Court File No. VLC-S-B-200257
Vancouver Registry
District of British Columbia
Division No. 03 – Vancouver
Estate File No. 11-2649058

SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF TRIPLE M MODULAR LTD. O/A METRIC MODULAR

TRUSTEE'S FIRST REPORT TO COURT
Pursuant to Section 50.4(7)(b)(ii) of the *Bankruptcy and Insolvency Act* (Canada)

JUNE 23, 2020

Grant Thornton Limited
Suite 1600, 333 Seymour Street
Vancouver BC
Canada
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INTRODUCTION

1. This report (this "**First Report**") is filed by Grant Thornton Limited ("**GTL**") in its capacity as proposal trustee (in such capacity, the "**Proposal Trustee**") in connection with a Notice of Intention to Make a Proposal ("**NOI**") filed on June 1, 2020 (the "**Filing Date**") by Triple M Modular Ltd. o/a Metric Modular ("**Metric Modular**" or the "**Company**") pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**").

2. The first and second affidavits of Joel Holloway, Chief Financial Officer, both sworn on June 23, 2020 (collectively, the "**Holloway Affidavits**" and individually, the "**First Holloway Affidavit**" and the "**Second Holloway Affidavit**", respectively) and filed in

connection with the Company's NOI proceedings (these "**Proceedings**") describes, *inter alia*, the Company's background, including the rationale for the requested relief.

3. This First Report is submitted by the Proposal Trustee in conjunction with Metric Modular's motion for an order (the proposed "**Order**") to extend the stay of proceedings granted upon the filing of the NOI on June 1, 2020 for 45 days to and including August 15, 2020.

PURPOSE OF THIS FIRST REPORT

4. The purpose of this First Report is to provide the Supreme Court of British Columbia in Bankruptcy and Insolvency (the "**Court**") with further information related to the relief sought by the Company. This First Report specifically provides:

   (a) information regarding the Company, its financial position and the reasons for it filing the NOI;

   (b) a discussion of the Proposal Trustee's activities conducted since the filing of the NOI;

   (c) a discussion of the Company's activities conducted since the filing of the NOI;

   (d) the Proposal Trustee's comments and report on the Company's cash flow projection for the 13 weeks ending September 4, 2020 (the "**Cash Flow Projection**");

   (e) a discussion of the Company's request for the approval of a Key Employee Retention Program (the "**KERP**") and the associated priority charge;

   (f) the Company's request for an order that ATB Financial ("**ATB**") is unaffected by these proceedings to the extent of their perfected secured claim against the assets of Metric Modular, with the sole exception of the KERP charge which shall have priority over their claim; and

(g) a discussion of the Company's request for an extension of the stay of proceedings to August 15, 2020.

5. This First Report should be read in conjunction with the Holloway Affidavits as such affidavits contain additional background information concerning Metric Modular, its structure, the business activities, and its stakeholders.

RESTRICTIONS

6. In preparing this First Report, the Proposal Trustee has relied upon unaudited financial information, the Company's records, financial information and projections, and discussions with the Company's management. While the Proposal Trustee reviewed various documents provided by the Company and believes that the information therein provides a fair summary of the transactions and material, as reflected in the documents, such work does not constitute an audit or verification of such information for accuracy, completeness or compliance with Generally Accepted Accounting Principles ("**GAAP**"), International Financial Reporting Standards ("**IFRS**"), or Generally Acceptance Auditing Standards ("**GAAS**"). Accordingly, the Proposal Trustee expresses no opinion or other form of assurance pursuant to GAAP, IFRS, or GAAS with respect to such information.

7. Some of the information used in preparing this First Report consists of financial projections, including the Cash Flow Projection. The Proposal Trustee cautions that these projections are based upon assumptions about future events and conditions that are not ascertainable. The Company's actual results may vary from the Cash Flow Projection, even if the hypothetical and probable assumptions contained therein materialize, and the

variations could be significant. The Proposal Trustee's review of the future-oriented information used to prepare this First Report did not constitute an audit of such information under GAAP, IFRS, or GAAS.

8. The Proposal Trustee also bases this First Report on the Company's cash flow projections and underlying assumptions. The Proposal Trustee's review and commentary thereon was performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals' Standards of Professional Practice No. 9 (Trustee's Report on Cash Flow Statement).

9. To date, nothing has come to the Proposal Trustee's attention that would cause it to question the reasonableness of the information and explanations provided to it by the Company and its management. The Proposal Trustee has requested that management bring to its attention any significant matters which were not addressed in the course of the Proposal Trustee's specific inquiries. Accordingly, this First Report is based on the information (financial or otherwise) made available to the Proposal Trustee by the Company.

10. This First Report has been prepared for the use of this Court and the Company's stakeholders as general information relating to the Company and to assist the Court in determining whether to grant the relief sought by the Company. Accordingly, the reader is cautioned that this First Report may not be appropriate for any other purpose. The Proposal Trustee will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this First Report contrary to the provisions of this paragraph.

11. All references to dollars are in Canadian currency unless otherwise noted.

12. Capitalized terms not defined in this First Report have the meanings ascribed to them in the Holloway Affidavits.

BACKGROUND

13. Metric Modular was incorporated on April 6, 2017 pursuant to the *Business Corporations Act* (British Columbia). The Company's head office and main production facility is located at 1825 Tower Road, Agassiz, British Columbia (the "**Agassiz Facility**").

14. Metric Modular is a wholly owned subsidiary of Triple M Modular LP ("**Triple M LP**"), an entity that is the sole shareholder of Metric Modular and its sister Company, Triple M Housing Ltd. ("**Triple M Housing**"), an Alberta based corporation located in Lethbridge, Alberta.

15. Metric Modular is a modular construction company specializing in designing, building, delivering, and installing multi-family affordable and market housing, student accommodation and education space, hotels, workforce accommodation, and high-performance energy efficient modular buildings. Prior to the NOI, in addition to the Agassiz Facility, the Company also operated from a second facility located in Penticton, British Columbia ("**Penticton Facility**").

16. As a result of the financial challenges faced by the Company, as further discussed in this First Report, the Company explored several alternatives to maximize realizations for the benefit of creditors. The Company ultimately determined that an NOI filing would provide for the most favourable opportunity to allow the Company to continue business operations to maximize collections and work on a plan to sell the remaining assets of the business, either through a sale of the Company as whole or a liquidation of the assets. The Proposal

Trustee understands that the Company's primary secured creditor, ATB, was consulted prior to filing of the NOI and is supportive of the Company's approach.

17. Prior to the Filing Date, Metric Modular employed approximately 116 full-time employees. Of the total employees, approximately 105 of the employees worked at the Agassiz Facility, while the remaining 11 employees worked remotely, installing the modular structures or in project pursuits (sales). Upon filing the NOI, the Company laid off a substantial portion of its workforce. The Company has retained certain employees to complete the Remaining Projects (as defined below) and assist in the wind-down of the business.

18. As at the Filing Date, the Company had a total of 26 ongoing customer projects (collectively, the "**Ongoing Projects**"), of which 7 were between Metric Modular and Triple M Housing. In addition to the Ongoing Projects, there were also three (3) projects that had been approved, however, work on same had not commenced (collectively, the "**Future Projects**").

19. Prior to and shortly after the Filing Date, the Company performed an analysis to determine the profitability of each Ongoing Project and Future Project to determine which projects it would complete during these NOI Proceedings. Upon completing the analysis, the Company intends to complete 23 Ongoing Projects and one (1) Future Project (collectively, the "**Remaining Projects**") by no later than August 2020. The Remaining Projects specifically exclude the Gibsons Project and Disclaimed Projects, both of which are defined and discussed in detail later in this First Report.

20. The Company is also evaluating alternatives with respect to the sale of the business either as a going concern or liquidating the remaining assets once the Remaining Projects have been completed.

FINANCIAL POSITION OF THE COMPANY

21. The Proposal Trustee has reviewed Metric Modular's internal financial information for the 24 months ending April 30, 2020. For the twelve-month periods ending April 30, 2019 and April 30, 2020, the Company generated operating losses of $152,000 and $5,351,000, respectively[1]. Although the Company had continued to increase efficiencies and reduce operating costs, the losses were driven mainly due to various unfavourable operating conditions and events. Summary financial results for the twelve months ending April 30, 2019 and April 30, 2020 are included in the table below:

For the 12 Months Ending (In 000's)	April 30, 2020	April 30, 2019	Change
Revenue	$ 46,034	$ 69,050	$ (23,016)
Cost of Goods Sold	47,556	64,903	(17,348)
Gross Profit	(1,522)	4,147	(5,668)
Operating Expenses	3,829	4,299	(469)
Operating Loss	**$ (5,351)**	**$ (152)**	**$ (5,199)**

22. As a result of the continued losses, Metric Modular has accumulated significant unsecured and secured liabilities required to continue to fund operations. Based on current trends and historical performance, coupled with the current COVID-19 pandemic, the Company

[1] The calculation of "Operating loss" excludes non-operating expenses / income as reported on the Company's internal financial statements.

forecasts that further losses will be incurred in the future, making the business unsustainable.

23. As at the Filing Date, Metric Modular had total liabilities of approximately $15 million, including amounts due to the following:

(a) ATB / Triple M Housing – $9,277,492;

(b) trade accounts payable – $2,567,781;

(c) employee obligations – $1,391,574;

(d) Customer deposits – $1,172,105; and

(e) GST, PST and EHT obligations – $592,787.

24. The amount owing to ATB / Triple M Housing relates to direct financing provided by ATB to Triple M Housing pursuant to a credit facility between the parties (the "**ATB Credit Facility**"), with a secured guarantee provided by Metric Modular in relation to and in support of the ATB Credit Facility. Under this arrangement, Triple M Housing would borrow against the ATB Credit Facility to finance the working capital requirements of Metric Modular's business, set up as an intercompany loan. As at the Filing Date, the total outstanding balance of the ATB Credit Facility was approximately $13,528,753, whereby $9,277,492 related to intercompany advances made by Triple M Housing to Metric Modular. Under the ATB Credit Facility and guarantee provided by Metric Modular, ATB has direct recourse against Metric Modular for the entire balance outstanding under the ATB Credit Facility. Based on a search of the Personal Property Registry of both British Columbia and Alberta, ATB has a registered security interest in all the present and after-acquired personal property of Metric Modular (and Triple M Housing). As at the date of this First Report, the Proposal Trustee has not undertaken a security review to confirm the

validity or enforceability of ATB's security. ATB has requested the Company seek a Court order stating that ATB is an unaffected creditor by these NOI Proceedings to the extent of its perfected secured claim against the assets of Modular Metric with the sole exception of the KERP charge which shall have priority over their claim.

25. Included in the above trade accounts payable are amounts owing to vendors / suppliers that may have lien rights on certain Ongoing Projects pursuant the *Builders' Lien Act* (British Columbia) (the "**BLA**"). Based on consultations with its legal counsel, the Company has estimated that creditors owed approximately $900,000 may have lien rights under the BLA and, as such, may have priority over certain receivables. At the time of this First Report, the Company is unable to determine the exact amount and nature of these claims.

26. The Company's assets consist of, among other things, the following items with the below noted book values as at April 30, 2020:

(a) accounts receivable – $3,466,775;

(b) hold back receivable – $1,182,201;

(c) inventory

I. raw material – $2,304,754;

II. work in process – $691,989;

III. finished goods – $443,606; and

(d) fixed assets – $814,528.

27. The First Holloway Affidavit provides further details of the Company's business, its financial performance, and its obligations.

OVERVIEW OF THE PROPOSAL TRUSTEE'S ACTIVITIES

28. Since its appointment, the Proposal Trustee has performed the following key activities:

(a) filing the necessary prescribed forms required under the BIA for the NOI;

(b) issuing the required notice under section 50.4(6) of the BIA to all known creditors of Metric Modular;

(c) monitoring the affairs of the business including review of financial information and corresponding and holding numerous discussions with the Company's management and Metric Modular's restructuring counsel, Lindsay Kenney LLP ("**LK Law**");

(d) corresponding and holding numerous discussions with various stakeholders and/or respective legal counsel to stakeholders;

(e) responding to numerous calls and emails from employees, creditors, suppliers, customers, and other stakeholders;

(f) maintaining a public website (www.GrantThornton.ca/MetricModular) (the "**Case Website**") for these NOI Proceedings;

(g) establishing a toll-free number and email account for stakeholders of Metric Modular to contact;

(h) preparing this First Report;

(i) assisting the Company in preparing the Cash Flow Projection from June 6, 2020 to September 4, 2020, along with the prescribed forms, in order to satisfy section 50.4(2)(a) of the BIA; and

(j) reviewing and approving the Company's disclaimer or resiliation of various customer contracts or agreements pursuant to section 65.11(1) of the BIA, and as discussed in further detail herein.

COMPANY INTIATIVES

29. The Company's key initiatives undertaken for the general benefit of its stakeholders and/or deemed necessary to maximize net cash position, as well as those planned or proposed by the Company are discussed below, along with any of the Proposal Trustee's comments thereon.

<u>Commercial Lease Disclaimer</u>

30. On June 1, 2020, pursuant to section 65.2 of the BIA, the Company disclaimed its commercial lease related to the Penticton Facility.

31. As no objection was filed within the required 15 days pursuant to the BIA, this lease will be disclaimed as of June 30, 2020. The Company is currently taking steps to vacate the Penticton Facility by that date.

<u>Contract Disclaimers</u>

32. Pursuant to section 65.11 of the BIA, as at the date of this First Report, the Company has disclaimed or resiliated customer contracts / agreements related to three (3) Ongoing Projects and one (1) Future Project (collectively, the "**Disclaimed Projects**") whereby the Company will not be completing same. The decision to disclaim / resiliate the Disclaimed Projects was as a result of the Company's analysis which determined that the completion of such projects would result in net cash losses to Metric Modular.

33. In addition to discussing the rationale for discontinuing the Disclaimed Projects with the Company, the Proposal Trustee reviewed, among other things: (i) the analyses prepared by the Company; and (ii) the relevant documentation for each Disclaimed Projects to determine if the issuance of disclaimers was prudent to advance the restructuring of the business. Upon completing its review, the Proposal Trustee approved the disclaimers in accordance with section 65.11(1) of the BIA.

Contract Assignment

34. The Company is currently completing a project (defined as the "**Gibsons Project**") pursuant to an agreement between Metric Modular and BC Housing Management Commission ("**BC Housing**"). Due to the length of the Gibsons Project and the significant resources required for the execution of same, the Company is forecasting that it would incur a cash loss if it were to complete the Gibsons Project. As such, the Company is in the process of assigning this project to Triple M Housing and anticipates this to be completed by the end of June 2020.

35. Pursuant to an indemnity agreement between Northbridge General Insurance Corporation ("**Northbridge**") and: (i) Metric Modular; (ii) Triple M Housing; (iii) Triple M LP; (iv) and its general partner, Triple M Housing (GP) II Ltd. (collectively, the "**Indemnitors**") dated February 2, 2018 (the "**Indemnity Agreement**"), the Indemnitors agreed to, amongst other things, indemnify Northbridge against any and all losses, charges, expenses, costs, and liabilities which Northbridge may sustain or incur: (i) by reason of having executed or procured the execution of any bonds; (ii) by reason of the failure of the Indemnitors to perform or comply with the Indemnity Agreement or any bonding facility; or (iii) in enforcing any of the covenants and conditions within the Indemnity Agreement.

36. As additional security for its obligations under the Indemnity Agreement, the Indemnitors, ATB, and Northbridge executed an Intercreditor Agreement dated January 25, 2018 outlining the relevant security priorities (the "**Intercreditor Agreement**"). The Indemnity Agreement and Intercreditor Agreement provide Northbridge with a priority security interest in certain assets of the Indemnitors, including the machinery, equipment, plant, tools, supplies, inventory, materials, and other assets related to the Bonded Projects (as defined in the Indemnity Agreement), which includes the Gibsons Project.

37. In reliance upon the Indemnity Agreement and the Intercreditor Agreement, Northbridge, upon request by the Metric Modular, issued performance bonds and labour and material payment bonds (collectively, the "**Bonds**") on behalf of Metric Modular in respect of work to be done by Metric Modular on the Bonded Projects, including the Gibsons Project.

38. As the Company continues to work with the various stakeholders to assign the Gibsons Project, including BC Housing, who, as the Proposal Trustee understands, is supportive of the proposed assignment, the Company has commenced work on same to ensure it remains on schedule, thus limiting any delays upon the assignment being completed.

39. In order to not delay the project, the Company continues to collect receipts and incur disbursements in the ordinary course in relation to the Gibsons Project and intends to do so until the eventual assignment. As outlined in the Cash Flow Projection, the Company in forecasting receipts of $237,639 and disbursements of $250,000 related to the Gibsons Project (i.e. resulting in a net cash outflow of approximately $12,361) prior to same being assigned. The Proposal Trustee continues to monitor the cash inflows and outflows with respect to the Gibsons Project until same is assigned.

40. The Company is in the process of finalizing an analysis to determine the fair market value of the Gibsons Project and quantify the consideration to be paid to Metric Modular by Triple M Housing subsequent to the assignment being complete. Upon the details of the assignment being finalized, the Proposal Trustee will undertake a review of same and report in a future court report on the fairness and reasonableness of the consideration paid by Triple M Housing.

KEY EMPLOYEE RETENTION PLAN

41. As described in the Second Holloway Affidavit, prior to the NOI, the Company identified a group of employees and management personnel (the "**Key Employees**") who are critical to the completion of the Remaining Projects and the orderly wind-down of the business. In order to retain and incentivize the Key Employees as full-time employees, the Company developed a KERP and negotiated retention bonuses which have been documented in individual agreements between the Key Employee and the Company. The details of the KERP have been included in the Second Holloway Affidavit and are currently subject to a sealing request.

42. The factors considered by the Company when designing the KERP and selecting employees for participation are as follows:

(a) the Company's ability to fund the KERP and the support of ATB, the Company's secured creditor;

(b) operational knowledge of the Key Employees specific to the completion the Remaining Projects and wind down of the business, that would be very difficult to replace in the short term; and

(c) relationships of certain Key Employees with customers, whose relationships would not be replaceable or transferable in the short term.

43. As outlined in the Company's application materials, the Company is seeking this Court's approval of a charge in the amount of $200,500 on the Company's assets to secure the Company's obligations under the KERP (the "**KERP Charge**"). The Proposal Trustee understands that ATB, the Company's primary secured creditor, is supportive of the KERP Charge.

44. The Proposal Trustee is of the view that the KERP and KERP Charge is reasonable and appropriate in the circumstances for the following reasons:

(a) it will provide stability to the business and provides continuity of leadership and knowledge during the pendency of the NOI Proceedings by encouraging the Key Employees to remain with the Company for a reasonable period of time;

(b) the Key Employees are critical to the efficient and cost-effective completion of the Remaining Projects and wind-down of the business and their participation should enhance or maximize realizations for the benefit of stakeholders;

(c) identifying replacement management / employees with the requisite sector experience and knowledge of the underlying business and projects is not practical in the short term;

(d) the number of Key Employees is proportionately reasonable to the size and nature of the business and the milestones are consistent with the Company's wind-down plan;

(e) the Proposal Trustee considered the proposed KERP terms with those in other recent restructuring proceedings under the BIA and the *Companies Creditors'*

Arrangement Act (the "**CCAA**") and is satisfied that the quantum of the KERP payments and the terms of the KERP are commercially reasonable and are not 'off-market' in the circumstances;

(f) although the BIA does not contain a specific provision for a KERP Charge to be granted under an NOI proceeding, the granting of such charges is supported and commonly accepted in restructuring proceedings under both the BIA and CCAA; and

(g) the KERP has been approved by the Company's shareholders and its primary secured creditor, ATB.

CASH FLOW PROJECTION

45. As stated above, in order to satisfy section 50.4(2)(a) of the BIA, the Company prepared the Cash Flow Projection, on a weekly basis, for the 13 weeks ending September 4, 2020 (the "**Cash Flow Period**"). The Cash Flow Projection together with the Company's Report on the Cash Flow Projection dated June 10, 2020 and the Proposal Trustee's Report on the Cash Flow Projection dated June 10, 2020, are collectively attached hereto as **Appendix "1"**. The Cash Flow Projection has been prepared by management using probable and hypothetical assumptions set out therein. (the "**Probable and Hypothetical Assumptions**").

46. The Proposal Trustee makes the following comments on the Cash Flow Projection:

(a) expenses appear to be consistent with the reduced level of operations contemplated by management for the Company during the Cash Flow Period;

(b) a majority of the forecasted receipts relate to the various Remaining Projects the Company has decided to complete;

(c) given that the Company is continuing operations, it is projecting that it will receive funding under the Canadian Emergency Wage Subsidy in the months of June and July 2020;

(d) the net cash inflows projected by the Company are anticipated to be sufficient to meet the cash flow requirements of Metric Modular over the Cash Flow Period; and

(e) disbursements reflected are those to complete the Remaining Projects and administer the wind-down of the Company's operations.

47. The Proposal Trustee's review of the Cash Flow Projection consisted of inquiries, analytical procedures and discussions related to information supplied to the Proposal Trustee by the management of Metric Modular. Since hypothetical assumptions need not be supported, the Proposal Trustee's procedures with respect to such assumptions were limited to evaluating whether they were consistent with the purpose of the Cash Flow Projection. The Proposal Trustee has also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Cash Flow Projection. Based on the Proposal Trustee's review, nothing has come to its attention that causes it to believe that, in all material respects:

(a) the Probable and Hypothetical Assumptions are not consistent with the purpose of the Cash Flow Projection;

(b) as at the date of this First Report, the Probable and Hypothetical Assumptions developed by management are not suitably supported and consistent with the Company's plans or do not provide a reasonable basis for the Cash Flow Projection, given the Probable and Hypothetical Assumptions; or

(c) the Cash Flow Projection does not reflect the Probable and Hypothetical Assumptions.

PERFORMANCE COMPARED TO THE INITIAL CASH FLOW PROJECTION

48. In accordance with section 50.4(7)(b)(ii) of the BIA, the Proposal Trustee has continued to review and evaluate the state of the Company's business and financial affairs since the Filing Date.

49. The Company has remained current in respect of their obligations that have arisen since the Filing Date.

50. A comparison of Metric Modular's receipts and disbursements to the Cash Flow Projection for the period of June 6, 2020 to June 19, 2020 (the "**Post-Filing Reporting Period**") is attached hereto as **Appendix "2"**.

<u>Proposal Trustee's Comments</u>

51. For the Post-Filing Reporting Period, Metric Modular had total cash receipts of $586,689, approximately $381,014 less than forecasted in the Cash Flow Projection.

52. The Proposal Trustee recognizes the following material variances in expected receipts outlined in the Cash Flow Projection against actual receipts:

(a) BC Housing: Gibsons – an unfavourable variance of $117,639 due to a timing difference in the release of funds from Northbridge with respect to the Gibsons Project. The Company expects these funds to be received during the week ending June 26, 2020; and

(b) Triple M Housing – an unfavourable variance of $254,968 as a result of one (1) less product shipment than originally forecasted. The Company anticipates that the projected receipts from this shipment will be received during the weeks ending June 26, 2020 and July 3, 2020.

53. The Cash Flow Projection projected total disbursements of $681,141 for the Post-Filing Reporting Period. Actual disbursements for the Post-Filing Reporting Period totaled $468,846 resulting in a favourable variance of $212,296. The favourable variance in disbursements are a result of the following:

(a) cost reductions implemented by the Company have resulted in greater reductions in disbursements than initially forecasted in the Cash Flow Projection; and

(b) the Cash Flow Projection had assumed that most vendors and sub-contractors for the various Ongoing Projects would demand cash-on-delivery payment terms. The number of vendors and sub-contractors willing to extend credit terms has been greater than forecasted.

COMPANY'S REQUEST FOR AN EXTENSION

54. The Company is seeking an extension of the time to file a Proposal with the Official Receiver to August 15, 2020.

55. The Proposal Trustee supports the Company's request for the following reasons:

(a) the Company is acting in good faith and with due diligence;

(b) the Company requires additional time to complete the Remaining Projects and facilitate a sale of either the business or liquidation of the remaining assets and time to develop a viable Proposal to creditors; and

(c) no creditor would be materially prejudiced if the extension being applied for is granted.

CONCLUSION AND RECOMMENDATION

56. Granting an extension of time to file a Proposal will give Metric Modular time to continue complete the Remaining Projects which is expected to generate positive cash flow for the benefit of creditors, allow the Company to explore a sale of the business or liquidation of the remaining assets and provide Metric Modular additional time to develop a viable Proposal for its creditors. The Proposal Trustee believes that the continuation of these proceedings is in the best interest of stakeholders, and preferable to a liquidation in a bankruptcy and/or receivership.

57. The Proposal Trustee supports the relief sought by Metric Modular.

All of which is respectfully submitted,

GRANT THORNTON LIMITED,
as Trustee under a Notice of Intention to Make a Proposal
filed by Triple M Modular Ltd. o/a Metric Modular,
and not in its personal capacity.

Andrew Basi, CPA, CA, CIRP, LIT Senior Vice President	Jason Knight, CPA, CA, CIRP, LIT Vice President

<u>APPENDIX 1</u>

[ATTACHED]

Triple M Modular Ltd. o/a Metric Modular
Cash Flow Forecast
June 6, 2020 to September 4, 2020

		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	
For the week ending, In CAD	**Notes**	**12-Jun-20**	**19-Jun-20**	**26-Jun-20**	**03-Jul-20**	**10-Jul-20**	**17-Jul-20**	**24-Jul-20**	**31-Jul-20**	**07-Aug-20**	**14-Aug-20**	**21-Aug-20**	**28-Aug-20**	**04-Sep-20**	**Total**
Opening Cash	*1*	105,542	296,812	374,722	257,761	699,653	905,666	830,380	821,821	822,029	653,745	738,470	624,391	562,217	105,542
Receipts															
BC Housing - Gibsons	*2*	-	117,639	-	120,000	-	-	-	-	-	-	-	-	-	237,639
Triple M Housing	*3*	294,505	424,630	75,835	-	-	-	-	-	-	-	-	-	-	794,970
CEWS	*4*	-	-	-	250,000	-	-	-	90,000	-	-	-	-	-	340,000
Project Receipts / Other	*5*	92,929	36,000	73,869	658,824	444,689	584,282	151,171	259,250	-	330,180	-	341,215	218,131	3,190,540
Inventory / Equipment Liquidation	*6*	-	2,000	-	2,000	-	2,000	-	-	-	-	-	-	-	6,000
Total Receipts		387,434	580,269	149,704	1,030,824	444,689	586,282	151,171	349,250	-	330,180	-	341,215	218,131	4,569,149
Disbursements															
Wages and Benefits		-	257,404	-	175,692	-	82,583	-	81,171	-	76,113	-	206,048	-	879,011
Rent	*7*	-	-	-	72,343	-	131,256	-	72,343	-	-	-	-	-	275,942
Leases		-	-	-	25,000	-	-	-	-	25,000	-	-	-	-	50,000
GST		-	-	-	-	-	-	-	35,799	-	-	-	128,111	-	163,910
Plant Overhead		7,383	17,383	22,383	22,383	17,323	17,323	17,323	17,323	16,467	16,467	16,467	-	-	188,222
Selling, General & Admin		23,899	23,899	23,899	23,899	24,941	24,941	24,941	24,941	28,381	28,381	28,381	-	-	280,501
Plant Project Costs	*5*	62,000	75,000	107,500	107,500	-	-	-	-	-	-	-	-	-	352,000
Site Project Costs	*5*	40,384	30,384	30,384	30,384	48,235	48,235	48,235	48,235	29,205	-	-	-	-	353,681
BC Housing - Gibsons Site Costs	*2*	62,500	62,500	62,500	62,500	-	-	-	-	-	-	-	-	-	250,000
Total Disbursements		196,165	466,569	246,665	519,701	90,498	304,338	90,498	279,811	99,053	120,961	44,848	334,159	-	2,793,267
Net cashflow from operations		191,269	113,700	-96,961	511,124	354,191	281,944	60,673	69,439	-99,053	209,219	-44,848	7,056	218,131	1,775,882
Other Disbursements															
Legal Counsel Fees		-	5,789			28,947	-	-	-	-	20,263	-	-	-	55,000
Trustee Fees		-	10,000	-	-	35,000	-	-	-	-	25,000	-	-	-	70,000
Trustee's Legal Counsel Fees		-	-	-	-	15,000	-	-	-	-	10,000	-	-	-	25,000
Settlement of Potential Lien Obligations	*8*	-	20,000	20,000	69,231	69,231	69,231	69,231	69,231	69,231	69,231	69,231	69,231	69,231	732,308
Repayment of Payroll Advance	*9*	-	-	-	-	-	288,000	-	-	-	-	-	-	-	288,000
Total Non-Operating Disbursements		-	35,789	20,000	69,231	148,178	357,231	69,231	69,231	69,231	124,494	69,231	69,231	69,231	1,170,308
Ending Cash Balance		**296,812**	**374,722**	**257,761**	**699,653**	**905,666**	**830,380**	**821,821**	**822,029**	**653,745**	**738,470**	**624,391**	**562,217**	**711,117**	**711,117**

Management of Triple M Modular Ltd. o/a Metric Modular ("**Metric Modular**" or the "**Company**") has prepared this forecasted cash-flow statement (the "**Cash Flow Forecast**") based on probable and hypothetical assumptions detailed in Notes 1 to 9. The Cash Flow Forecast has been prepared solely for the purpose of supporting the Notice of Intention to Make a Proposal ("**NOI**") filed by the Company on June 1, 2020. As such, readers are cautioned that it may not be appropriate for their purposes. The Cash Flow Forecast of the Company prepared in accordance with the provisions of the *Bankruptcy and Insolvency Act* ("**BIA**") should be read in conjunction with the Trustee's Report on the Cash-flow Statement.

Dated at the City of Agassiz in the Province of British Columbia, this 10th day of June 2020.

Triple M Modular Ltd. o/a Metric Modular
Per:

Joel Holloway, CPA, CA
Chief Financial Officer

Grant Thornton Limited
Per:

Mark Wentzell, CPA, CA, CIRP, LIT
Senior Vice President

Triple M Modular Ltd. o/a Metric Modular
Notes to the Cash Flow Forecast
June 6, 2020 to September 4, 2020

Note 1
The Company had a cash balance of $nil on June 1, 2020, the commencement date of these proceedings.

Note 2
The "BC Housing (Gibsons Project)" line item relates to a project pursuant to an agreement between Metric Modular and BC Housing Management Commission (the "**Gibsons Project**"). Due to the length of the Gibsons Project and the significant resources required for the execution of same, the Company is forecasting that it would incur a cash loss if it were to complete the Gibsons Project. As such, the Company is in the process of assigning this project to Triple M Housing Ltd. ("**Triple M Housing**"), a related party, by the end of June 2020. As the Company continues to work with the various stakeholders to assign the Gibsons Project, the Company has commenced work on same to ensure it remains on schedule. Accordingly, the Company has forecasted cash receipts and outflows for the Gibson Project until the end of June 2020.

Note 3
Receipts noted in this line item relate to ongoing projects between Metric Modular and Triple M Housing. The Company expects that these projects will be completed by the end of June 2020.

Note 4
The amount projected to be received under the Canadian Emergency Wage Subsidy ("**CEWS**"), relates to eligible wages paid during the months of May and June. It is projected that CEWS will be received approximately one month following submission/payment of related wages.

Note 5
The projected receipts and disbursements related to the Company's ongoing projects have been estimated by Metric Modular on a project by project basis. The Company expects to have all of the outstanding projects completed during the month of August 2020. On June 8, 2020, pursuant to 65.11 of the BIA, the Company disclaimed three (3) customer contracts and therefore will not be continuing with and/or completing same. Accordingly, the cash receipts and disbursements related to the disclaimed projects have been excluded from the Cash Flow Forecast.

Note 6
Certain employees who have been terminated currently have cell phones and other minor electronic equipment that is property of the Company in their possession. The Company anticipates that it will sell some of these assets to these employees. The quantum of these sales are not expected to exceed $6,000.

In addition, subsequent to the outstanding projects being completed, the Company intends to liquidate its various inventory and equipment. As at the date of this Cash Flow Forecast, the timing, method, and proceeds of a potential sale is unknown. Pursuant to the BIA, the Company will be seeking Court approval of the sale of its assets that are outside the normal course of business.

Note 7
Projected rent includes monthly rent payable for its manufacturing facility located in Agassiz, British Columbia. On June 1, 2020, pursuant to section 65.2 of the BIA, the Company disclaimed the commercial lease related to its facility located in Penticton, British Columbia.

Note 8
Based on consultations with its legal counsel, the Company has estimated that approximately $900,000 of the total amount owing to creditors prior to the NOI may be subject to provisions of the *Builders' Lien Act* (British Columbia) (the "**BLA**") whereby these creditor claims may have certain priority status under the NOI proceedings. At this time, the Company is unable to determine if and when these claims will be required to be paid out and, as such, it has included a reserve in the Cash Flow Forecast of $20,000 for the weeks ending June 19, 2020 and June 26, 2020, and then $69,231 per week beginning the week ending July 3, 2020.

Note 9
Subsequent to the NOI being filed, the Company received an advance of $288,000 from Triple M Housing which was used to pay the required payroll during the week ending June 5, 2020. The Company is projecting that this advance will be repaid to Triple M Housing during the week ending July 17, 2020.

District of:	British Columbia
Division No.	03 - Vancouver
Court No.	11-2649058
Estate No.	11-2649058

-- FORM 29 --
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the matter of the proposal of
Triple M Modular Ltd. o/a Metric Modular
of the City of Agassiz, in the Province of British Columbia

The attached statement of projected cash flow of Triple M Modular Ltd. o/a Metric Modular, as of the 10th day of June 2020, consisting of the attached summary, has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by: ☒ the management and employees of the insolvent person or ☐ the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by:
☒ management or ☐ the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

(a) the hypothetical assumptions are not consistent with the purpose of the projection;

(b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or

(c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Calgary in the Province of Alberta, this 10th day of June 2020.

Grant Thornton Limited - Licensed Insolvency Trustee
Per:

____

Mark E. R. Wentzell- Licensed Insolvency Trustee
1100, 332 - 6 Avenue SW
Calgary AB T2P 0B2
Phone: (403) 260-2500

District of: British Columbia
Division No. 03 - Vancouver
Court No. 11-2649058
Estate No. 11-2649058

FORM 29 - Attachment
Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the matter of the proposal of
Triple M Modular Ltd. o/a Metric Modular
of the City of Agassiz, in the Province of British Columbia

Purpose:

See attached summary.

Projection Notes:

See attached summary.

Assumptions:

See attached summary.

Dated at the City of Calgary in the Province of Alberta, this 10th day of June 2020.

Grant Thornton Limited - Licensed Insolvency Trustee
Per:

Mark E. R. Wentzell - Licensed Insolvency Trustee
1100, 332 - 6 Avenue SW
Calgary AB T2P 0B2
Phone: (403) 260-2500

District of:	British Columbia
Division No.	03 - Vancouver
Court No.	11-2649058
Estate No.	11-2649058

- FORM 30 -

Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the matter of the proposal of
Triple M Modular Ltd. o/a Metric Modular
of the City of Agassiz, in the Province of British Columbia

The Management of Triple M Modular Ltd. o/a Metric Modular has developed the assumptions and prepared the attached statement of projected cash flow, as of the 10th day of June 2020, consisting of the attached summary.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Calgary in the Province of Alberta, this 10th day of June 2020.

Triple M Modular Ltd. o/a Metric Modular
Debtor

Joel Holloway, Chief Financial Officesr
Name and title of signing officer

Name and title of signing officer

District of: British Columbia
Division No. 03 - Vancouver
Court No. 11-2649058
Estate No. 11-2649058

FORM 30 - Attachment

Report on Cash-Flow Statement by the Person Making the Proposal

(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the matter of the proposal of
Triple M Modular Ltd. o/a Metric Modular
of the City of Agassiz, in the Province of British Columbia

Purpose:

See attached summary.

Projection Notes:

See attached summary.

Assumptions:

See attached summary.

Dated at the City of Calgary in the Province of Alberta, this 10th day of June 2020.

Triple M Modular Ltd. o/a Metric Modular

APPENDIX 2

[ATTACHED]

Triple M Modular Ltd. o/a Metric Modular
Post-Filing Cash Flow Period Comparison
June 6, 2020 to June 19, 2020

	A	B	A - B
For the week ending, In CAD	**Actual Jun 6/20 to Jun 19/20**	**Post-Filing Reporting Period**	**Favourable / (Unfavourable) Variance**
Opening Cash	$ 105,542	$ 105,542	$ -
Receipts			
BC Housing - Gibsons	-	117,639	(117,639)
Triple M Housing	464,167	719,135	(254,968)
CEWS	-	-	-
Project Receipts / Other	122,522	128,929	(6,407)
Inventory / Equipment Liquidation	-	2,000	(2,000)
Total Receipts	**586,689**	**967,703**	**(381,014)**
Disbursements			
Wages and Benefits	(241,930)	(257,404)	15,474
Rent	-	-	-
Leases	-	-	-
GST	-	-	-
Plant Overhead	(4,898)	(7,383)	2,484
Selling, General & Admin	(26,004)	(47,798)	21,795
Plant Project Costs	(77,940)	(137,000)	59,060
Site Project Costs	(20,045)	(70,768)	50,723
BC Housing - Gibsons Site Costs	(89,025)	(125,000)	35,975
Total Operating Disbursements	(459,841)	(645,352)	185,511
Other Disbursements			
Legal Counsel Fees	(9,004)	(5,789)	(3,215)
Trustee Fees	-	(10,000)	10,000
Trustee's Legal Counsel Fees	-	-	-
Settlement of Potential Lien Obligations	-	(20,000)	20,000
Repayment of Payroll Advance	-	-	-
Total Other Disbursements	(9,004)	(35,789)	26,785
Total Disbursements	**(468,846)**	**(681,141)**	**212,296**
Net Cash Flow	117,843	286,562	(168,718)
Closing Cash	**$ 223,385**	**$ 392,103**	**$ (168,718)**