-trust assets for unsecured creditors	<u>526,000</u>	<u>703,496</u>	
TOTAL ASSETS	<u><u>1,274,186</u></u>	<u><u>1,606,496</u></u>	13
Creditors			
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
TOTAL CREDITORS	<u><u>2,718,009</u></u>	<u><u>3,709,787</u></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:

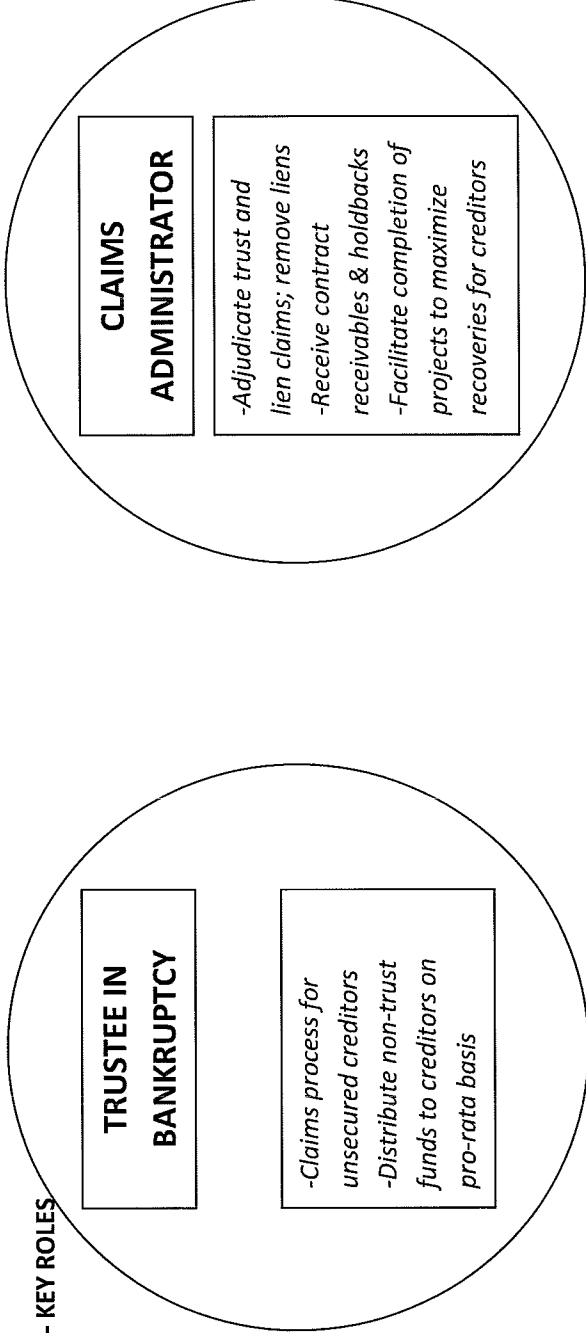
- i) on some completed projects, the Claims Administrator may only collect the 10% holdback and nothing more;
- ii) on some unfinished projects, Newco may not complete the contract and the owner may have set-off claims against the receivables relating to damages or higher costs to complete the project;
- 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

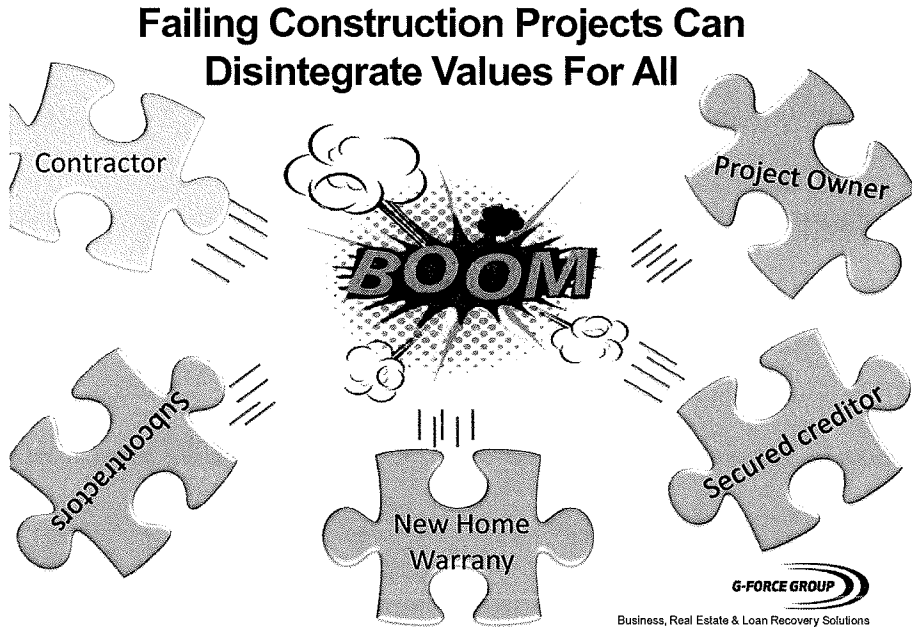
- >TRUST AND LIEN CLAIMANTS WHO SUPPLIED LABOUR AND/OR MATERIALS TO SPECIFIC JOB SITES
- >FILE PROOF OF TRUST AND LIEN CLAIMS WITH CLAIMS ADMINISTRATOR AND AVOID FILING LIENS ON TITLE AS RIGHTS ARE PROTECTED

OWNERS

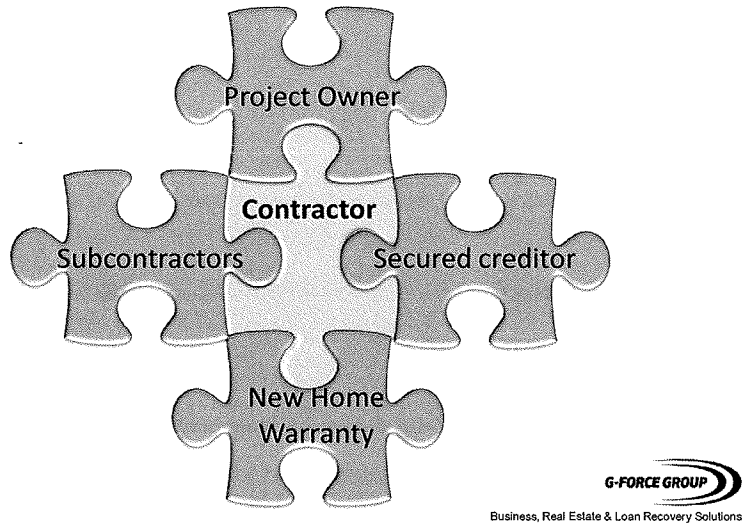
- > FILE PROOF OF CLAIM WITH TRUSTEE IF THEY HAVE OVERPAID ON CONTRACT (UNSECURED)

- >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



Construction Projects – Key Stakeholders



Schedule "C"

BLACKLINE TO DECEMBER 19 ORDER SHOWING PROPOSED CHANGES

COURT NO. B-131552
ESTATE NO. 11-1820752
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE BANKRUPTCY OF

0409725 B.C. LTD.

TRUSTS CLAIM TRUST CLAIM SETTLEMENT PROGRAM ORDER

BEFORE THE HONOURABLE) ~~19/DEC/2013~~ 18/FEB/2014
MR. JUSTICE GRAUER)

UPON THE WITHOUT NOTICE APPLICATION of 0409725 B.C. Ltd. ("Odenza"), by G. Powroznik Group Inc. of G-Force Group ("G-Force") the Trustee in Bankruptcy of Odenza ("Trustee") coming on for hearing at Vancouver, British Columbia, on this day; AND UPON hearing Magnus Verbrugge and Matthew Swanson, counsel for the Trustee, and Bonita Lewis-Hand, counsel for Odenza and counsel for Odenza Homes Vancouver West Ltd., AND UPON reading the First Report of the Trustee dated December 18, 2013, and the pleadings and other materials filed herein; AND PURSUANT TO Sections 50, 50.4, 67.1, 69, 124, 127, 128, 135, 147, 149, 183 and 187 of the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3 (the "BIA"), Sections 10 and 23 of the *Builders Lien Act*, S.B.C. 1997, c. 45 (the "BLA"), Section 10 of the *Law and Equity Act*, RSBC 1996, c. 253, and Rule 11 of the *Bankruptcy and Insolvency Act General Rules*, and the inherent jurisdiction of This Honourable Court.

THIS COURT ORDERS AND DECLARES THAT:

1. G. Powroznik Group Inc. of G-Force Group is hereby appointed as claims administrator of the Trust Claim Settlement Program (as defined below) (the "**Claims Administrator**").

2. The program developed by the Claims Administrator, as an officer of This Honourable Court, to:

- (a) process trust claims relating specifically to work contracts of Odenza (the "**Contracts**") for which funds have already been paid or are payable to Odenza (collectively, the "**Potential Trust Funds**") that could, pursuant to Section 10 of the BLA, upon receipt by the Trustee or previously by Odenza be impressed with a trust in favour of certain statutory trust claimants (collectively, the "**Trust Claimants**"); and
- (b) process, in the manner set out herein, any lien claims (collectively, the "**Lien Claims**") arising in connection with projects where Odenza performed work or supplied materials (the "**Projects**"), asserted by lien claimants in respect of individual Projects (the "**Lien Claimants**"),

as set out in this Order (the "**Trust Claims Claim Settlement Program**"), is hereby authorized and approved, and shall govern the adjudication and payment of claims to the Potential Trust Funds and to any statutory holdback (each, a "**Holdback**", and collectively, the "**Holdbacks**") required under the BLA in respect of the Contracts.

3. Subject to any right of set-off (save and except as prohibited by Section 6 of the BLA), and subject to paragraph 21 of this Order, all amounts owing to Odenza under each Contract, including Potential Trust Funds, shall be paid to the Claims Administrator by all "owners" and "contractors" (as such terms are defined in the BLA) who engaged Odenza and pursuant to which Odenza or any of Odenza's "subcontractors" or "material suppliers" performed "work" or supplied "materials" in relation to an "improvement" (as such terms are defined in the BLA) (collectively, the "**Owners and Contractors**"), together with the Holdbacks which, in accordance with paragraph 21 of this Order, may also be paid by the Owners and Contractors to the Claims Administrator for distribution in accordance with this Order under the Trust Claim Settlement Program.
4. The Claims Administrator shall create a separate consolidated trust account, or if more appropriate, individual trust accounts, (the "**Consolidated Trust Account**") into which it

shall deposit all amounts it receives from Owners and Contractors with respect to each "improvement" (as that term is defined in the BLA).

5. The Trustee will deposit any amounts received by the Trustee prior to this Order from Owners and Contractors or from Odenza upon filing its assignment in bankruptcy into the Consolidated Trust Account, excluding any such amount that the Trustee determines is not Potential Trust Funds (the "**Non-Trust Funds**"), and the Non-Trust Funds shall be retained by the Trustee for use in the administration of the bankruptcy of Odenza.
6. The Claims Administrator shall not deal with the Potential Trust Funds or Holdbacks, other than to place them into the Consolidated Trust Account, or to purchase a suitable interest bearing contract with such amounts, except as provided in paragraph 3033 of this Order, or until and except as directed by further Order of This Honourable Court.
7. The sending by the Claims Administrator of the letters and package of materials attached as Schedule "A", Schedule "B", Schedule "C", Schedule "D" and Schedule "E", attached "E" to this Order, to creditors, clients and customers of Odenza is hereby authorized and approved;
8. The form of proof of trust and/or lien claim developed by the Claims Administrator (the "**Proof of Trust and Lien Claim Form**"), attached as Schedule "A" to this Order, is hereby authorized and approved for use in the Trust Claims Settlement Program.;
9. Notwithstanding the preceding paragraph of this Order, where a Lien Claimant is not also a Trust Claimant because it does not have a direct contract with Odenza ("**Third Party Lien Claimant**"), the form to be used by such Third Party Lien Claimant for purposes of this Order shall be the proof of lien claim form ("**Proof of Lien Claim**") attached as Schedule "B" to this Order, which is hereby authorized and approved for use on the basis set out in the preceding paragraph of this Order.
10. The Claims Administrator is authorized and directed to send to each potential Lien Claimants ~~Claimant~~ and Trust Claimants ~~Claimant~~ by regular mail or email to its last known address in Odenza's books and records, a notice of the Trust Claim Settlement

Program (the “**Initial Notice**”) which shall attach a Proof of Trust and Lien Claim Form, and/or Proof of Lien Claim (as appropriate) (each, a “**Claim Form**”). The Claims Administrator is hereby authorized and directed to send by registered mail a notice (the “**Notice to Prove Claim**”) attached as Schedule “C” to this Order, attaching the appropriate Claim Form, to each potential Lien Claimant and Trust Claimant (each, a “**Claimant**”) that does not respond to the Initial Notice of the Trust Claim Settlement Program by filing a Claim Form within 28 days of the date the Initial Notice was sent to it by the Claims Administrator;

11. Each person asserting a claim to the Potential Trust Funds or Holdbacks (each, a “**Claim**”), including Claimants and any other creditors of Odenza, is hereby authorized to prove such Claim by delivery of a Claim Form to the Claims Administrator.
12. If any Claimant does not deliver to the Claims Administrator, by registered mail or by personal service, a Claim Form properly completed and executed within 30 days of the date the Notice to Prove Claim was sent to the Claimant by the Claims Administrator, and provided all relevant periods for filing a claim of lien against title to the applicable property in connection with each contract with Odenza have expired, the Claims Administrator shall be at liberty to apply to This Honourable Court for approval and authorization to make a distribution of Potential Trust Funds and Holdback (as hereinafter defined) as the case may be without such Claimant having any entitlement to such distribution;
13. Claims of Claimants to any Holdback or Potential Trust Funds shall be determined in accordance with this Order;
14. The Claims Administrator, as officer of the court and in consultation with the Trustee, is hereby authorized to allow in whole or in part, or disallow in whole or in part, the claims of Claimants, within the bankruptcy proceedings of Odenza, in conjunction and together with the review and adjudication of all other claims of creditors of Odenza. The Claims Administrator is authorized to request further information from Claimants in the adjudication of the Claims;

15. The Claims Administrator, as officer of the court and in consultation with the Trustee, is authorized to rely upon the provisions of the BLA with respect to the adjudication of the Claims of all Claimants;
16. If the Claims Administrator, as officer of the court and in consultation with the Trustee, makes a determination to disallow, in whole or in part, a Claim of a Claimant to the Potential Trust Funds or any Holdback asserted pursuant to a completed Claim Form, the Claims Administrator shall send by registered mail to such Claimant, at the address of the Claimant as set out in the completed Claim Form, and in the manner provided for herein, a notice (a "**Notice of Disallowance**"), the form of which is attached as Schedule "D" to this Order, within 4090 days after the Claims Administrator receives the completed and executed Claim Form of the Claimant; (or Schedule A to the deemed Claim Form of a Claimant contemplated in paragraph 23 hereof).
17. The Claims Administrator, as an officer of the court, and in consultation with the Trustee, is authorized to issue an amended Notice of Disallowance in respect of any Claim, *nunc pro tunc* (an "**Amended Notice of Disallowance**"), substantially in the form attached hereto as Schedule "E" to this Order, in any circumstances where the Claims Administrator determines that it is warranted, and if the Claims Administrator issues an Amended Notice of Disallowance then the Notice of Disallowance previously issued by the Claims Administrator will be of no force and effect.
18. If the Claims Administrator delivers a Notice of Disallowance or an Amended Notice of Disallowance to a Claimant, then the Notice of Disallowance or the Amended Notice of Disallowance shall be final and conclusive unless such Claimant appeals the decision of the Claims Administrator to This Honourable Court within a 30-day period after the date on which the Notice of Disallowance or Amended Notice of Disallowance is delivered to it, or within such further time as This Honourable Court may allow upon an application made by the Claimant within the original 30-day period;

19. Any appeal brought by a Claimant from a Notice of Disallowance or Amended Notice of Disallowance shall be adjudicated by This Honourable Court in accordance with Section 135(4) of the BIA~~;~~.
20. Any payment or distribution made by the Claims Administrator to a Claimant as a result of the Trust Claim Settlement Program and this Order shall not be subject to the levy provided for in Section 147 of the BIA~~;~~.
21. Each of the Owners and Contractors is authorized to pay to the Claims Administrator the full amount of the Holdback required pursuant to the BLA in respect of its contract with Odenza. Payment to the Claims Administrator of the Holdback shall have the same effect as payment into court pursuant to Section 23 of the BLA~~;~~.
22. Notwithstanding paragraph 21 hereof, an Owner may bring an application to This Honourable Court to pay the full amount of the Holdback or other funds or security into Court pursuant to Section 23 or Section 24 of the BLA, and if an Owner does so, it shall give notice to the Claims Administrator of such payment into Court, and make the Claims Administrator a Respondent to such application.
23. If an Owner pays a Holdback into Court as contemplated in paragraph 22 hereof, each person with a valid lien registered against title to applicable Property before or after such date shall be deemed to be a Lien Claimant for purposes hereof, and such Lien Claimant's filed lien application materials shall constitute a Claim Form for purposes hereof; provided that within 20 days after written notice is sent to such Lien Claimant by the Claims Administrator, or such longer period as the Claims Administrator or This Honourable Court shall permit, such Lien Claimant shall be required to provide to the Claims Administrator the evidence of its claim required in Schedule A to the applicable Claim Form, failing which such Lien Claimant shall be deemed to have failed to provide a Claim Form to the Claims Administrator for purposes of paragraph 12 hereof.
24. ~~22.~~ The Claims Administrator, each of the Owners and Contractors, each Lien Claimant, and the Trustee are hereby authorized to apply to This Honourable Court in this proceeding to determine the amount of the applicable Holdback, to obtain cancellation

from land title of all claims of builder's lien and certificates of pending litigation filed by Odenza or persons engaged by or under Odenza, and/or to obtain any and all other relief which could be available under Sections 23 or 24 of the BLA. All applications made pursuant to this paragraph shall be made on notice to the Claims Administrator, the applicable Owner and Contractor, the Trustee and any Lien Claimant in respect of the applicable contract with Odenza. The Claims Administrator shall provide to such applicant, on request, a list of all Lien Claimants to the applicable Holdback.

25. ~~23-~~The Claims Administrator shall hold each Holdback paid to it as an officer of This Honourable Court, in trust for persons entitled to valid claims of lien against the improvements (as defined in the BLA) for which each such Holdback was maintained, or valid claims against each of ~~the~~such Holdbacks themselves, subject to further Order of This Honourable Court.
26. With respect to any money paid into Court by an Owner pursuant to paragraph 22 or 24 hereof, the Claims Administrator shall be entitled to make application to the Court for an Order paying out such money to the Claims Administrator in this proceeding, to be held by the Claims Administrator in accordance with paragraph 25 hereof.
27. ~~24-~~The Claims Administrator is authorized and directed to deliver all materials to Claimants in connection with the Trust Claim Settlement Program to the last known address for the Claimants according to Odenza's books and records, by email, facsimile, or regular mail (except for any Notice to Prove Claim, Notice of Disallowance or Amended Notice of Disallowance, each of which shall be delivered by way of registered mail), as deemed appropriate in the circumstances by the Claims Administrator (and in the case of Third Party Lien Claimants, all such materials may be delivered to the address for delivery set out in the Claim of such Third Party Lien Claimant).
28. ~~25-~~Any person claiming a lien against a Holdback held by the Claims Administrator may deliver notice of that lien in writing to the Claims Administrator by completing Part B of the Proof of Trust and Lien Claim or, as applicable, the Proof of Lien Claim. Once delivered to the Claims Administrator, such notice shall have the same effect for purposes of Section 8(4) of the BLA as the filing of a claim of lien or the commencement of an

action to enforce a lien against the Holdback. Following receipt by the Claims Administrator of such notice or notices, the Claims Administrator shall, on behalf of all persons who have claimed a lien, deliver written notice to the respective Owner or Contractor of such claim or claims of lien; provided that after the first delivery of notice to the Owner or Contractor of such a claim or claim of lien, the Claims Administrator shall not be required to send further notices of such claims or claims of lien more frequently than once every two weeks, unless specifically requested to do so by the Owner or Contractor.

29. ~~26-~~The Claims Administrator shall be entitled to reasonable compensation for its administration of the Trust Claims Settlement Program, and shall be entitled to be reimbursed for its reasonable fees and expenses (including fees and expenses of its counsel) from the Potential Trust Funds and Holdbacks, in an amount to be determined by further Order of This Honourable Court.
30. The Trustee shall be entitled to reasonable compensation for assistance provided by it to the Claims Administrator in the administration of the Trust Claims Settlement Program, and shall be entitled to be reimbursed for its reasonable fees and expenses (including fees and expenses of its counsel) from the Potential Trust Funds and Holdbacks, in an amount to be determined by further Order of This Honourable Court.
31. ~~27-~~The Claims Administrator, the Trustee and ~~its~~their legal counsel shall be entitled to and are hereby granted a charge (“**Claims Administrator’s Charge**”) on the Potential Trust Funds and the Holdback, as security for their reasonable legal fees and disbursements incurred, both before and after the making of this Order, in respect of the Trust Claim Settlement Program, and the Claims Administrator’s Charge shall form a first charge on the Potential Trust Funds and Holdback in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any creditor of Odenza, Trust Claimant or Lien Claimant, but subject to Section 14.06(7) of the BIA;.
32. ~~28-~~No security agreement or other documentation evidencing, or the filing, registration or perfection of the Claims Administrator’s Charge shall be required, and the Claims Administrator’s Charge shall be effective against the Potential Trust Funds and Holdback

and shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered or perfected subsequent to the Claims Administrator's Charge coming into existence, notwithstanding any failure to file, register or perfect the Claims Administrator's Charge;_

33. ~~29-~~The Claims Administrator and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Claims Administrator and its legal counsel are hereby referred to a judge of the Supreme Court of British Columbia and may be heard on a summary basis;_
34. ~~30-~~Prior to passing of its accounts, the Claims Administrator shall be at liberty from time to time to apply reasonable amounts, out of the Potential Trust Funds and Holdback, against its fees and disbursements, including legal fees and disbursements, incurred at the normal rates and charges of the Claims Administrator or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by This Honourable Court;_
35. ~~31-~~Any creditor of Odenza, any Claimant, or the Trustee may apply to This Honourable Court on notice to the Claims Administrator and to any other party likely to be affected, for an order allocating the Claims Administrator's Charge amongst the Potential Trust Funds and Holdbacks for individual Projects;_
36. ~~32-~~The Claims Administrator shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except in respect of any gross negligence or ~~wilful~~willful misconduct on its part;_
37. ~~33-~~No proceeding or enforcement process in any court or tribunal shall be commenced or continued against the Claims Administrator except with the written consent of the Claims Administrator or with leave of This Honourable Court;_
38. ~~34-~~Nothing in this Order shall derogate from the protections afforded the Trustee by Section 14.06 of the BIA or by any other applicable legislation;_

39. ~~35-~~The Claims Administrator may from time to time apply to This Honourable Court for advice and directions arising from the terms of this Order or generally with respect to the administration of the Trust Claim Settlement Program~~;~~_±
40. ~~36-~~Nothing in this Order shall operate to prevent or disqualify G-Force from continuing to act as Trustee of Odenza~~;~~_±
41. ~~37-~~The Claims Administrator shall post a copy of this Order on its website <http://www.g-forcegroup.ca/bankruptcy-of-0409725-b-c-ltd/> and shall, as soon as reasonably practicable, send a copy of this Order, electronically or by mail, to all of Odenza's creditors listed in Odenza's Statement of Affairs sworn by Jag Hundal, President of Odenza on December 15, 2013 as part of Odenza's assignment into bankruptcy and any other of Odenza's creditors who may have been inadvertently left off the Statement of Affairs.
42. ~~38-~~This Order may be set aside or varied, in whole or in part, by any creditor of Odenza or any Claimant, provided its application to set aside or vary this Order is served on the Trustee and the Claims Administrator within ten (10) days after the date upon which this Order is sent by email, facsimile or regular mail to such creditor by the Claims Administrator.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

Signature of Magnus Verbrugge
 party lawyer for the Trustee,
 G. Powroznik Group Inc. of G-Force Group

Signature of Bonita Lewis-Hand
 party lawyer for 0409725 B.C. Ltd. and
 Odenza Homes Vancouver West Ltd.

By the Court.

Registrar

Vancouver Registry
Court No. B-131552
Estate No. 11-1820752

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

IN THE MATTER OF THE BANKRUPTCY OF

0409725 B.C. LTD.

TRUST CLAIMS CLAIM SETTLEMENT PROGRAM ORDER

MCV/MGS

BORDEN LADNER GERVAIS LLP

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Document 2 ID	PowerDocs://VAN01/3358552/5
Description	VAN01-#3358552-v5-Odenza_Homes_Trust_Administrati on_Program_-_Order
Rendering set	Standard

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