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

AUGUST 10, 2020

Grant Thornton

Grant Thornton Limited
Suite 1600, 333 Seymour Street
Vancouver, BC
Canada
V6B 0A4

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INTRODUCTION AND BACKGROUND

1. This report (this "**Second 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. 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".**

3. 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 (the "**Agassiz Facility**"). 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**").

4. 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.

5. Prior to and shortly after the Filing Date, the Company performed an analysis to determine the profitability of each of its 29 approved and/or active customer projects to determine which projects it would complete during these NOI proceedings. Upon completing the analysis, the Company decided to complete 23 of the 29 projects (collectively, the "**Remaining Projects**") by no later than August 2020. The Remaining Projects specifically exclude the Gibsons Project, which is defined and discussed in detail later in this Second Report.

6. The first and second affidavits of Joel Holloway, Chief Financial Officer, both sworn on June 23, 2020 (the "**First Holloway Affidavit**" and the "**Second Holloway Affidavit**", respectively), and the Proposal Trustee's First Report to Court dated June 23, 2020 (the

"**First Report**") provide additional background on the Company and the events leading up to the Filing Date. Copies of the First Holloway Affidavit, the Second Holloway Affidavit, and the First Report are available on the Proposal Trustee's case website: www.GrantThornton.ca/MetricModular.

7. The affidavit of Joel Holloway sworn on August 10, 2020 (the "**Third Holloway Affidavit**", together with the First Holloway Affidavit and the Second Holloway Affidavit, the "**Holloway Affidavits**"), filed in connection with the Company's NOI proceedings (these "**Proceedings**"), describes, *inter alia*, the rationale for the requested relief.

8. This Second 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, and extended to August 15, 2020, for 45 days up to and including September 29, 2020.

PURPOSE OF THIS SECOND REPORT

9. The purpose of this Second Report is to provide the Court with further information related to the relief sought by the Company. This Second Report specifically provides:

    (a) information on the Proposal Trustee's activities since the First Extension Order;

    (b) information on the Company's activities since the First Extension Order;

    (c) the Proposal Trustee's comments and report on the Company's revised cash flow projection (the "**Second Cash Flow Projection**") for the period of August 1, 2020 to October 30, 2020 (the "**Second Cash Flow Period**");

(d) the Proposal Trustee's comments on the state of the Company's business and financial affairs since the NOI Filing Date, including the receipts and disbursements of Metric Modular; and

(e) a discussion of the Company's request for an extension of the stay of proceedings to September 29, 2020.

10. This Second 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

11. In preparing this Second 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. Some of the information used in preparing this Second Report consists of financial projections, including the Second 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 Second 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 Second Report did not constitute an audit of such information under GAAP, IFRS, or GAAS.

13. The Proposal Trustee also bases this Second 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).

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

15. This Second 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 Second 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 Second Report contrary to the provisions of this paragraph.

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

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

OVERVIEW OF THE PROPOSAL TRUSTEE'S ACTIVITIES

18. Since the issuance of its First Report, the Proposal Trustee has performed the following key activities:

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

(b) filing a copy of the First Extension Order with the Official Receiver;

(c) continuing to review and evaluate the state of the Company's business and financial affairs in accordance with section 50.4(7)(b)(ii) of the BIA;

(d) corresponding with the Company's management and Metric Modular's restructuring counsel, Lindsay Kenney LLP ("**LK Law**");

(e) comparing the actual receipts and disbursements to the Initial Cash Flow Projection (as defined herein) and documenting reasons for variances, if any;

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

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

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

(i) assisting the Company in developing the Sale Process (as defined and described herein);

(j) assisting the Company in preparing the Second Cash Flow Projection from August 1, 2020 to October 30, 2020, along with the prescribed forms, in order to satisfy section 50.4(2)(a) of the BIA;

(k) reviewing the assignment of Gibsons Project (as described and defined herein); and

(l) preparing this Second Report.

SALE OF INVENTORY PRIOR TO FILING DATE

19. Prior to the Filing Date, the Company sold to a related company, Triple M Housing, various inventory and equipment (collectively, the "**Sold Assets**") located at the Penticton Facility, with an aggregate book value of $208,828. Under the terms of the sale, Metric Modular received cash consideration equal to the book value of the Sold Assets (i.e. $208,828) subsequent to the Filing Date. The Proposal Trustee confirms that the cash consideration was received by Metric Modular and is reflected in the Company's actual receipts from the Filing Date.

20. The Proposal Trustee understands from the Company that the cash consideration received for the Sold Assets (i.e. the book value) exceeds the market value of same. Based on the Proposal Trustee's review of the Sold Assets, and its experience in liquidating similar assets, the cash consideration received from Triple M Housing appears to be fair and reasonable in the circumstances. Notwithstanding this, following the completion of the Sale Process (defined and discussed below), the Proposal Trustee

intends to compare the consideration received from potential bidders on similar assets to ensure the cash consideration received for the Sold Assets is fair and reasonable.

ASSET SALE PROCESS

21. On August 4, 2020, the Company commenced a sale process (the "**Sale Process**") to solicit offers on, among other things, its inventory, tools and equipment. The Sale Process and the progress made by the Company on same is summarized as follows:

   (a) the details of the Sale Process were posted to the Company's website on July 31, 2020 and subsequently posted to the Proposal Trustee's Case Website;

   (b) the details of the Sale Process were distributed via email by the Company to approximately 8,665 parties on August 4, 2020 and August 5, 2020. The parties who received the information included (i) parties identified by the Company as potentially interested parties; (ii) parties that had previously subscribed to the Company's email distribution list; (iii) parties that had expressed an interest in the Company's assets to either the Proposal Trustee and / or the Company; and (iv) various auctioneers;

   (c) the Company's assets have been segregated into various parcels, sub-parcels and lots. Interested parties will have an opportunity to submit an *en bloc* offer for all assets or bid on the individual parcels, sub-parcels or lots;

   (d) the deadline for the submission of offers by interested parties is August 26, 2020 at 11:59 pm PDT (the "**Bid Deadline**"), resulting in an approximate three (3) week timeline for parties to submit offers; and

   (e) the Sale Process utilized by the Company is similar to those conducted in other insolvency proceedings. For example, the Company is requesting offers on an "as is, where is" basis, and any sale will be subject to Court approval, as required, pursuant to the BIA.

22. Following the Bid Deadline, the Company will review all offers submitted and seek Court approval of any sale(s). As any sale of these assets would be outside of the ordinary course of business, the Proposal Trustee will comment on the items outlined in section 65.13 of the BIA in a future report to the Court. As at the date of this Second Report, the Proposal Trustee can provide the following commentary on the Sale Process:

(a) the Sale Process developed and currently underway is reasonable in the circumstances;

(b) the Proposal Trustee assisted in the development of and reviewed the final Sale Process documents, and is supportive of the approach; and

(c) the Company's secured creditor and primary economic stakeholder, ATB, is supportive of the Sale Process.

GIBSONS PROJECT CONTRACT ASSIGNMENT

23. As detailed in the First Report, subsequent to the Filing Date, the Company continued to complete a project (defined as the "**Gibsons Project**") pursuant to an agreement between Metric Modular and BC Housing Management Commission ("**BC Housing**"). Upon request by Metric Modular, Northbridge General Insurance Corporation, issued performance bonds and labour and material payment bonds (collectively, the "**Bonds**") on behalf of Metric Modular in respect of work performed by Metric Modular on the Gibsons Project.

24. As also outlined in the First Report, the Company had concluded that a cash loss would result if the Gibsons Project was completed due to the length of the Gibsons Project and the significant resources required for the execution of same. As such, prior to and after the Filing Date, the Company has been working to assign the Gibsons Project to Triple M Housing. As the Company continued to work with the various stakeholders to assign the Gibsons Project, the Company continued work on same to ensure it remained on schedule, thus limiting any delays upon the assignment being completed.

<u>Gibsons Assignment Agreement</u>

25. On July 27, 2020, the Gibsons Project was assigned to Triple M Housing pursuant to an assignment agreement dated June 15, 2020, as amended (collectively, the "**Gibsons Assignment Agreement**"). A copy of the Gibsons Assignment Agreement is attached to the Third Holloway Affidavit as Exhibit "A", with its key terms summarized below:

(a) the effective date of the assignment was June 15, 2020 ("**Effective Date**");

(b) as at the Effective Date, Metric Modular assigned, transferred, and set over absolutely and unconditionally unto Triple M Housing all of its right, title, and interest in the Gibsons Project;

(c) as at the Effective Date, Triple M Housing assumed all obligations pursuant to the Gibsons Project, including but not limited to, any warranties on same;

(d) BC Housing consented to the assignment and the terms outlined therein; and

(e) Triple M Housing is to pay to Metric Modular cash consideration of $456,783 (the "**Assignment Consideration**").

26. The Proposal Trustee has reviewed the Gibsons Assignment Agreement and the analysis prepared by the Company to support the Assignment Consideration payable by Triple M Housing to Metric Modular. The Proposal Trustee offers the following comments in this regard:

(a) BC Housing is supportive of the assignment, being that it was party to the agreement;

(b) as Metric Modular is in the process of winding-down its business, it will not have the resources to complete the Gibsons Project, which is expected to be completed in January 2021. As previously outlined, the Remaining Projects are all expected to be completed by August 2020 and, as such, the Company would have to continue operating for an additional five (5) months to complete the Gibsons Project. As this would be the only project being completed, the overhead costs required to keep the Company operating would render the Gibsons Project unprofitable (i.e. as all overhead and costs would be absorbed by the Gibsons Project rather than being spread amongst multiple projects, as would be the case with Triple M Housing);

(c) the Assignment Consideration reflects the estimated fair market value of the Gibsons Project (as detailed below);

(d) the Company's secured creditor and primary economic stakeholder, ATB, was and is supportive of the assignment; and

(e) Metric Modular has not yet received the Assignment Consideration proceeds, however, it is projected to receive same during the week ending August 14, 2020, which is reflected in the Second Cash Flow Projection.

Calculation of Assignment Consideration

27. Based on the analyses prepared by the Company, in consultation with Triple M Housing, the Assignment Consideration has been calculated as follows:

Post Assignment Cash Inflows		
Projected Revenue	$	6,915,620
Invoiced		(3,785,636)
Holdbacks		378,564
Total Post Assignment Cash Inflows [A]		3,508,548
Post Assignment Cash Outflows		
Forecasted Project Costs		(5,907,886)
Costs Incurred to Date		3,083,700
Assigned AP/HB Payable		(4,153)
Remaining Metric Spend		150,000
Financing Charge		(31,046)
Total Post Assignment Cash Outflows [B]		(2,709,385)
Budgeted Project Cash Flow [C = A + B]		799,163
Adjustments		
Margin Adjustment		(305,798)
Cost of Capital Charge		(36,582)
Total Adjustments [D]		(342,380)
Assignment Price [C + D]	**$**	**456,783**

Post Assignment Cash Flows – represents the remaining collections / cash inflows to be received throughout the completion of the Gibsons Project (i.e. the contract value less the amounts invoiced and collected).

Post Assignment Cash Outflows – represents the forecasted cash outflows required to complete the Gibsons Project, based on the Company's internal project management estimates used to bid on the Gibsons Project, as well as the payment of certain pre-filing accounts payable.

Margin Adjustment – reflects an adjustment to the budgeted net cash flow for the Gibsons Project to account for the inherent risks in completing same. Historically, the Company has generated a margin of approximately 5% in completing similar projects, which would result in a margin adjustment of $156,499, however, Metric Modular and Triple M Housing have assumed that the Gibsons Project will generate a 0% margin (i.e. breakeven) due to the resulting inefficiencies and additional work required by Triple M Housing to assume responsibility of the Gibsons Project. The margin adjustment includes any costs that may be incurred by Triple M Housing in fulfilling the required warranty under the Gibsons Project. Both Metric Modular and Triple M Housing have advised that a breakeven margin for the remainder of the Gibsons Project is reasonable in the circumstances given the project management team has had the opportunity to tender much of the remaining work to give reasonable assurance to Triple M Housing that a breakeven margin is a reasonable allocation of risk / reward for its completion of the Gibsons Project.

Cost of Capital Charge – represents an adjustment to reflect the net present value of the cash flow generated from the Gibsons Project, which is expected to be completed on or around January 2021, at a rate of return of 18%.

28. Based on the foregoing and the Proposal Trustee's review, the Proposal Trustee is supportive of the Gibsons Assignment Agreement and believes that the Assignment Consideration to be paid by Triple M Housing is fair and reasonable in the circumstances.

PRE-FILING PAYMENTS

29. The Company issued / intends to issue certain payments to creditors who are owed amounts for work performed prior to the Filing Date (collectively, the "**Pre-Filing Amounts**"). Details of these Pre-Filing Amounts are summarized in the table immediately below and discussed thereafter.

Pre-Filing Payment	Pre-Filing Amount
G3 Project	$ 136,788
UBC Project	36,983
Property Taxes	54,732
Gibsons Project	52,177
Project Manager	10,004
Total Pre-Filing Payments	**$ 290,684**

Peter Kiewit G3 Project and UBC Health Services Building Project

30. The Company intends to issue payments to vendors / creditors that are owed amounts for work performed prior to the Filing Date in relation to the Peter Kiewit G3 Project (the "**G3 Project**") and the UBC Health Services Building Project (the "**UBC Project**", together with the G3 Project, the "**Projects**"), for the following reasons:

(a) pursuant to the relevant contracts between Metric Modular and the Project owners, the issuance of a statutory declaration is required to receive the remaining payments owing from the Project owners;

(b) the statutory declarations require that the Company issue payments to certain pre-filing creditors, some of which have lien rights and some of which do not;

(c) the Project owners are not willing to deviate from the requirement for a statutory declaration to be issued nor are they agreeable to the issuance of a revised statutory declaration that would carve-out any Pre-Filing Amounts;

(d) all of the site-work on the Projects has been completed whereby the only remaining work required is the submission / approval of the close-out documents and other miscellaneous documentation; and

(e) the Company has arranged for Triple M Housing to assume the warranty work on each of the Projects;

31. The Proposal Trustee further understands that the Projects, after the payment of lienable and non-lienable vendors / sub-trades, will generate a net cash inflow of approximately $270,109, summarized as follows:

	G3 Project	UBC Project	Total
Remaining Project Receipts			
Progress Draws	$ 84,000	$ 52,033	$ 136,033
Holdback	291,000	161,000	452,000
Liens Paid / Removed by Project Owners	-	(144,153)	(144,153)
Total Project Receipts	375,000	68,880	443,880
Outstanding Accounts Payable (Pre-Filing)			
Vendors with Lien Rights	116,275	-	116,275
Vendors without Lien Rights	20,513	36,983	57,496
Total Outstanding Accounts Payable	136,788	36,983	173,771
Net Project Cash Inflow	**$ 238,212**	**$ 31,897**	**$ 270,109**

32. With respect to the payment of the Pre-Filing Amounts for the Projects totaling approximately $173,771 ($136,788 + $36,983), as outlined in the above table, the Company's counsel reviewed this matter and confirmed the following:

(a) approximately $116,275 is owing to vendors / creditors that will likely have lien rights under the *Builders Lien Act* (British Columbia) (the "**BLA**"); and

(b) the remaining amount (i.e. $57,496) is owing to vendors / creditors that likely do not have lien rights, however, these creditors will likely have trust claims over the proceeds received from the Project owners pursuant to Section 10 of the BLA.

Property Taxes

33. The Company intends to issue payment on account of property taxes owing pursuant to the lease agreement for its Agassiz Facility which, under the terms of the lease, are due and payable on July 31, 2020. This payment would include $54,732 of property taxes assessed for five (5) months prior to the Filing Date (i.e. January 2020 to May 2020). The Company's counsel has advised management that the landlord may have grounds to terminate the lease for the Agassiz Facility if payment for the property taxes is not made by the Company. As at the date of this Second Report, the Company continues to negotiate the payment of the property taxes with the landlord of the Agassiz Facility.

Gibsons Project

34. The Company paid $52,177 in Pre-Filing Amounts owed to vendors / sub-trades for work performed on the Gibsons Project prior to the Filing Date. The payment of these Pre-Filing Amounts was factored into the Assignment Consideration as part of the assignment of the Gibsons Project whereby Metric Modular was essentially reimbursed by Triple M Housing for the payment of the Pre-Filing Amounts associated with the Gibsons Project.

Project Manager

35. A total of $10,004 was paid to a project manager employed by the Company, in relation to the reimbursement of expenses incurred directly by the employee prior to the Filing Date. This employee was determined to be critical for the completion of certain Remaining Projects. Accordingly, the Company issued the above noted payment to ensure the employee continued to provide the services required by the Company.

Proposal Trustee Comments on Pre-Filing Payments

36. The Proposal Trustee is of the view that the Company has acted in good faith with respect to the foregoing, and that the payment of the Pre-Filing Amounts, and other immaterial pre-filing payments (as outlined in the Initial Cash Flow Comparison), were either necessary to support the completion of the Remaining Projects and wind-down of the business or completed inadvertently.

CASH FLOW PROJECTION

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

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

(a) expenses appear to be consistent with the reduced level of operations, completion of the Remaining Projects, and wind-down of the business;

(b) a majority of the forecasted receipts relate to the various Remaining Projects;

(c) the Company has not included receipts for the eventual sale of the assets through the Sale Process as it is unable to accurately estimate the quantum and timing of same at this time;

(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 Second Cash Flow Period; and

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

39. The Proposal Trustee's review of the Second 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 Second 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 Second 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 Second Cash Flow Projection;

(b) as at the date of this Second 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 Second Cash Flow Projection, given the Probable and Hypothetical Assumptions; or

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

PERFORMANCE COMPARED TO THE INITIAL CASH FLOW PROJECTION

40. 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.

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

42. A comparison of Metric Modular's receipts and disbursements to the cash flow projection filed on June 10, 2020, along with the prescribed forms, in order to satisfy section 50.4(2)(a) of the BIA (the "**Initial Cash Flow Projection**") and attached to the First Report as Appendix "1" for the period of June 1, 2020 to September 4, 2020 (the "**Post-Filing Reporting Period**"), with commentary, is attached to this Second Report as **Appendix "3"**.

Proposal Trustee's Comments

43. Actual ending cash was $899,443 as at July 31, 2020 as compared to forecasted ending cash of $822,029, resulting in a net ending favorable cash variance of $77,414.

44. For the Post-Filing Reporting Period, Metric Modular had total cash receipts of $3,141,298, which is approximately $931,000 less than forecasted in the Initial Cash Flow Projection.

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

(a) Project Receipts / Other – an unfavourable variance of $1,125,061 due primarily to timing differences in collections from customers on the following projects: (i) Langley Christian School ($422,562); (ii) School District 73 ($336,688); (iii) UBC Properties Trust ($137,876); and (iv) School District 44 ($109,718), representing $1,006,844 of the unfavorable variance. The Company expects to receive these amounts in due course and has included these project receipts in its Second Cash Flow Projection; and

(b) CEWS – a favourable variance of $111,887 as a result of higher than expected receipts under the Canada Emergency Wage Subsidy program implemented by the Government of Canada.

46. The Cash Flow Projection projected total disbursements of $3,251,136 for the Post-Filing Reporting Period. Actual disbursements for the Post-Filing Reporting Period totaled $2,241,855, resulting in a favourable variance of $1,009,280. The favourable variance in disbursements are primarily a result of the following:

(a) Rent – a favorable variance of $131,256 related to a timing difference in payment of property taxes payable pursuant to the lease agreement for the Agassiz Facility. Payment of these property taxes is being projected in the Second Cash Flow Projection;

(b) Plant Overhead, Selling, General and Administrative, and Plant Project Costs – favorable variances of $119,652, $142,884, and $217,810, respectively, due to cost reductions implemented by the Company which resulted in greater reductions in these disbursements than initially forecasted in the Initial Cash Flow Projection. For example, the favourable variance in Plant Project Costs is due to improved performance on the Remaining Projects versus the budgets for same; and

(c) Settlement of Potential Lien Obligations – a favorable variance of $376,150 due to a combination of: (i) certain customers paying pre-filing lien obligations directly to creditors; (ii) timing differences in with respect to certain of these obligations; and (iii) further information being obtained by the Company to conclude that certain lien obligations are no longer valid.

COMPANY'S REQUEST FOR AN EXTENSION

47. The Company is seeking an extension of the time to file a Proposal with the Official Receiver to September 29, 2020.

48. 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 the Sale Process 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

49. 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 execute the Sale Process, 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.

50. 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

APPENDIX 1

[ATTACHED]

SUPREME COURT OF BRITISH COLUMBIA
SEAL
30-Jun-20
Vancouver
REGISTRY

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*

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

LK LAW
Lindsay Kenney LLP
Barristers & Solicitors
Founded in 1980

Barristers and Solicitors
1800 - 401 West Georgia Street
Vancouver, British Columbia
V6B 5A1
Phone: (604) 687-1323
Attention: J. Reilly Pollard

File no. 20201024

<u>APPENDIX 2</u>

[ATTACHED]

Triple M Modular Ltd. o/a Metric Modular
Second Cash Flow Projection
August 1, 2020 to October 30, 2020

		Week 10	*Week 11*	*Week 12*	*Week 13*	*Week 14*	*Week 15*	*Week 16*	*Week 17*	*Week 18*	*Week 19*	*Week 20*	*Week 21*	*Week 22*	
For the week ending, In CAD	**Notes**	**7-Aug-20**	**14-Aug-20**	**21-Aug-20**	**28-Aug-20**	**4-Sep-20**	**11-Sep-20**	**18-Sep-20**	**25-Sep-20**	**2-Oct-20**	**9-Oct-20**	**16-Oct-20**	**23-Oct-20**	**30-Oct-20**	**Total**
Opening Cash	*1*	899,443	542,426	726,007	915,726	895,682	973,280	1,071,403	1,291,450	1,229,948	1,025,986	1,190,840	1,211,168	1,206,168	899,443
Receipts															
BC Housing - Gibsons	*2*	-	456,783	-	-	-	-	-	-	-	-	-	-	-	456,783
CEWS	*3*	-	-	-	40,656	-	-	20,328	-	-	-	20,328	-	-	81,312
Project Receipts / Other	*4*	-	-	324,462	163,120	260,633	300,000	207,720	-	71,306	168,854	-	-	-	1,496,095
Inventory / Equipment Liquidation	*5*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts		-	456,783	324,462	203,776	260,633	300,000	228,048	-	71,306	168,854	20,328	-	-	2,034,190
Disbursements															
Wages and Benefits	*6*	-	59,516	-	54,076	-	59,103	-	48,503	194,349	-	-	-	-	415,547
Rent	*7*	168,256	-	-	-	82,343	-	-	-	-	-	-	-	-	250,599
Leases		12,919	-	-	-	12,919	-	-	-	12,919	-	-	-	-	38,756
GST		-	-	-	35,000	-	-	-	5,000	-	-	-	5,000	-	45,000
Plant Overhead		4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	-	-	-	-	36,000
Selling, General & Admin		4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	-	-	-	40,000
Site Project Costs	*4*	46,969	46,969	46,969	46,969	-	-	-	-	-	-	-	-	-	187,876
Total Disbursements		236,144	114,485	54,969	144,045	103,262	67,103	8,000	61,503	215,268	4,000	-	5,000	-	1,013,778
Net cashflow from operations		(236,144)	342,298	269,493	59,731	157,372	232,897	220,048	(61,503)	(143,962)	164,854	20,328	(5,000)	-	1,020,412
Other Disbursements															
Legal Counsel Fees		-	15,000	-	-	-	20,000	-	-	20,000	-	-	-	-	55,000
Trustee Fees		-	20,000	-	-	-	20,000	-	-	25,000	-	-	-	-	65,000
Trustee's Legal Counsel Fees		-	10,000	-	-	-	15,000	-	-	15,000	-	-	-	-	40,000
Settlement of Potential Lien Obligations	*8*	120,873	113,717	79,774	79,774	79,774	79,774	-	-	-	-	-	-	-	553,687
Total Non-Operating Disbursements		120,873	158,717	79,774	79,774	79,774	134,774	-	-	60,000	-	-	-	-	713,687
Ending Cash Balance		**542,426**	**726,007**	**915,726**	**895,682**	**973,280**	**1,071,403**	**1,291,450**	**1,229,948**	**1,025,986**	**1,190,840**	**1,211,168**	**1,206,168**	**1,206,168**	**1,206,168**

Management of Triple M Modular Ltd. o/a Metric Modular ("**Metric Modular**" or the "**Company**") has prepared this second forecasted cash-flow statement (the "**Second Cash Flow Projection**") based on probable and hypothetical assumptions detailed in Notes 1 to 8. The Second Cash Flow Projection has been prepared solely for the purpose of supporting the Company's request for an extension of the stay of proceedings under the Notice of Intention to Make a Proposal ("**NOI**"), filed by the Company on June 1, 2020, up to and including September 29, 2020. As such, readers are cautioned that it may not be appropriate for their purposes. The Second Cash Flow Projection 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 Langley in the Province of British Columbia, this 10th day of August 2020.

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

Joel Holloway, CPA, CA
Chief Financial Officer

Grant Thornton Limited
Per:

Jason Knight CPA, CA, CIRP, LIT
Vice President

Triple M Modular Ltd. o/a Metric Modular
Notes to the Second Cash Flow Projection
August 1, 2020 to October 30, 2020

Note 1
The Company had an opening cash balance of $899,442.57 on August 1, 2020, the commencement date of this Second Cash Flow Projection.

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 forecasted that it would incur a cash loss if it were to complete the Gibsons Project. As such, pursuant to an assignment agreement dated June 15, 2020, as amended, between Metric Modular, BC Housing Management Commission, and Triple M Housing Ltd. ("**Triple M Housing**"), a related party, the Gibsons Project was assigned to Triple M Housing for cash consideration of $456,783. The Company anticipates that the receipt of the cash consideration will be received during the week ending August 14, 2020.

Note 3
The amount projected to be received under the Canadian Emergency Wage Subsidy ("**CEWS**") relates to eligible wages paid during the months of July, August and September. It is projected that CEWS will be received approximately 1-2 weeks following submission/payment of related wages.

Note 4
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. Collections forecasted for the months of September and October represent final collections on completed projects, including holdbacks.

Note 5
On August 4, 2020 the Company commenced a sale process (the "**Sale Process**") to solicit offers on, among other things, its inventory, tools and equipment. The Company is seeking "as is, where is" offers on these assets, which have been segregated into parcels, sub-parcels, and lots, by no later than August 26, 2020 at 11:59 pm PDT. As at the date of this Second Cash Flow Projection, the timing and quantum of proceeds of a potential sale cannot be reasonably estimated by the Company and, as such, the Second Cash Flow Projection does not include any proceeds from the Sale Process. 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 6
Projected wages include payments to employees in respect of the Company's Key Employee Retention Program ("**KERP**"), which was approved by the Court pursuant to an order granted on June 30, 2020. The full $200,500 KERP is included in the projected wages.

Note 7
Projected rent includes monthly rent payable for its manufacturing facility located in Agassiz, British Columbia. The payments represented in the Second Cash Flow Projection include base rent, property taxes, and landlord insurance coverage as per the lease agreement.

Note 8
Based on consultations with its legal counsel, the Company has estimated that its will be required to pay approximately $553,687 over the next 13 weeks to creditors that have priority claims pursuant to provisions of the *Builders' Lien Act* (British Columbia) (the "**BLA**"). Approximately $154,816 of the amounts forecasted to be paid in the weeks ending August 7, 2020 (Week 10) and August 14, 2020 (Week 11) relate to two (2) projects: (i) the Peter Kiewit G3 Project and; (ii) the UBC Health Services Building Project.

At this time, the Company is unable to determine the timing of the remaining forecasted payments of $398,871 (i.e. $553,687 - $154,816) to creditors that have priority claims pursuant to provisions of the BLA. As such, for the purposes of the Second Cash Flow Projection, the Company has included a reserve of $79,774 per week for the five (5) weeks ending September 11, 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 August 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 August 2020.

Grant Thornton Limited - Licensed Insolvency Trustee
Per:

Jason Knight - 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 August 2020.

Grant Thornton Limited - Licensed Insolvency Trustee
Per:

Jason Knight - 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/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 10th day of August 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 Langley in the Province of British Columbia, this 10th day of August 2020.

Triple M Modular Ltd. o/a Metric Modular
Debtor

Joel Holloway, CFO
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 Langley in the Province of British Columbia, this 10th day of August 2020.

____
Triple M Modular Ltd. o/a Metric Modular

APPENDIX 3

[ATTACHED]

Triple M Modular Ltd. o/a Metric Modular
Post-Filing Cash Flow Period Comparison
June 1, 2020 to July 31, 2020

	A	B	A - B	
For the week ending, In CAD	**Actual Jun 1/20 to Jul 31/20**	**Post-Filing Reporting Period**	**Favourable / (Unfavourable) Variance**	*Notes*
Opening Cash	$ -	$ -	$ -	
Receipts				
BC Housing - Gibsons	258,678	237,639	21,039	
Triple M Housing	859,885	794,970	64,915	
CEWS	451,887	340,000	111,887	*1*
Project Receipts / Other	1,569,495	2,694,556	(1,125,061)	*2*
Inventory / Equipment Liquidation	1,353	6,000	(4,647)	
Total Receipts	**3,141,298**	**4,073,165**	**(931,867)**	
Disbursements				
Wages and Benefits	(870,514)	(884,850)	14,336	
Rent	(144,686)	(275,942)	131,256	*3*
Leases	(15,304)	(25,000)	9,696	
GST	(5,050)	(35,799)	30,749	
Plant Overhead	(19,168)	(138,820)	119,652	*4*
Selling, General & Admin	(52,474)	(195,358)	142,884	*4*
Plant Project Costs	(134,190)	(352,000)	217,810	*4*
Site Project Costs	(375,305)	(324,476)	(50,829)	
BC Housing - Gibsons Site Costs	(231,856)	(250,000)	18,144	
Total Operating Disbursements	(1,848,547)	(2,482,245)	633,698	
Other Disbursements				
Legal Counsel Fees	(32,948)	(34,737)	1,789	
Trustee Fees	(62,427)	(45,000)	(17,427)	
Trustee's Legal Counsel Fees	-	(15,000)	15,000	
Settlement of Potential Lien Obligations	(10,004)	(386,154)	376,150	*5*
Repayment of Payroll Advance	(287,930)	(288,000)	70	
Total Other Disbursements	(393,308)	(768,891)	375,582	
Total Disbursements	**(2,241,855)**	**(3,251,136)**	**1,009,280**	
Net Cash Flow	899,443	822,029	77,414	
Closing Cash	**$ 899,443**	**$ 822,029**	**$ 77,414**	

Notes on Variances in Excess of $100,000

1 - CEWS - due to higher than expected receipts under the Canada Emergency Wage Subsidy program implemented by the Government of Canada.

2 - Project Receipts / Other - due primarily to timing differences in collections from customers on the following projects: (i) Langley Christian School ($422,562); (ii) School District 73 ($336,688); (iii) UBC Properties Trust ($137,876); and (iv) School District 44 ($109,718), representing $1,006,844 of the unfavorable variance. The Company expects to receive these amounts in due course and has included these project receipts in its Second Cash Flow Projection.

3 - Rent - due to a timing difference in payment of property taxes payable pursuant to the lease agreement for Company's Agassiz Facility. Payment of these property taxes is being projected in the Second Cash Flow Projection.

4 - Plant Overhead, Selling, General & Admin, and Plant Project Costs - due to cost reductions implemented by the Company which resulted in greater reductions in these disbursements than initially forecasted in the Initial Cash Flow Projection. For example, the favourable variance in Plant Project Costs is due to improved performance on the Remaining Projects versus the budgets for same. These variances also include a $15,974 payment to Mastercard for credit card charges and a $3,066 payment to a service provider, relating to goods and services provided prior to the Filing Date, both which were inadvertently withdrawn / paid from the Company's bank account.

5 - Settlement of Potential Lien Obligations - due to a combination of: (i) certain customers paying pre-filing lien obligations directly to creditors; (ii) timing differences in with respect to certain of these obligations; and (iii) further information being obtained by the Company to conclude that certain lien obligations are no longer valid.