Court File No.: CV-22-00683684-00CL

*ONTARIO*
**SUPERIOR COURT OF JUSTICE**
**(COMMERCIAL LIST)**

**B E T W E E N:**

**ROYAL BANK OF CANADA**

Applicant

- and -

**MAIN INFRASTRUCTURE LTD., KSTONE INVESTMENT CORPORATION, and 2666492 ONTARIO LTD.**

Respondents

**APPLICATION UNDER** section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c. B-3, as amended, and section 101 of the *Courts of Justice Act*, R.S.O. 1990 c. c.43, as amended

---

# SUPPLEMENTARY RESPONDING APPLICATION RECORD

---

Date: July 14, 2022

**RAR LITIGATION LAWYERS**
Professional Corporation
1 West Pearce Street, Suite 505
Richmond Hill, Ontario
L4B 3K3

**Sara Mosadeq**
**LSO No.: 67864K**
Tel: 905-731-8100 ext. 213
sara@rarlitigation.com

Lawyers for the Respondents,
Main Infrastructure Ltd., Kstone Investment Corporation, and 2666492 Ontario Ltd.

**TO:** **FLETT BECCARIO**
190 Division Street
P.O. Box 340
Welland Ontario
L3B 5P9

**J. Ross Macfarlane**
**LSO No. 36417N**
Tel : (905) 732-4481
jrmacfar@flettbeccario.com

Lawyers for the Applicant,
Royal Bank of Canada

**AND TO:** **SERVICE LIST**

**E-Service List:**
jrmacfar@flettbeccario.com; Paula@maininfrastructure.com; rocco@rarlitigation.com; sara@rarlitigation.com; Jake.Wiebe@ca.gt.com; lzangrilli@midwestservices.ca; rakhee.bhandari@justice.gc.ca; insolvency.unit@ontario.ca; david.t.gray@efleets.com; cscanada@cnhind.com; shane.roney@trisura.com; catherine@arundelcapital.com; stalbert@cwbank.com; rbrowne@addcapital.ca contracts@ecapital.com; business@coastcapitalsavings.com; rcortese@tfgfinancial.com; mwinfrey@currentfinancial.com;

Court File No.: CV-22-00683684-00CL

***ONTARIO***
**SUPERIOR COURT OF JUSTICE**
**(COMMERCIAL LIST)**

**B E T W E E N:**

**ROYAL BANK OF CANADA**

Applicant

- and -

**MAIN INFRASTRUCTURE LTD., KSTONE INVESTMENT CORPORATION, and 2666492 ONTARIO LTD.**

Respondents

**APPLICATION UNDER** section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c. B-3, as amended, and section 101 of the *Courts of Justice Act*, R.S.O. 1990 c. c.43, as amended

**INDEX**

# TAB 1

Court File No.: CV-22-00683684-00CL

*ONTARIO*
**SUPERIOR COURT OF JUSTICE**
**(COMMERCIAL LIST)**

**B E T W E E N:**

**ROYAL BANK OF CANADA**

Applicant

- and -

**MAIN INFRASTRUCTURE LTD., KSTONE INVESTMENT CORPORATION, and 2666492 ONTARIO LTD.**

Respondents

**APPLICATION UNDER** section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c. B-3, as amended, and section 101 of the *Courts of Justice Act*, R.S.O. 1990 c. c.43, as amended

**RESPONDING AFFIDAVIT OF PAULA ALEXANDRA ESTEVES SOARES SWORN JULY 14, 2022**

**I, PAULA ALEXANDRA ESTEVES SOARES**, of the City of Richmond Hill, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am the sole officer and director of the Respondents, Main Infrastructure Ltd. ("Main"), KStone Investment Corporation ("KStone"), and 2666492 Ontario Ltd. ("266") (collectively referred to as the "Respondents"), and as such, have knowledge of the matters contained in this affidavit. Where I have been advised by others, I state the source of such information and that I do verily believe it to be true.

2. I make this affidavit in response to the Affidavit of Philip O'Gorman, sworn July 6, 2022.

## THE PARTIES

3. Main and Kstone operate conjunctively in the performance and fulfillment of road maintenance contracts, where Main exclusively performs and fulfills the road maintenance contracts awarded by the Regional Municipality of York and Kstone supplies rental equipment.

4. 266 does not carry on any business.

## BACKGROUND

### *The Credit Facilities*

1. On or about September 17, 2019, Main and RBC executed an RBC Royal Bank Visa Business Card Agreement.

2. On or about September 17, 2019, Kstone and RBC executed an RBC Royal Bank Visa Business Card Agreement.

3. On or about November 5, 2019, RBC and Kstone executed a Master Lease Agreement dated November 5, 2019 with leasing schedules 201000050923, 201000051089, and 201000054110.

4. On or about July 10, 2020, RBC and Main executed a credit agreement in respect of a revolving demand loan.

5. On or about July 10, 2020, RBC and Kstone executed a credit agreement in respect of a revolving demand loan.

### *The General Security Agreement*

6. At RBC's request, Main executed a general security agreement dated September 17, 2019 in respect of its outstanding indebtedness to RBC.

7. Also at RBC's request, Kstone executed a general security agreement dated September 17, 2019 in respect of its outstanding indebtedness to RBC.

***The Guarantees and General Security Agreements***

8. RBC further requested the following:

    i. A guarantee and postponement from 266 limited to $1,500,000.00. I executed a guarantee and postponement on behalf of 266 in favour of RBC on or about July 10, 2020.

    ii. A general security agreement from 266. I executed a general security agreement on behalf of 266 in favour of RBC on or about September 17, 2019.

    iii. A guarantee and postponement from Main limited to $1,500,000.00. I executed a guarantee and postponement on behalf of Main in favour of RBC on or about July 10, 2020.

    iv. A general security agreement from Main. I executed a general security agreement on behalf of Main in favour of RBC on or about September 17, 2019.

    v. A personal guarantee and postponement from myself limited to $1,500,000.00 with respect to Main. I executed the personal guarantee and postponement in favour of RBC on or about July 10, 2020.

    vi. A guarantee and postponement from Kstone limited to $1,175,000.00. I executed a guarantee and postponement on behalf of Kstone in favour of RBC on or about July 10, 2020.

    vii. A general security agreement from Kstone. I executed a general security agreement on behalf of Kstone in favour of RBC on or about September 17, 2019.

    viii. A personal guarantee and postponement from myself limited to $650,000.00 with respect to Kstone. I executed the personal guarantee and postponement in favour of RBC on or about September 17, 2019.

## PROCEDURAL HISTORY

9. Despite there being no breach by myself or any of the Respondents with respect to the above-listed credit facilities, RBC terminated the business relationship with the Respondents on or about June 16, 2021, and sought to enforce the securities.

10. On or about September 3, 2021, RBC issued two statements of claim, bearing court file numbers CV-21-00013668-0000 and CV-21-00013669-0000, seeking to enforce the securities against myself and the Respondents.

11. On or about May 26, 2022, RBC moved for summary judgment in both actions. The Honourable Madam Justice Gambacorta granted summary judgment in favour of RBC in both actions.

12. Now, RBC is seeking to appoint a Receiver over the Respondents.

## THE RESPONDENTS' ATTEMPTS TO PAY THEIR DEBTS

### *Canada Revenue Agency*

13. The Respondents have been in discussions and negotiations with the Canada Revenue Agency ("CRA") for several months and are currently paying the debts owed to the CRA pursuant to a monthly payment plan.

14. The Respondents are working with the CRA to bring their accounts into good standing. The contact information for the CRA agent handling the Respondents' accounts is:

    Mr. Antoine Mezher
    905-517-1725

15. Main has also filed an Application with CRA in respect of the release of the Requirement to Pay. Attached hereto and marked as **Exhibit "A"** to my affidavit is a true copy of Main's Application.

***RBC***

16. The Respondents are also in the process of locating financing to pay the Judgments, which will nullify the need to appoint a Receiver.

17. The Respondents expect to receive financing very shortly that would allow the Respondents to pay the amounts owing to the creditors of the Respondents without the need to appoint a Receiver. I have received email correspondence from Mr. Brad Kerkhof, who is assisting the Respondents with locating alternate financing. Mr. Kerkhof confirms in his email dated July 8, 2022 that Firm Capital is interested in providing financing to the Respondents. Attached hereto and marked as **Exhibit "B"** to my affidavit is a true copy of the email chain.

18. I believe that we are close to obtaining a term sheet, and once a term sheet is received, the Respondents will be able to pay RBC and CRA. This would avoid the need for the appointment of a Receiver.

19. Clearly, it is in the best interest of all parties if the creditors of the Respondents can be repaid without appointing a Receiver and liquidating the Respondents' assets.

**A RECEIVERSHIP WOULD NOT BE JUST**

20. The appointment of a Receiver for Main would cause considerable harm to numerous third parties, and would not be just, given the circumstances.

21. Main is currently an operating business. Main also has several active contracts with municipalities for the construction of infrastructure. These contracts are as follows:

| **Date** | **Municipality** | **Value of Contract** |
|---|---|---|
| 19-Apr-21 | Mississauga | $2,961,547 |
| 13-Aug-21 | Markham | $1,426,541 |
| 02-Dec-21 | Toronto | $3,049,200 |
| 02-Dec-21 | Toronto | $2,828,375 |
| 17-May-22 | Vaughan | $1,976,915 |
| 20-May-22 | Mississauga | $376,969 |

22. In order to complete these projects, the municipalities require Main to continue functioning at its full capacity.

23. If a Receiver is appointed, Main will be unable to fulfill these contracts. The municipalities that have contracts with Main will be forced to seek new contracts, putting them months behind schedule.

24. Moreover, Main employs 57 employees, and Kstone employs 2 employees. If a Receiver is appointed, Main and Kstone will be forced to shut down, and the 59 combined employees of the two companies will all be terminated.

25. This would cause a great deal of financial harm to these employees, who are innocent third parties.

26. I believe there is a solution that saves the municipal contracts, as well as the livelihoods of Main's employees. If the Respondents are able to obtain financing within the coming months, RBC will receive payment in full of all outstanding amounts.

27. I believe this to be the most just and reasonable course of action given the circumstances.

**SWORN REMOTELY BY** Paula Soares of the City of Richmond Hill, in the Province of **ONTARIO**, before me in the Town of **Oakville** in the Province of **ONTARIO** on this 14th day of July, 2022, in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely

Commissioner for taking Affidavits, etc.

Ryan Petrovski
LSO# 78835T

**PAULA ALEXANDRA ESTEVES SOARES**

This is **Exhibit "A"** referred to
in the Affidavit of Paula Alexandra Esteves Soares
sworn before me, the 14th day of July, 2022.

A Commissioner etc.

Ryan Petrovski
LSO No.: 80081E

Re: Section 323 Liability of Directors
Name of corporation: MAIN INFRASTRUCTURE LTD.

GST/HST account number: 790497085RT0001

I am a director of the corporation named above and this corporation owes Her Majesty $863,693.94 for unremitted goods and services tax / harmonized sales tax, assessed under the "Excise Tax Act."

Subsection 323(1) of the "Excise Tax Act" states that directors of a corporation may be held jointly and severally, or solidarily, liable together with the corporation for paying the amount not remitted by the corporation under the provisions of subsection 228(2) or (2.3) of the "Excise Tax Act" together with any interest on, or penalties relating to, the amount.

In consideration of the agreement of the Minister of National Revenue to release this requirement to pay, issued under section 317 of the "Excise Tax Act" to the Royal Bank of Canada for the liability of $861,685.09, and recognizing that the Minister will not release the requirement before this document has been signed by me, I will not use or rely on the fact of the Minister's agreement to release this requirement as an argument or grounds for defence in proceedings relating to any execution, assessment or legal action, such as garnishing my income, and directing the sheriff to seize and sell my assets, brought as a result of the application of the provisions of section 323 of the "Excise Tax Act."

I was advised to get independent legal advice about the nature of this document before signing it, and I got that advice.

Signed in Vaughan (City, town, village) this 7 day of April 2022

Witness [signature] Signature [signature]

Name DENNIS SOLANKI Title President

ATTACHMENT PAGE 1 Account Number 79049 7085 RT0001

MAIN INFRASTRUCTURE LTD.

Business information:

Name of business: Main Infrastructure Ltd.
Business number: 790 497 085 RC 0001
Business type: Municipal Road Construction & Maintenance
Address: 1 - 10495 Keele Street, Maple, ON L6A 3Y9
Telephone: 416 - 514 - 0809
Web address: www.maininfrastructure.com
If renting business premises, include landlord's name and address: KStone Investment Corporation

Directors:

| Name | Address | Telephone |
|---|---|---|
| Paula Soares | 68 Maple Grove Ave., Richmond Hill, ON L4E 2X2 | 416 - 737 - 9749 |

Officers:

| Name | Address | Telephone |
|---|---|---|
| CEO - Paula Soares | 68 Maple Grove Ave., Richmond Hill, ON L4E 2X2 | 416 - 737 - 9749 |

Shareholders:

| Name | Address | Telephone No. |
|---|---|---|
| 100% - Paula Soares | 68 Maple Grove Ave., Richmond Hill, ON L4E 2X2 | 416 - 737 - 9749 |

Financial institutions: For Main Infrastructure Ltd. as of Apr 11, 2022:

| Name | Address | Acct. No. (folio) | Balance |
|---|---|---|---|
| [redacted] | | | |

Monthly Business Revenue and Expense Statement

*Business has seasonal cycle; therefore amounts are averages/estimates form annual data

| Revenues | Details | Amount |
|---|---|---|
| Sales | [redacted] | $ [redacted] |
| Commission sales | None | 0 |
| Professional income | None | 0 |
| Interest income | None | 0 |

ATTACHMENT PAGE 2 Account Number 79049 7085 RT0001

| | | |
|---|---|---|
| Rental income (gross) | None | 0 |
| Accounts receivable | Captured in Sales Average above | 0 |
| Other income (specify) | None | 0 |
| | | |
| | | |
| | | |
| Total monthly business income | | $ [redacted] |

| Expenses | Details | Amount |
|---|---|---|
| *Business is seasonal; therefore, certain amounts are average of annual data | | |
| Rent or mortgage | | $ [redacted] |
| Property taxes | | [redacted] |
| Heating and electricity | | [redacted] |
| Electricity (if separate from heating) | | [redacted] |
| Water | | [redacted] |
| Telephone | [redacted] | [redacted] |
| Cellular | [redacted] | |
| Computer costs (internet/rentals) | [redacted] | [redacted] |
| Inventory purchase (for resale) | [redacted] | [redacted] |
| Gross salaries | [redacted] | [redacted] |
| Insurance | | [redacted] |
| Advertising | [redacted] | [redacted] |
| Loan payments | [redacted] | [redacted] |
| Freight and delivery | | [redacted] |
| Travel | | [redacted] |
| Miscellaneous | | [redacted] |
| General office | | [redacted] |
| Accounting | | [redacted] |
| Interest | | [redacted] |
| Vehicle payments (loan or lease) | | [redacted] |
| Insurance | [redacted] | [redacted] |
| Credit cards | | [redacted] |
| Other government debts | [redacted] | [redacted] |
| Other (specify) | [redacted] | [redacted] |
| | [redacted] | [redacted] |
| | [redacted] | [redacted] |
| | | |
| Total monthly business expenses | | $ [redacted] |
| Net difference (income minus expenses) | | $ [redacted] |

Business Net Worth Statement

Protected B
when completed

ATTACHMENT PAGE 3 Account Number 79049 7085 RT0001

Business and Corporate assets:

Requested info as of April 11, 2022

Current assets:

| | Name and address of bank or financial institution | Value |
|---|---|---|
| Bank account (1) | [redacted] | $ [redacted] |
| Bank account (2) | [redacted] | [redacted] |
| Bank account (3) | | [redacted] |
| Accounts receivable | [redacted] | [redacted] |
| [redacted] | | [redacted] |
| | | [redacted] |
| | | |
| Term deposits | | [redacted] |

Vehicles None

| | | | |
|---|---|---|---|
| Year ...... | Make .............. | Model ............. | ............ |
| Year ...... | Make .............. | Model ............. | ............ |
| Year ...... | Make .............. | Model ............. | ............ |
| Year ...... | Make .............. | Model ............. | ............ |

| Real estate | | |
|---|---|---|
| Building | None | |
| Land | None | |
| Rental properties | None | |
| Investment | None | |
| Commercial | None | |
| Other | | |
| Stocks | None | |
| Bonds | None | |

| | | |
|---|---|---|
| Other assets (specify) | [redacted] | [redacted] |
| | [redacted] | [redacted] |
| Total assets | | $ [redacted] |

| Liabilities | Details | Amount |
|---|---|---|
| Current liabilities | | |
| Accounts payable | | [redacted] |
| [redacted] | | [redacted] |
| Vehicle loans(s) | [redacted] | [redacted] |
| [redacted] | | [redacted] |
| | | [redacted] |
| Credit cards | [redacted] | [redacted] |
| Lines(s) of credit | [redacted] | [redacted] |
| Bank loan(s) | [redacted] | [redacted] |

Long-term liabilities [redacted] ........ [redacted]

[redacted] ........ [redacted]

Mortgages [redacted] ........

Other (specify) [redacted] ........ [redacted]

Total liabilities ........ $ [redacted]

Net worth (assets minus liabilities) $ [redacted]

For rental properties owned, give names and telephone numbers of tenants:

None

I understand that this offer is only a proposed payment arrangement and must be reviewed and approved by a collections officer before it is effective.

Main Infrastructure Ltd. ........ (hereafter the Corporation) acknowledges that it owes the Canada Revenue Agency (CRA) under the

- Excise Tax Act

the sum of $ 863,575.63 ........ as of March 23, 2022 ........ for the upto 2022 JAN .. tax year. The Corporation promises to pay the monthly amount of $......... until the outstanding debt is paid in full. The first payment will be made on .............. by cheque drawn on ................... or by electronic payment from ................................ To be discussed after review by CRA Officer

The corporation will file all tax returns on time, and it will send all amounts by the date they are due. The corporation knows that for future assessments, the Canada Revenue Agency will change the payment schedule as needed to reflect any increase in the corporation's debt. If the corporation's financial situation or business changes, the corporation will tell the Canada Revenue Agency.

MAIN INFRASTRUCTURE LTD.

By: ............................ Date: April 14-2022 ........
(signature)

ATTACHMENT PAGE 5 Account Number 79049 7085 RT0001

Name: PAULA SOARES.......
Title: ..PRESIDENT..........

I am authorized to bind ..............................................

Accountant's name: .[redacted]....................
Accountant's telephone number: ...[redacted]........................
Letter of consent on file: Yes.[redacted]. No.....
Supporting documents included? [redacted]................

Please send or deliver the completed form with supporting documentation to:

A. Mezher
National Sub-ledger/Ontario Regional
333 Laurier Ave. W.
Ottawa ON K1A 0L9

You may also submit your scanned documents using My Business Account. IMPORTANT: In order to make sure that your documents reach us, on the "Submit documents" page, select "I do not have a case reference number." Then, from the drop-down list of topics, select "Collection officer requested documents". For more information, go to canada.ca/cra-submit-documents-online.

This is **Exhibit "B"** referred to
in the Affidavit of Paula Alexandra Esteves Soares
sworn before me, the 14th day of July, 2022.

______________________________
A Commissioner etc.

Ryan Petrovski
LSO No.: 80081E

**From:** Brad Kerkhof <bkerkhof@stillwatercapital.ca>
**Sent:** July 8, 2022 10:04 AM
**To:** Dennis Solanki <Dennis@maininfrastructure.com>
**Cc:** Paula Soares <Paula@maininfrastructure.com>; Don Pagnutti <dpagnutti@stillwatercapital.ca>
**Subject:** FW: Financing Opportunity: Municipal Paving & Maintenance Company

Dennis,

Here is another positive response from a lender. We are still in discussions with Akiva – they are seeking a formal appraisal.

Best,
Brad

**Brad Kerkhof**
Associate
**Stillwater Capital Corporation**
905-845-4340 x250
bkerkhof@stillwatercapital.ca
stillwatercapital.ca

**From:** Akiva Aronson <aaronson@firmcapital.com>
**Sent:** June 17, 2022 10:56 AM
**To:** Brad Kerkhof <bkerkhof@stillwatercapital.ca>
**Subject:** RE: Financing Opportunity: Municipal Paving & Maintenance Company



Hi Brad

Thanks for sending. We would look at lending on the real estate, in this market I would offer up to 65% LTV first mortgage financing. Rate would be 8 +2

LMK

Akiva

**From:** Brad Kerkhof <bkerkhof@stillwatercapital.ca>
**Sent:** June 17, 2022 10:31 AM
**To:** Akiva Aronson <aaronson@firmcapital.com>
**Subject:** RE: Financing Opportunity: Municipal Paving & Maintenance Company

Good morning Akiva,

Yes, there is real estate that is expected to be used as collateral.

Attached is the financing deck. I would be happy to have a call to discuss at your convenience.

Please let me know if you have any questions or additional information requests at this stage.

Best regards,
Brad

**Brad Kerkhof**
Associate
**Stillwater Capital Corporation**
905-845-4340 x250
bkerkhof@stillwatercapital.ca
stillwatercapital.ca

**From:** Akiva Aronson <aaronson@firmcapital.com>
**Sent:** June 15, 2022 3:49 PM
**To:** Brad Kerkhof <bkerkhof@stillwatercapital.ca>
**Subject:** RE: Financing Opportunity: Municipal Paving & Maintenance Company



Hi Brad

Thanks for sending. if there is real estate to finance we can look at it.

Best

Akiva

-------- Original message --------
From: Brad Kerkhof <bkerkhof@stillwatercapital.ca>
Date: 2022-06-15 3:45 p.m. (GMT-05:00)
To: Akiva Aronson <aaronson@firmcapital.com>
Subject: Financing Opportunity: Municipal Paving & Maintenance Company

Hello Akiva,

We have been engaged by a client to source $2M in financing to fund growth, working capital, and current debt repayments. There is also an opportunity to replace the existing debt of $4.2 million for total potential financing of up to $6.2 million.

The company provides asphalt paving, concrete, and other related road maintenance services. It primarily serves and has signed large contracts with municipalities in the greater Toronto area.

We have prepared a financing deck for your review once your interest is confirmed. Please let me know if you would like further information or if you have a few minutes for a quick call to discuss. You can book some time in my calendar here.

Best regards,
Brad

**Brad Kerkhof**
Associate

**Stillwater Capital Corporation**
2010 Winston Park Drive, Suite 401
Toronto (Oakville), ON L6H 5R7
Phone: 905-845-4340 x250
Email: bkerkhof@stillwatercapital.ca

**Learn more about Stillwater**
Web | LinkedIn | Twitter

Court File No. CV-22-00683684-00CL

**ROYAL BANK OF CANADA**
Applicant

- and -

**MAIN INFRASTRUCTURE LTD. et al.**
Respondents

***ONTARIO***
**SUPERIOR COURT OF JUSTICE**
**COMMERCIAL LIST**

PROCEEDINGS COMMENCED AT
TORONTO, ONTARIO

**RESPONDING AFFIDAVIT OF PAULA ALEXANDRA ESTEVES SOARES**
**SWORN JULY 14, 2022**

**RAR LITIGATION LAWYERS**
Professional Corporation
1 West Pearce Street, Suite 505
Richmond Hill, Ontario
L4B 3K3

**Sara Mosadeq**
**LSO No.: 67864K**
Tel: 905-731-8100 ext. 213
sara@rarlitigation.com

Lawyers for the Respondents,
Main Infrastructure Ltd., Kstone Investment Corporation, and 2666492 Ontario Ltd.

Court File No.: CV-22-00683684-00CL

**ROYAL BANK OF CANADA** - and - **MAIN INFRASTRUCTURE LTD. et al.**
Applicant Respondents

***ONTARIO***
**SUPERIOR COURT OF JUSTICE**
**(COMMERCIAL LIST)**

Proceedings commenced at Toronto

**SUPPLEMENTARY RESPONDING APPLICATION RECORD**

**RAR LITIGATION LAWYERS**
Professional Corporation
1 West Pearce Street, Suite 505
Richmond Hill, Ontario
L4B 3K3

**Sara Mosadeq**
**LSO No.: 67864K**
Tel: 905-731-8100 ext. 213
sara@rarlitigation.com

Lawyer for the Respondents,
Main Infrastructure Ltd., Kstone
Investment Corporation and 2666492
Ontario Ltd.