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 THIRD REPORT TO COURT

Pursuant to Section 50.4(7)(b)(ii) of the *Bankruptcy and Insolvency Act* (Canada)

SEPTEMBER 3, 2020

Grant Thornton

Grant Thornton Limited
Suite 1600, 333 Seymour Street
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INTRODUCTION AND BACKGROUND

1. This report (this "**Third 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. Metric Modular is a modular construction company specializing in designing, building, delivering, and installing affordable multi-family and market housing, student accommodation and education space, hotels, workforce accommodation, and high-performance energy efficient modular buildings. The Company's head office and main production facility is located at 1825 Tower Road, Agassiz, British Columbia.

3. 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., an Alberta based corporation located in Lethbridge, Alberta.

4. On June 30, 2020, the Supreme Court of British Columbia in Bankruptcy and Insolvency (the "**Court**") granted an order (the "**First Extension Order**") that, among other things, extended the time for Metric Modular to file a Proposal with the Official Receiver to and including August 15, 2020. A copy of the First Extension Order is attached hereto as **Appendix "1"**.

5. On August 14, 2020, the Court granted an order (the "**Second Extension Order**") that, among other things, extended the time for Metric Modular to file a Proposal with the Official Receiver to and including September 29, 2020. A copy of the Second Extension Order is attached hereto as **Appendix "2"**.

6. The first, second, and third affidavits of Joel Holloway, Chief Financial Officer, sworn on June 23, 2020 and August 11, 2020, respectively (collectively, the "**Holloway Affidavits**") and the Proposal Trustee's Reports to Court dated June 23, 2020 (the "**First Report**") and August 10, 2020 (the "**Second Report**") provide additional background on the Company and the events leading up to the Filing Date. Copies of the Holloway Affidavits, the First Report, and the Second Report are available on the Proposal Trustee's case website (the "**Case Website**"): www.GrantThornton.ca/MetricModular.

7. The affidavit of Stephen Branch sworn on September 2, 2020 (the "**Branch Affidavit**"), filed in connection with the Company's NOI proceedings (these "**Proceedings**"), describes, *inter alia*, the rationale for the requested relief.

8. This Third Report is submitted by the Proposal Trustee in conjunction with Metric Modular's motion for an order approving the Asset Purchase Agreements entered into by the Company pursuant to the Sale Process and an order pre-authorizing the sale of the Remaining Assets by the Company (each of which is defined herein).

PURPOSE OF THIS THIRD REPORT

9. The purpose of this Third Report is to provide the Court with further information related to the relief sought by the Company. This Third Report specifically provides for the Proposal Trustee's comments on the sale process conducted by the Company for the sale of certain inventory and fixed assets (the "**Sale Process**") and the results of same.

10. This Third Report should be read in conjunction with the Branch Affidavit and the Holloway Affidavits as such affidavits contain additional background information concerning Metric Modular, its structure, the business activities, and the Sale Process.

RESTRICTIONS

11. In preparing this Third 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.

12. 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 Third Report is based on the information (financial or otherwise) made available to the Proposal Trustee by the Company.

13. This Third Report has been prepared for the use of this Court and the Company's stakeholders as general information relating to Metric Modular and to assist the Court in determining whether to grant the relief sought by the Company. Accordingly, the reader is cautioned that this Third 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 Third Report contrary to the provisions of this paragraph.

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

15. Capitalized terms not defined in this Third Report have the meanings ascribed to them in the Holloway Affidavits, the First Report and/or the Second Report.

ASSET SALE PROCESS

16. As outlined in the Second Report, on August 4, 2020, the Company commenced the Sale Process to solicit offers on its assets, consisting mainly of building materials, construction equipment, and tools (the "**Assets**"). An overview of the Sale Process and the results of same is included below. A detailed account of the Sale Process and the results of same are included in the Branch Affidavit.

Development of the Sale Process

17. In summary, and as detailed further in the Branch Affidavit, the Sale Process consisted of:

(a) dividing the Assets into 902 individual asset "lots" (collectively, the "**Lots**" and individually, a "**Lot**") and grouping them into four (4) different parcels (collectively, the "**Parcels**"), whereby three (3) of which were also broken down into further sub-parcels (collectively, the "**Sub-Parcels**") as follows:

Parcel	Description
Parcel A	An en-bloc option containing for the purchase of all 902 Lots
Parcel B	All of the equipment and tools (consisting of 22 Sub-Parcels containing 406 Lots)
Parcel C	All building materials (consisting of 21 Sub-Parcels containing 478 Lots)
Parcel D	All office and IT equipment (consisting of 8 Sub-Parcels containing 18 Lots)

(b) allowing bidders to submit offers by Parcel, Sub-Parcel, or individual Lot; and

(c) awarding the Assets to bidders of Parcels or Sub-Parcels only if their bids exceeded the total bids for individual Lots within each such Parcel and/or Sub-Parcel.

18. The Company, in consultation with the Proposal Trustee, prepared a package (the "**Tender Package**") in support of the Sale Process that contained, among other things:

(a) a summary describing the opportunity and outlining the terms and conditions of the Sale Process;

(b) an offer form (the "**Offer Form**") outlining the available Parcels/Sub-Parcels/Lots for interested parties to complete in submitting their bids;

(c) detailed descriptions of each of the individual Lots including pictures, where applicable; and

(d) a form of asset purchase agreement (the "**Asset Purchase Agreement**") to be submitted by interested parties along with the completed Offer Form.

19. The Sale Process was launched on August 4, 2020 with a bid deadline of August 26, 2020 at 11:59 pm (the "**Bid Deadline**").

Marketing of the Sale Process

20. Upon launching the Sale Process, Metric Modular engaged in various efforts to market the Assets to relevant parties including but not limited to: contractors, material suppliers, customers, trade associations, and auctioneers located in British Columbia, Alberta, and Washington State (collectively, the "**Potential Purchasers**"). The Company's marketing efforts included, among other things:

(a) updating its website to include a listing of the Assets, a description of the Sale Process, and a copy of the Tender Package for download (the "**Sale Process Webpage**");

(b) having the Proposal Trustee post a link to the Sale Process Webpage on its Case Website;

(c) sending out 10,997 emails advertising the Sale Process to Potential Purchasers;

(d) implementing an online marketing effort through Kijiji; and

(e) making sales calls to specific contractors and building supply companies which the Company had identified as likely purchasers.

Results of the Sale Process

21. As at the Bid Deadline, the Company received 26 bids from the following Potential Purchasers (collectively, the "**Bidders**" and collectively, the "**Submitted Bids**"):

(a) 1 auction company;

(b) 1 reseller;

(c) 3 individuals;

(d) 6 building supply companies;

(e) 7 modular construction companies; and

(f) 8 contractors

22. The Submitted Bids included bids ranging from single Lots to Submitted Bids for the entirety of the 902 Lots for consideration of $400,000 and $301,000. Upon reviewing the Submitted Bids, the Company determined that the acceptance of the following 21 Submitted Bids (collectively, the "**Accepted Bids**", whereas the Bidders submitting same are collectively referred to as, the "**Accepted Bidders**") represented the highest value for the Assets included in the Sale Process:

Bidder Type	Number of Bidders	Total Consideration
Modular Construction Companies	7	$ 259,690
Building Supply Companies	6	197,805
Contractors	8	83,487
Resellers	1	81,811
Individuals	1	152
	21	**$ 622,945**

23. As at the date of this Third Report, the Company has entered into Asset Purchase Agreements (in the form provided for in the Tender Package) with each of the Accepted Bidders, copies of which have been attached to the Branch Affidavit as Exhibit "A".

Remaining Assets

24. The Company has reviewed the Lots that received no bids in the Sale Process (collectively, the "**Remaining Assets**") and estimates that the total book value of the Remaining Assets is approximately $47,500. The Remaining Assets consist of, among other things, obsolete or job specific building materials, low value items specific to the operations of Metric Modular, and specialty rolls of thin gauge metal cut to a non-standard measure. The Company estimates that the realizable value of the Remaining Assets is immaterial, however, the sale of these assets for nominal consideration will eliminate the need for Metric Modular to incur additional costs to dispose of same.

25. Given the immaterial value of the Remaining Assets, the Proposal Trustee believes the Company's strategy regarding the disposition is reasonable in the circumstances.

CONCLUSION AND RECOMMENDATION

26. After monitoring the execution of the Sale Process and reviewing the results of same, the Proposal Trustee is of the view that the requirements pursuant to subsection 65.13(4) of the BIA have been satisfied as:

    (a) the Proposal Trustee is of the view that the Assets of the Company have been adequately exposed to the market through the Sale Process and that the Sale Process provided for a process that is commercially reasonable in the circumstances;

    (b) the Sale Process was developed in consultation with the Proposal Trustee;

(c) the Company has advised that its primary secured creditor, ATB Financial, was consulted prior to the commencement of the Sale Process and has accepted the results of same;

(d) the Proposal Trustee is of the view that the Accepted Bids represent consideration that is more beneficial to the Company's creditors than a sale or disposition under a bankruptcy as the trustee in bankruptcy would undertake a similar process to sell the Assets, resulting in costs in addition to those incurred by the Company in executing the Sale Process; and

(e) the Accepted Bids submitted by the Accepted Bidders represent the highest monetary recovery for the benefit of Metric Modular's stakeholders.

27. Based on the above, the Proposal Trustee supports the Company's request for an order approving the Asset Purchase Agreements and an order pre-authorizing the sale of the Remaining Assets by the Company.

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.

Jason Knight, CPA, CA, CIRP, LIT
Vice President

APPENDIX 1

[ATTACHED]

COURT FILE NO. VLC-S-B-200257
ESTATE NO. 11-2649058
VANCOUVER REGISTRY

IN THE 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. dba METRIC MODULAR

ORDER MADE AFTER APPLICATION

BEFORE THE HONOURABLE JUSTICE GROVES	TUESDAY, THE 30TH DAY OF JUNE, 2020

ON THE APPLICATION of Triple M Modular Ltd. dba Metric Modular ("**Metric Modular**"), coming on for hearing at Vancouver, on the 30th day of June, 2020, via telephone, and on hearing J. Reilly Pollard, counsel for Metric Modular; Lance Williams, counsel for Grant Thornton Limited in its capacity as Proposal Trustee; and Pantelis Kyriakakis, counsel for ATB Financial; and no one else appearing:

THIS COURT ORDERS that:

1. The time for filing a proposal by Metric Modular be and is hereby extended from 11:59pm on Wednesday July 1, 2020 to 11:59pm on August 15, 2020.

2. The stay of proceedings against Metric Modular be and is hereby extended from 11:59pm on Wednesday July 1, 2020 to 11:59pm on August 15, 2020.

3. A priority charge is hereby granted over the assets of Metric Modular in the amount of $200,550 to fund a Key Employee Retention Plan (the "**KERP Charge**"). The KERP Charge shall have priority over all security interests and statutory charges affecting the assets of Metric Modular, including any deemed trust in favour of the federal or provincial Crown.

4. ATB Financial is unaffected by these proceedings to the extent of their perfected secured claim against the assets of Metric Modular with the sole exception that the KERP Charge shall have priority over their claim.

5. The time for service of the application materials in this matter be and is hereby abridged such that the application is properly returnable June 30, 2020.

6. Endorsement of this Order by counsel appearing on this application, other than counsel for Metric Modular, is hereby dispensed with.

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:

RP

J. Reilly Pollard, Counsel for Metric Modular

BY THE COURT

REGISTRAR *IN BANKRUPTCY*

APPENDIX 2

[ATTACHED]

COURT FILE NO. VLC-S-B-200257
ESTATE NO. 11-2649058
VANCOUVER REGISTRY

IN THE 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. dba METRIC MODULAR

ORDER MADE AFTER APPLICATION

BEFORE THE HONOURABLE JUSTICE BRUNDRETT

FRIDAY, THE 14TH DAY OF AUGUST, 2020

ON THE APPLICATION of Triple M Modular Ltd. dba Metric Modular ("**Metric Modular**"), coming on for hearing at Vancouver, BC on the 14th day of August, 2020, via telephone, and on hearing J. Reilly Pollard, counsel for Metric Modular; Jared Enns, counsel for Grant Thornton Limited in its capacity as Proposal Trustee; Jeffrey Smith, appearing on his own behalf, and no one else appearing:

THIS COURT ORDERS that:

1. The time for filing a proposal by Metric Modular be and is hereby extended from 11:59pm on August 15, 2020 to 11:59pm on September 29, 2020.

2. The stay of proceedings against Metric Modular be and is hereby extended from 11:59pm on August 15, 2020 to 11:59pm on September 29, 2020.

3. The time for service of the application materials in this matter be and is hereby abridged such that the application is properly returnable August 14, 2020.

4. Endorsement of this Order by:

(a) Jared Enns, counsel for Grant Thornton Limited, in its capacity as Proposal Trustee; and

(b) Jeffrey Smith,

is hereby dispensed with.

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:

J. Reilly Pollard, Counsel for Metric Modular

BY THE COURT

REGISTRAR IN BANKRUPTCY

CHECKED