

Hfx. No. 507069
Estate No. 51-2743163
Court No. 44783
District of Nova Scotia
Division No. 01-Halifax

**SUPREME COURT OF NOVA SCOTIA
IN BANKRUPTCY & INSOLVENCY**

**IN THE MATTER OF THE PROPOSAL OF
ATLANTIC CRANE & MATERIAL HANDLING LIMITED, LABRADOR
CRANES 2005 LIMITED and LCB RENTALS LIMITED**

FIRST REPORT OF MNP LTD., PROPOSAL TRUSTEE

APPENDICES

APPENDIX A Trustee's and debtor's report on Cash Flow Statement by Person Making a Proposal (Forms 29 and 30) for the Projected Statement of Cash Flow for the Period Ending August 20, 2021.

INTRODUCTION AND LIMITATIONS

1. On June 4, 2021, Atlantic Crane & Material Handling Limited, Labrador Cranes 2005 Limited, and LCB Rentals Limited (the “Company”) (the “Atlantic Crane Group”) filed a Notice of Intention to Make a Proposal (“NOI”) pursuant to the *Bankruptcy and Insolvency Act* (“BIA”) and MNP Ltd. consented to act as trustee of the proposal (the “Proposal Trustee”).
2. This is the Proposal Trustee’s first report to the Nova Scotia Supreme Court (the “Court”) (the “First Report”). All references to currency are in Canadian dollars unless otherwise stated.
3. In preparing the First Report and making the comments herein, the Proposal Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information of the Company, the Company’s books and records, and information from other third-party sources (collectively, the “Information”). The Proposal Trustee has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with generally accepted assurance or other standards established by the Chartered Professional Accountants of Canada.
4. A copy of the First Report and other relevant documents in the Company’s restructuring proceedings will also be made available on the Proposal Trustee’s website at <https://mnpdebt.ca/>

PURPOSE OF THE REPORT

5. The purpose of the First Report is to provide the Court and other interested parties with:
 - a. Background information on the Company, its operations, creditors, current financial state and restructuring efforts to date;
 - b. The Proposal Trustee’s position on the Company’s application seeking the Court’s approval for an extension of the time period for the Company to file its proposal until August 18, 2021 (the “Extension Period”); and
 - c. The Proposal Trustee’s position on the Company’s application seeking the Court’s approval for the sale of a warehouse located at 20 Grandview Avenue, Saint John, New Brunswick (the “Real Property”).

BACKGROUND

6. The Company is privately-owned and incorporated under the *Companies Act, R.S., c. 81, s. 1* and extra-provincially registered in New Brunswick and Newfoundland and Labrador.
7. The Company consists of three (3) separate entities:
 - a. *Atlantic Crane & Material Handling Limited* – This is the main operating company in the Atlantic Crane Group. This entity holds most of the Company’s assets, including receivables, inventory, capital assets (equipment), operating loans and debt required for the Company to operate. Being the operating company, the vast majority of the Company’s income is generated through this entity.
 - b. *Labrador Cranes 2005 Limited* – This company carries on activities in Newfoundland and Labrador on a limited basis. This entity holds a small amount of receivables with capital assets limited to office furniture, along with a small amount of payables. There is limited activity in this company, with only minor amounts of income and expenses being reported.
 - c. *LCB Rentals Limited* – This company owns one building that is located at 20 Grandview Avenue, Saint John, New Brunswick and is the subject of the Company’s application for sale approval.

The Real Property is subject to a mortgage in favour of the Business Development Bank of Canada (“BDC”) in the approximate principal amount of \$230,000. This entity holds a small amount of other capital assets. The only income generated by this entity is a minor amount of revenue generated from the lease of a billboard on its property. Expenses related to the building such as utilities and property taxes are paid by Atlantic Crane & Material Handling Limited.

8. Mr. Jack Miner, the president and sole director of each of the Atlantic Crane Group companies, signed the NOI.
9. The Company is engaged in crane design, installation and service, and specializes in “unique for job” lifting equipment. The Company’s head office is in Dartmouth, Nova Scotia, and its operations are located chiefly in Nova Scotia. The Company’s voting shares are entirely held by Mr. Jack Miner.
10. According to the Company, it began to experience financial difficulties after acquiring a forklift and powersports dealer located in Yarmouth, NS. The acquired business performed poorly, and Atlantic Crane attempted for several years to financially support and “fix” the poorly performing subsidiary to the detriment of itself.
11. Ultimately the Yarmouth subsidiary was placed into Receivership by its senior secured lender, Bank of Montreal, on November 9, 2019.
12. There remains a shortfall on the debts of the Yarmouth subsidiary after the Receivership was concluded, which debts have been guaranteed by Jack Miner and the Atlantic Crane Group on a joint and several basis.
13. As a result of shedding itself of the Yarmouth subsidiary, the Company has since been able to focus its energy and attention on improving and expanding the core business of building, installing and servicing overhead cranes and related material handling equipment, and the Company was back to profitability in FY2021.

CREDITOR CLAIMS

14. **Secured Creditors** - We have not obtained independent security opinions on the validity and enforceability of the secured creditors' claims. A summary of the secured debts as we understand them to be, as at the date of the NOI are as follows:
 - a. TD Bank \$1,000,000 operating line and senior secured lender holding a General Security Agreement over all present and after acquired property. Registered in NS & NL.
 - b. BDC \$230,000 mortgage over real property in NB
 - c. BDC Capital \$1,100,000 General Security Agreement over all present and after acquired property, subordinate to TD bank. Registered in NS, NB & NL.
 - d. CWB National Leasing, Kubota Canada, Ford Credit, Jim Patterson Industries Ltd, Toyota Credit and TD Equipment Finance each have financed specific pieces of equipment, such as forklifts, pickup trucks and vans, welders and other equipment necessary for the business operations.
15. **Unsecured Creditors** – The largest unsecured creditors include:
 - a. BMO \$1,000,000 - estimated residual debt remaining after Yarmouth receivership. Has default judgments recorded against all three entities on a joint and several basis.
 - b. Canada Revenue Agency \$196,736.54 - unremitted HST
 - c. Can Stahl Inc. \$71,010.79 - a supplier of unique parts required in Atlantic Crane’s manufacturing process
 - d. Atlantic Canada Opportunities Agency \$50,228 - relating to a specific project
 - e. Iron House Productions \$24,868.74 - a marketing and media content creator

- f. Vulcan Hoist Co. \$21,013.27 - a supplier to the Atlantic Crane Group and a manufacturer of electric hoists and trolleys
- g. Kito Chain Hoists Canada \$18,873.68 - a supplier to the Atlantic Crane Group and a manufacturer of hand hoists and other lifting devices
- h. Guillevin International Co. \$18,481.20 – a supplier to the Atlantic Crane Group and a wholesale distributor of products and equipment for the construction industry
- i. Strategic Technology Associates Inc. \$13,854.06 – the Company's outsourced IT and computer support services provider.
- j. There are a number of other unsecured creditors with possible claims ranging from \$28.75 to \$9,602.50. The total estimated unsecured debt including the aforementioned is \$1,530,065.25.

CASH FLOW STATEMENT AND VARIANCE ANALYSIS

16. The Company prepared its projected statement of cash flow (the "Cash Flow Statement") for the period from June 5, 2021 to August 20, 2021 (the "Cash Flow Period") which is attached to its Report on Cash Flow Statement ("Form 30"). Copies of the Cash Flow Statement and Form 30 are attached hereto as Appendix "A". A summary of the estimated cashflow from the Cash Flow Statement is as follows:

Atlantic Crane Group	
Summary of Estimated Cash Flow	
For the Period from June 5 to August 20, 2021	
Receivables (inclusive of HST)	
Crane Build and Service Receivables At June 9	468,328.92
Crane Build Confirmed (Progress Billing Receipts)	419,783.58
Crane Build Prospects (Progress Billing Receipts)	590,766.50
Inspection/Service/Repairs Projections	433,412.95
LCB Revenues	<u>666.00</u>
	1,912,957.95
Cash Disbursements	
Cost of Goods Sold	(941,346.70)
Administration Costs	(612,440.41)
Professional Fees	(75,000.00)
Vehicle & Equipment Leases/Loan Payments	(25,216.15)
Demand Loan	(11,154.06)
Transfer to LCB	(2,000.00)
	(1,667,157.32)
Net Change in Cash	245,800.63
Opening Bank Balance - June 5, 2021	(896,054.44)
Net Change in Cash	<u>245,800.63</u>
Closing Bank Balance - August 20, 2021	(650,253.81)

17. From review of the Cash Flow Statement, the Proposal Trustee notes that after taking into account all expected revenue receipts and all cash disbursements, the Company should have sufficient cash to carry on operations during the period to August 20, 2021, which date extends beyond the proposed Extension Period.

VARIANCE ANALYSIS

18. The Proposal Trustee has been monitoring the cash flows of the Company on a weekly basis since the filing of the NOI and has made the following notes:

Cash Inflows

19. Cash inflows were \$25,000 more than expected over the first two weeks of cash flow monitoring as a result of certain receivables being collected earlier than planned. The early receivables collections are a positive indication that the Company is staying on top of its collections from customers and that customers are willing to continue to support the Company through its restructuring.

Cash Outflows

20. There were no major variances in cash outflows of the Company over the period since the NOI. Cost of goods sold was \$6,000, or 5%, less than expected. The Proposal Trustee expects cost of goods sold to fluctuate from week to week depending on what is required for specific jobs and contracts, and this will be dependent on the timing of the contracts and any amendments thereto. Professional fees were \$25,000 less than expected as Mr. Jack Miner paid for the initial security deposit requested by the Proposal Trustee personally in order to further assist the Company in its restructuring. All other variances were non-material.

Summary

21. Overall the early stages of cash flow monitoring has been favorable. The cash flows of the Company will continue to be monitored on a weekly basis going forward.

CONTINUING OPERATIONS

22. The Company believes that maintaining its continued operations during the Cash Flow Period is essential to preserve the value of the Company and its assets.

REQUEST FOR EXTENSION

23. Pursuant to the BIA, the Company must file a Proposal no later than July 4, 2021, unless an extension is granted by the Court.

24. Since the date of the NOI the Company has been taking steps towards its restructuring efforts including:

- a. Meetings with the Proposal Trustee and assisting in developing cash flow forecasts;
- b. Meetings with its critical vendors and suppliers and answering their questions with respect to the NOI process; and
- c. Reviewing its operating expenses and taking other steps to ensure the Company remains financially viable without recourse to interim financing during the restructuring process.
- d. Discussing an investment in the Atlantic Crane Group with a possible equity partner.

25. The Proposal Trustee is of the view that the continued operations of the Company will preserve the value of the Company and its assets for the creditors, and more generally, is in the best interests of all of the Company's stakeholders.

26. Although the Company has been working diligently on its restructuring, it is still analyzing various options and is not yet ready to present a proposal to its creditors.

27. The Company is requesting an extension of the stay of proceedings until August 18, 2021.

28. The Proposal Trustee supports the Company's application for the stay extension.

SALE OF BUILDING

29. On February 18, 2021, the Company engaged the services of licensed Realtor Joe Chisholm of Sutton Group Professional Realty to find a purchaser for its property in New Brunswick.

30. An offer was received on March 3, 2021 in the amount of \$500,000 inclusive of all equipment.
31. We are advised by Jack Miner that he purchased the building approximately 3.5 years ago for \$365,000.
32. We recently spoke with Mr. Chisholm and were advised by him that he has over 40 years of experience in real estate sales and marketing.
33. Mr. Chisholm further advised us that he believes the offer received for the building is exceptional for the Saint John, NB industrial marketplace.
34. Mr. Chisholm further advised us that the building is approximately 4,500 sq/ft and has workshop and warehousing space along with a small amount of office space. The building sits on a 22,000 sq/ft lot.
35. We found no directly comparable listings in the greater Saint John, NB district.
36. We did find two industrial properties listed for sale in the greater Saint John, NB district of a much larger scale. 320 Montreal Avenue is listed for \$1,500,000. The building is described as being 14,000 sq/ft with over an acre of paved parking. The second listing we found was 291 King William Rd for \$1,200,000. The building is described as 11,612 sq/ft and sitting on 6.26 acres of land.
37. To compare values by square footage only; the Company's offer of \$500,000 for a 4,500 sq/ft building equates to \$111 per sq/ft. The 320 Montreal Ave listing equates to \$107 per sq/ft and the 291 King William Rd. listing equates to \$103 per sq/ft.
38. After accounting for Realtor commissions, legal fees, BDC mortgage payout and other standard closing costs, on completion of the sale transaction there should be approximately \$211,250 in excess funds, which we undertake to hold in trust, pending consultation with creditors, a further review of the security priorities among them, and the order of the Court
39. On the basis of the information we have gathered, we are of the opinion that the proposed sale price is reasonable and fair, taking into account the probable market value of the property.
40. On the basis of the information we have gathered, it seems reasonable and appropriate to allow the sale transaction to conclude as contemplated in the agreement of purchase and sale.
41. On the basis of the information we have gathered, we are of the opinion that the sale will be more beneficial to creditors than a sale in a bankruptcy.
42. The Proposal Trustee is in support of the sale of the Real Property.

CONCLUSIONS AND RECOMMENDATIONS

43. The Proposal Trustee is of the view that continued operations of the Company should enhance the value of the Company for the creditors, and more generally, is in the best interests of all of the Company's stakeholders. In addition:
 - a. The Proposal Trustee believes the Company will likely be able to make a viable proposal if an extension of time for the Company to file a proposal is granted;
 - b. The Company will continue the restructuring of its business and affairs, which will include the cutting of costs which is in the best interests of, and will assist the Company in making a viable proposal to, its creditors;
 - c. The Proposal Trustee is of the view that the actions of the Company to continue its operations and to assist with the sale of the Real Property, is in the best interests of all the Company's stakeholders;
 - d. The Proposal Trustee is also of the view that the Company is acting in good faith and with due diligence in taking steps to resolve any outstanding issues and claims of creditors in order that it might be in a position to make a proposal to its creditors; and

- e. The Proposal Trustee does not believe that any creditor would be materially prejudiced if an extension of time for the Company to file a proposal is granted.

All of which is respectfully submitted this 22nd day of June 2021.

MNP Ltd. in its capacity as Proposal Trustee in the Notice of Intention to Make a Proposal of Atlantic Crane & Material Handling Limited, Labrador Crane 2005 Limited, and LCB Rentals Limited and not in its personal capacity

Per:



J. Eric Findlay, CIRP, LIT, CPA
Senior Vice President

APPENDIX A

Appendix A

District of: Nova Scotia
Division No. 01 - Halifax
Court No. 44783
Estate No. 51-2743163

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
Atlantic Crane & Material Handling Limited, Labrador Cranes 2005 Limited, LCB Rentals Limited
of the City of Dartmouth, in the Province of Nova Scotia

The attached statement of projected cash flow of Atlantic Crane & Material Handling Limited, Labrador Cranes 2005 Limited, LCB Rentals Limited, as of the 14th day of June 2021, consisting of cash flow projections for an 11-week period, beginning with week-ended June 11, 2021 through week-ended August 20, 2021, 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 Halifax in the Province of Nova Scotia, this 14th day of June 2021.

MNP Ltd. - Licensed Insolvency Trustee
Per:



Eric Findlay, CIRP, LIT, CPA - Licensed Insolvency Trustee
1801 Hollis Street, Suite 1400
Halifax NS B3J 3N4
Phone: (902) 334-2000 Fax: (902) 701-3690

Appendix A

District of: Nova Scotia
Division No. 01- Halifax
Court No. 44783
Estate No. 51-2743163

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
Atlantic Crane & Material Handling Limited, Labrador Cranes 2005 Limited, LCB Rentals Limited
of the City of Dartmouth, in the Province of Nova Scotia

I, Atlantic Crane & Material Handling Limited, Labrador Cranes 2005 Limited, LCB Rentals Limited, have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 14th day of June 2021, consisting of cash flow projections for an 11-week period, beginning with week-ended June 11, 2021 through week-ended August 20, 2021.

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 Halifax in the Province of Nova Scotia, this 14th day of June 2021.


Atlantic Crane & Material Handling Limited,
Labrador Cranes 2005 Limited, LCB Rentals
Limited
Debtor



Name and title of signing officer

Name and title of signing officer

Appendix A

Atlantic Crane Group Consolidated Cash Flow Projection June 11, 2021 to August 29, 2021														
	Notes	Week Ended	1	2	3	4	5	6	7	8	9	10	11	TOTAL
			11-Jun-21	18-Jun-21	25-Jun-21	2-Jul-21	9-Jul-21	16-Jul-21	23-Jul-21	30-Jul-21	6-Aug-21	13-Aug-21	20-Aug-21	
OPENING BANK BALANCE			(896,054)	(958,969)	(979,638)	(865,447)	(947,818)	(895,961)	(800,548)	(549,788)	(624,345)	(742,046)	(711,693)	
CASH INFLOWS														
Weekly Receivables (inclusive of HST)														
Crane Build Receivables At June 9	1		8,216	10,120						8,194				26,530
Service Receivables At June 9	1		57,351	89,414	48,358	62,505	140,401	28,938	11,602				776	441,799
Crane Build Prospects (Progress Billing Receipts)	2				103,046				284,510		725	1,779	203,211	590,767
Crane Build Confirmed (Progress Billing Receipts)	3				106,276		89,479	64,418					5,060	419,784
NS Inspection Projections	4							10,593		8,468	8,468	90,735	8,468	55,059
NS Service/Repairs Projections	4							35,880	35,880	22,581	22,581	22,581	22,581	162,083
NB Inspection/Service/Repairs Projections	4							26,759	26,759	26,335	26,335	26,335	26,335	158,857
NF Inspection/Service/Repairs Projections	4							13,129	13,129	7,789	7,789	7,789	7,789	57,415
LCB revenues	12				333					333	7,789	7,789	7,789	
TOTAL CASH INFLOWS			65,567	99,534	258,013	62,505	229,881	199,717	382,473	73,700	106,712	157,687	274,169	1,912,292
CASH OUTFLOWS														
COGS	5		32,477	82,487	64,456	76,739	88,976	83,851	89,430	115,526	110,322	99,090	97,992	941,347
Facilities Operation & General Expenses	6		11,689	7,463	1,973	34,229	11,963	7,953	2,625	14,962	26,773	11,691	8,398	139,709
Wages & Benefits	7		78,253	4,695	73,000	10,900	73,000	-	26,405	-	83,900	-	73,000	423,153
Professional Fees	8		-	25,000	-	12,500	-	12,500	-	12,500	-	12,500	-	75,000
HST Remittance	9		-	-	-	-	-	-	9,804	-	-	-	31,329	41,133
Vehicle & Equipment Leases/Loan Payments	10		645	559	3,788	6,743	567	-	2,843	1,503	5,419	645	1,406	25,216
TD Demand Loan (Interest & Principal)	11		3,418	-	300	-	3,418	-	300	-	-	3,418	300	11,154
Bank Charges	11		-	-	305	565	-	-	305	-	-	-	305	2,045
Overdraft Interest	11		-	-	305	565	-	-	305	-	-	-	305	2,045
Tsf to LCB	12		2,000	-	-	3,200	-	-	-	3,200	-	-	-	6,400
TOTAL CASH OUTFLOWS			128,481	120,203	143,822	144,877	178,024	104,304	131,712	148,256	227,413	127,334	212,730	1,667,157
NET CHANGES IN CASH			(62,915)	(20,669)	114,192	(82,372)	51,857	95,413	250,760	(74,556)	(117,701)	30,353	61,439	245,801
CLOSING BANK BALANCE			(958,969)	(979,638)	(865,447)	(947,818)	(895,961)	(800,548)	(549,788)	(624,345)	(742,046)	(711,693)	(650,254)	
Available Margin	11		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	
Excess (Shortfall) on LOC	11		41,931	20,362	134,553	52,182	104,039	199,452	450,212	375,655	257,954	288,307	349,746	

- Notes:
- 1 Build & Service A/R collection rate based on customers prior payment history
 - 2 Prospective work is estimated to range in probability of success from 75% to 99%
 - 3 Assumed that confirmed build customers will pay their progress billings when due
 - 4 Projected Service & Inspection work is estimated based on historical results
 - 5 COGS is estimated based on material costs at today's date & projected builds
 - 6 Includes Rent, Utilities, Insurance & other general costs
 - 7 Payroll is managed by a 3rd party service provider - Ceridian
 - 8 Trustee & company's legal counsel
 - 9 HST remittance based on projected revenues and expenses
 - 10 All vehicle & equipment leases & loans are paid based on existing contracts
 - 11 Assumed that existing banking agreements will continue unchanged
 - 12 LCB Rentals - billboard rental revenue \$333 per month. Warehouse operating costs paid by Atlantic Crane


 Atlantic Crane & Material Handling Limited, Labrador
 Cranes 2005 Limited, LCB Rentals Limited (the
 Debtor)

Date: June 14-2021