

DISTRICT OF ONTARIO
Division No 09 - Toronto
Court and Estate No. 31-2442243

NOTICE OF PROPOSAL TO CREDITORS**IN THE MATTER OF THE PROPOSAL OF
MARKDALE AGGREGATES INC.
OF THE CITY OF VAUGHAN
IN THE PROVINCE OF ONTARIO**

On December 10, 2018, Markdale Aggregates Inc., ("**Markdale**" or the "**Company**") lodged with us a Proposal pursuant to the *Bankruptcy and Insolvency Act* (the "**Act**"). On the same day the Proposal was filed with the Official Receiver.

Attached to this notice are the following documents.

- A. The Proposal
- B. Statement of Affairs, dated December 5, 2018
- C. Report of the Trustee on the Proposal
- D. Proof of Claim form
- E. Proxy form
- F. Voting letter

A general meeting of the creditors will be held on the 21st day of December 2018 at 2:00 p.m. at the offices of the Trustee:

MNP Ltd.
300 - 111 Richmond Street West
Toronto, ON M5H 2G4


The creditors or any class of creditors qualified to vote at the meeting may by resolution accept the Proposal either as made or as altered or modified at the meeting. If so accepted and if approved by the Court, the proposal is binding on all the creditors or the class of creditors affected.

Proofs of claim, proxies and voting letters intended to be used at the meeting must be lodged with us prior to 2:00 p.m. (Toronto Time) on December 21, 2018. You may forward your claim, proxy and voting letter by either email at jessie.hue@mnp.ca or via facsimile at (416) 323-5242.

Proof of claim forms are to be filed based on the amount owed as of **November 9, 2018**, the date the Notice of Intention to make a Proposal was filed.

Dated at TORONTO, ONTARIO this 11th day of December, 2018.

MNP Ltd.
Trustee re: the Proposal of
Markdale Aggregates Inc.

Per: 
Sheldon Title, CPA, CA, CIRP, LIT

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2442243
Estate No. 31-2442243

FORM 92
Notice of Proposal to Creditors
(Section 51 of the Act)

In the matter of the proposal of
Markdale Aggregates Inc.
of the City of Vaughan
in the Province of Ontario

Take notice that Markdale Aggregates Inc. of the City of Vaughan in the Province of Ontario has lodged with us a proposal under the Bankruptcy and Insolvency Act.

A copy of the proposal, a condensed statement of the debtor's assets, and liabilities, and a list of the creditors affected by the proposal and whose claims amount to \$250 or more are enclosed herewith.


A general meeting of the creditors will be held at 300-111 Richmond Street West, Toronto, ON on the 21st day of December 2018 at 2:00 PM.

The creditors or any class of creditors qualified to vote at the meeting may by resolution accept the proposal either as made or as altered or modified at the meeting. If so accepted and if approved by the court the proposal is binding on all the creditors or the class of creditors affected.

Proofs of claim, proxies and voting letters intended to be used at the meeting must be lodged with us prior to the commencement of the meeting.

Dated at the City of Toronto in the Province of Ontario, this 11th day of December 2018.

MNP LTD. - Licensed Insolvency Trustee


300 - 111 Richmond Street West
Toronto ON M5H 2G4

Phone: (416) 596-1711 Fax: (416) 323-5242

(A form of proof of claim, a form of proxy and a voting letter should be enclosed with each notice.)

**IN THE MATTER OF THE PROPOSAL OF
MARKDALE AGGREGATES INC.
OF THE CITY OF VAUGHAN,
IN THE PROVINCE OF ONTARIO**

PROPOSAL OF MARKDALE AGGREGATES INC.

Markdale Aggregates Inc. hereby submits the following Proposal to its Unsecured Creditors pursuant to Part III of the BIA.

ARTICLE 1

DEFINITIONS

1.1 Definitions

In this Proposal:

- (a) **“Administrative Fees and Expenses”** means:
 - (i) the proper fees and expenses of the Trustee incidental to the preparation and facilitation of the Proposal and any amendments thereto, including, without limitation, its legal fees and disbursements; and
 - (ii) the legal fees and disbursements of the Debtor on and incidental to negotiations in connection with the approval of the Proposal, court proceedings relating to the Proposal and the transactions and agreements contemplated hereby, including, without limitation, advice to the Debtor.
- (b) **“Approval Order”** means an Order of the Court approving the Proposal;
- (c) **“BIA”** means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended and in force as at the Proposal Date;
- (d) **“Business Day”** means a day, other than a Saturday or Sunday, on which banks are generally open for business in Toronto, Ontario;
- (e) **“Canada Pension Plan”** means the *Canada Pension Plan*, R.S.C. 1985, c. C-8, as amended;
- (f) **“Claim”** means any right of any Person against the Debtor or a Director in connection with any indebtedness, liability or obligation of any kind of the Debtor which indebtedness, liability or obligation is in existence at the Proposal Date,



whether or not reduced to judgement, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, by surety or otherwise and whether or not such a right is executory in nature, including, without limitation, the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future based in whole or in part on facts which exist prior to or as of the Proposal Date;

- (g) “**Court**” means the Ontario Superior Court of Justice (in Bankruptcy and Insolvency);
- (h) “**Creditor**” means any Person, having a Claim and may, if the context requires, mean a trustee, receiver, receiver-manager or other Person acting on behalf or in the name of such Person;
- (i) “**Creditors’ Meeting**” means the meeting of the Unsecured Creditors called for the purpose of considering and voting upon the Proposal;
- (j) “**Creditors’ Meeting Date**” means the date and time as may be called by the Trustee for the meeting of creditors to consider this Proposal, but in any event shall be no later than twenty-one (21) days following the Proposal Date;
- (k) “**Debtor**” means Markdale Aggregates Inc.;
- (l) “**Directors**” means the Debtor’s current and past directors;
- (m) “**Employee Creditors**” means employees and former employees of the Debtor, not to include independent commissioned sales agents or contractors, for amounts equal to the amounts that they would be qualified to receive under **paragraph 136(l)(d)** of the BIA if the Debtor became bankrupt on the Proposal Date, as well as wages, salaries, commissions or compensation for services rendered after that date and before the Court approval of the Proposal, together with, in the case of travelling salesmen, disbursements properly incurred by those salesmen in and about the Debtor’s business during the same period;
- (n) “**Employment Insurance Act**” means the *Employment Insurance Act*, S.C. 1996 c. 23, as amended;
- (o) “**Implementation Date**” means the date upon which the conditions set forth in **Article [7.4]** have been satisfied;
- (p) “**Income Tax Act**” means the *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.), as amended;
- (q) “**Inspectors**” means one or more inspectors appointed pursuant to the BIA as provided for in the Proposal;



- (r) “**Official Receiver**” shall have the meaning ascribed thereto in the BIA;
- (s) “**Person**” means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other entity howsoever designated or constituted;
- (t) “**Preferred Creditors**” means Creditors with Proven Claims that are required by the BIA to be paid in priority to all other claims under a proposal made by a debtor save and except for Employee Creditors and Source Deduction Creditors;
- (u) “**Proof of Claim**” shall mean the proof of claim required by the BIA to be mailed to each known Creditor prior to the Creditors’ Meeting;
- (v) “**Proposal**” means this proposal together with any amendments or additions thereto;
- (w) “**Proposal Date**” means the date of the filing of the Proposal with the Official Receiver;
- (x) “**Proposal Proceeds**” mean the funds contributed in accordance with Article [5.1];
- (y) “**Proven Claim**” of a Creditor means the amount of the Claim of such Creditor finally determined in accordance with the provisions of the BIA;
- (z) “**Related Creditor**” means Tiber Markdale Resources Inc. the parent company to the Debtor;
- (aa) “**Secured Creditor**” means any Person holding a mortgage, hypothec, pledge, charge, lien or privilege on or against the property of the Debtor or any part thereof as security for a Claim, and “**Secured Creditors**” means all of them;
- (bb) “**Source Deduction Creditors**” means Her Majesty in Right of Canada or a Province for all amounts that were outstanding on the Proposal Date and are of a kind that could be subject to a demand under,
- (i) **subsection 224(1.2)** of the *Income Tax Act*;
- (ii) any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to **subsection 224(1.2)** of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, or an employee’s premium, or employer’s premium, as defined in the *Employment Insurance Act*, and of any related interest, penalties or other amounts; or
- (iii) any provision of provincial legislation that has a similar purpose to **subsection 224(1.2)** of the *Income Tax Act*, or that refers to that



subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum;

- (A) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the *Income Tax Act*; or
- (B) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a “province providing a comprehensive pension plan” as defined in **subsection 3(1)** of the *Canada Pension Plan* and the provincial legislation establishes a “provincial pension plan” as defined in that subsection;

- (cc) “**Trustee**” means MNP Ltd. or its duly appointed successor or successors;
- (dd) “**Unsecured Creditors**” means the Preferred Creditors and any Creditor who is not a Secured Creditor; and
- (ee) “**Voting Letter**” shall mean the voting letter required by **subsection 51(1)** of the BIA to be mailed to each known Creditor prior to the Unsecured Creditors’ Meeting.

1.2 Articles of Reference

The terms “hereof”, “hereunder”, “herein” and similar expressions refer to the Proposal and not to any particular article, section, subsection, clause or paragraph of the Proposal and include any agreements supplemental hereto. In the Proposal, a reference to an article, section, subsection, clause or paragraph will, unless otherwise stated, refer to an article, section, subsection, clause or paragraph of the Proposal.

1.3 Interpretation Not Affected by Headings

The division of the Proposal into articles, sections, subsections, clauses or paragraphs and the insertion of a table of contents and headings are for convenience of reference only and will not affect the construction or interpretation of this Proposal.

1.4 Date for Any Action

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action will be required to be taken on the next succeeding day that is a Business Day.

1.5 Time

All times expressed herein are local time in Toronto, Ontario, Canada unless otherwise stipulated. Where the time for anything pursuant to the Proposal on a particular date is



unspecified herein, the time shall be deemed to be 5:00 p.m. local time in Toronto, Ontario, Canada.

1.6 Numbers

In the Proposal, where the context requires, a word importing the singular number will include the plural and *vice versa* and a word or words importing gender will include all genders.

1.7 Currency

Unless otherwise stated herein, all references to currency in the Proposal are to lawful money of Canada.

1.8 Statutory References

Except as otherwise provided herein, any reference in the Proposal to a statute includes all regulations made thereunder, all amendments to such statute or regulation(s) in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulation(s).

1.9 Successors and Assigns

The Proposal will be binding upon and will enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in the Proposal.

ARTICLE 2

CLASSIFICATION AND TREATMENT OF CREDITOR

2.1 Classes of Creditors

For the purposes of voting on the Proposal, only the Unsecured Creditors will be entitled to vote on the Proposal. There shall be one (1) class of Unsecured Creditors.

2.2 Secured Creditor

The Claim of each Secured Creditor shall be paid by the Debtor in accordance with agreements between the Debtor and the Secured Creditor or as otherwise agreed between the Secured Creditor and the Debtor. For greater clarity, each Secured Creditor shall not be affected by the Proposal or the Proposal proceedings commenced by the Debtor under the BIA.

2.3 Administrative Fees and Expenses

The Administrative Fees and Expenses shall be paid by retainers paid by the Debtor or the Related Creditor to the Trustee and will not be paid from the Proposal Proceeds.



2.4 Preferred Creditors

The Proven Claims of the Preferred Creditors are to be paid in full in priority to the Proven Claims of the Unsecured Creditors in accordance with the BIA and the Proposal.

2.5 Unsecured Creditors

The Proven Claims of the Unsecured Creditors, other than Preferred Creditors, will be satisfied or paid as provided by Article [6].

2.6 Related Creditor

The Related Creditor, as a Secured Creditor, shall receive no dividend under this Proposal.

ARTICLE 3

PROCEDURE FOR VALIDATION OF CLAIMS

3.1 Filing of Proofs of Claim

Each Unsecured Creditor must file a Proof of Claim as required by the BIA to vote on, or receive a distribution under, the Proposal.

3.2 Allowance or Disallowance of Claims by the Trustee

Upon receipt of a completed Proof of Claim, the Trustee shall examine the Proof of Claim and shall deal with each Proof of Claim in accordance with the provisions of the BIA. The procedure for valuing Claims of the Unsecured Creditors and resolving disputes with respect to such Claims will be as set forth in the BIA.

3.3 Delivery of section 149 Notice

Immediately after the Implementation Date, the Trustee will deliver notices as provided by section 149 of the BIA.

ARTICLE 4

MEETING OF CREDITORS

4.1 Unsecured Creditors' Meeting

On the Creditors' Meeting Date, the Debtor shall hold the Creditors' Meeting in order for the Unsecured Creditors to consider and vote upon the Proposal.



4.2 Time and Place of Meeting

Unless otherwise ordered by the Court, the Creditors' Meeting shall be held at a time and place to be established by the Official Receiver, or the nominee thereof, and confirmed in the notice of Creditors' Meeting to be mailed to Creditors pursuant to the BIA.

4.3 Conduct of Meetings

The Official Receiver, or the nominee thereof, shall preside as the chair of the Creditors' Meeting and will decide all matters relating to the conduct of the Creditors' Meeting. The only persons entitled to attend the Creditors' Meeting are those persons, including the holders of proxies, entitled to vote at the Creditors' Meeting, the Secured Creditors and their respective legal counsel, if any, and the officers, directors, auditors and legal counsel of the Debtor, together with such representatives of the Trustee as the Trustee may appoint in its discretion, and such scrutineers as may be duly appointed by the chair of such meeting. Any other person may be admitted on invitation of the chair of the Creditors' Meeting or with the consent of the Unsecured Creditors.

4.4 Adjournment of Meetings

The Creditors' Meeting may be adjourned in accordance with **section 52** of the BIA.

4.5 Voting by Creditors

To the extent provided for herein, each Unsecured Creditor will be entitled to vote to the extent of the amount that is equal to that Unsecured Creditor's Claim. Any Proof of Claim in respect of a Claim that is not a Proven Claim as at the Creditors' Meeting Date will be marked as objected to in accordance with **subsection 108(3)** of the BIA. The Related Creditor will not be entitled to vote at the Creditors' Meeting.

4.6 Approval by Creditors

In order that the Proposal be binding on all of the Unsecured Creditors of the Debtor in accordance with the BIA, it must first be accepted by each class of Unsecured Creditors by a majority in number of the Unsecured Creditors who actually vote upon the Proposal (in person or by proxy) at the Creditors' Meeting or by a Voting Letter, representing two-thirds in value of the Proven Claims of the Unsecured Creditors in each class who actually vote upon the Proposal (whether in person or by proxy) at the Creditors' Meeting or by a Voting Letter.

4.7 Appointment of Inspectors

At the Meeting of Creditors, the Unsecured Creditors may appoint up to **five (5)** Inspectors whose powers will be limited to: (a) advising the Trustee concerning any dispute which may arise as to the validity of Claims; and (b) advising the Trustee from time to time with respect to any other matter that the Trustee may refer to them.



ARTICLE 5

FUNDING OF PROPOSAL

5.1 Funding of Proposal.

Within five days of the Implementation Date the Debtor will pay \$75,000 (the “**Proposal Proceeds**”) to the Trustee to be distributed in accordance with **Article [6]**.

ARTICLE 6

DISTRIBUTION

6.1 Distribution

The Proposal Proceeds shall be distributed by the Trustee as soon practicably possible, but in any event within six (6) months of the Implementation Date, as follows:

- (a) First, to payment of Source Deduction Creditors, if any;
- (b) Second, to payment of the Office of the Superintendent of Bankruptcy levy payable under section 147 and Rule 123(2) of the BIA on the distributions set-out below;
- (c) Third, to payment of the Claims, if any, of the Employee Creditors;
- (d) Fourth, to payment of all Claims of any other Preferred Creditors, if any, in the priority set out in section 136 of the BIA;
- (e) Fifth, the ordinary Unsecured Creditors will be paid the balance on a *pro rata* basis.

6.2 Levy

Payments to each Unsecured Creditor shall be net of any applicable levy payable to the Office of the Superintendent of Bankruptcy as required by the BIA and the Trustee shall remit the amount of such levy to the Office of the Superintendent of Bankruptcy contemporaneous with the distributions to Unsecured Creditors.

6.3 Discharge of Trustee

Upon the payment by the Trustee of the amounts contemplated in this **Article [6]** the Trustee shall have discharged its duties as Trustee and the Trustee shall be entitled to apply for its discharge as Trustee. For greater certainty, the Trustee will not be responsible or liable for any obligations of the Debtor and will be exempt from any personal liability in fulfilling any duties or exercising any powers conferred upon it by this Proposal unless such acts have been carried out in bad faith and constitute a wilful or wrongful act or default.



ARTICLE 7

MISCELLANEOUS

7.1 **Compromise Effective for all Purposes**

The provisions of this Proposal will be binding upon each Unsecured Creditor, their heirs, executors, administrators, successors and assigns, for all purposes. Subject to the limitations in **section 50(14)** of the BIA, the Claims against the Directors that arose before the Proposal Date and that relate to the obligations of the Debtor where the directors are by law liable in their capacity as directors for the payment of such obligations will be satisfied and released.

7.2 **Modification of Proposal**

The Debtor may propose an alteration or modification to the Proposal prior to the vote taking place on the Proposal.

7.3 **Consents, Waivers and Agreements**

As at 12:01 a.m. on the Implementation Date, each Unsecured Creditor will be deemed:

- (a) to have executed and delivered to the Debtor all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Proposal in its entirety;
- (b) to have waived any default by the Debtor in any provision, express or implied, in any agreement or other arrangement, written or oral, existing between such Unsecured Creditor and the Debtor that has occurred on or prior to the Implementation Date;
- (c) to have agreed, in the event that there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Unsecured Creditor and the Debtor as at the Implementation Date (other than those entered into by the Debtor on, or with effect from, the Implementation Date) and the provisions of this Proposal, that the provisions of this Proposal shall take precedence and priority and the provisions of such agreement or other arrangement shall be amended accordingly; and
- (d) to have released the Debtor, the Trustee and all of their respective affiliates, employees, agents, directors, officers, shareholders, advisors, consultants and solicitors from any and all demands, claims, actions, causes of action, counter-claims, suits, debts, sums of money, accounts, covenants, damages, judgements, expenses, executions, liens, set off rights and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or



unmatured, foreseen or unforeseen, existing or hereafter arising based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Implementation Date, relating to or arising out of or in connection with the matters herein; provided that nothing herein shall release the Debtor of its obligation to make the distributions to Unsecured Creditors contemplated in this Proposal.

7.4 Conditions to Proposal Implementation

The implementation of the Proposal by the Debtor will be conditional upon the fulfilment or satisfaction of the following conditions:

- (a) The acceptance of the Proposal by the Unsecured Creditors; and,
- (b) The making of the Approval Order and the expiry of all appeal periods.

7.5 Full Implementation

This Proposal will be fully implemented by the Debtor on payment of the Proposal Proceeds as provided by **Article [5.1]** and the payment of the Administrative Fees and Disbursements.

7.6 Effect of Proposal Generally

As at 12:01 a.m. on the date of the Approval Order becomes final and binding:

- (a) The treatment of all Claims under the Proposal shall be final and binding on the Debtor and all Unsecured Creditors (along with their respective heirs, executors, administrators, legal personal representatives, successors and assigns); and
- (b) The Proposal shall constitute: (i) a full, final and absolute settlement of all rights of the holders of the Claims affected hereby; and (ii) an absolute release and discharge of all indebtedness, liabilities and obligations of the Debtor and the Directors of or in respect of the Claims.

7.7 Conduct of Debtor's Business

Subject to any Order made by the Court, the Debtor shall remain in possession and control of their property and assets at all times, both before and after implementation of this Proposal.

ARTICLE 8

AVOIDANCE OF TRANSACTION

8.1 Avoidance Proceedings

Sections 95 to 101 of the BIA will not apply in respect of the Debtor or this Proposal.



ARTICLE 9

GENERAL

9.1 Notices

Any notices or communication to be made or given hereunder shall be in writing and shall refer to this Proposal and may, subject as hereinafter provided, be made or given by personal delivery, by prepaid mail or by telecopier (except for Proofs of Claim which may only be sent by personal delivery, telecopier or registered mail) addressed to the respective parties as follows:

- (a) if to the Debtor:

Markdale Aggregates Inc.
111 Creditstone Road
Vaughan, ON L4K 1N3
Attention: Louie Frustaglio
E-mail : lfrustaglio@arggroup.com

- (b) if to an Unsecured Creditor, to the address or telecopier number for such Unsecured Creditor specified in the Proof of Claim filed by such Unsecured Creditor or, if no proof of Claim has been filed, to such other address or telecopier number at which the notifying party may reasonably believe that the Unsecured Creditor may be contacted; and

- (c) if to the Trustee:

MNP Ltd.
300-111 Richmond St W
Toronto, ON M5H 2G4
Attention: Sheldon Title
Telecopier: 416-596-7894
E-mail : sheldon.title@mnp.ca

Or to such other address or telecopier number as any party may from time to time notify the others in accordance with this section. In the event of any strike, lock-out and other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or by telecopier and any notice or other communication given or made by prepaid mail within the five (5) Business Day period immediately preceding the commencement of such interruption will be deemed not to have been given or made. All such notices and communications will be deemed to have been received, in the case of notice by telecopier or by delivery prior to 5:00 p.m. (local time) on a Business Day, when received or if received after 5:00 p.m. (local time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and in to case of notice mailed as aforesaid, on the fifth (5th) Business Day following the date on which such notice or other



communication is mailed. The unintentional failure to give a notice contemplated hereunder to any particular Creditor will not invalidate this Proposal or any action taken by any Person pursuant to this Proposal.

9.2 Foreign Currency Obligations

For purposes of this Proposal, Claims denominated in a currency other than Canadian funds will be converted to Canadian Dollars at the closing spot rate of exchange of the Bank of Canada on the Proposal Date.

9.3 Applicable Law

This Proposal shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract.

9.4 Non-Severability

It is intended that all provisions of this Proposal shall be fully binding on and effective between all Persons named or referred to in this Proposal and in the event that any particular provision or provisions of this Proposal is or are found to be void, voidable or unenforceable for any reason whatever, then the remainder of this Proposal and all other provisions shall be void and of no force or effect.

9.5 Deeming Provisions

In this Proposal the deeming provisions are not rebuttable and are conclusive and irrevocable.


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EXECUTION PAGE

DATED at Vaughan, Ontario this 5th day of December, 2018.

Markdale Aggregates Inc.

Per: 
Name: LOUIS PALMISTAGLIO
Title: PRESIDENT

I have authority to bind the corporation.

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2442243
 Estate No. 31-2442243

Original Amended

- Form 78 -
 Statement of Affairs (Business Proposal) made by an entity
 (Subsection 49(2) and Paragraph 158(d) of the Act / Subsections 50(2) and 62(1) of the Act)

In the matter of the proposal of
 Markdale Aggregates Inc.
 of the City of Vaughan
 in the Province of Ontario

To the debtor:

You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the filing of your proposal (or notice of intention, if applicable), on the 9th day of November 2018. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

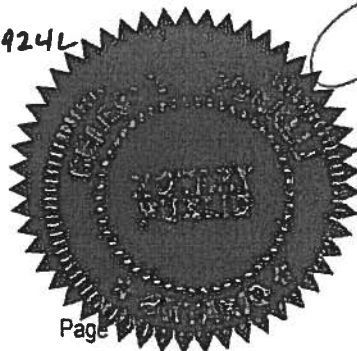
LIABILITIES (as stated and estimated by the officer)	ASSETS (as stated and estimated by the officer)
1. Unsecured creditors as per list "A"	1. Inventory
357,983.68	234,872.45
Balance of secured claims as per list "B"	2. Trade fixtures, etc.
2,305,679.76	0.00
Total unsecured creditors	3. Accounts receivable and other receivables, as per list "E"
2,663,663.44	Good
2. Secured creditors as per list "B"	225,613.79
500,486.24	Doubtful
3. Preferred creditors as per list "C"	69,925.15
0.00	Bad
4. Contingent, trust claims or other liabilities as per list "D"	0.00
estimated to be reclaimable for	Estimated to produce
1.00	225,613.79
Total liabilities	4. Bills of exchange, promissory note, etc., as per list "F" ...
3,164,150.68	0.00
Surplus	5. Deposits in financial institutions
NIL	0.00
	6. Cash
	0.00
	7. Livestock
	0.00
	8. Machinery, equipment and plant
	0.00
	9. Real property or immovable as per list "G"
	0.00
	10. Furniture
	0.00
	11. RRSPs, RRIAs, life insurance, etc.
	0.00
	12. Securities (shares, bonds, debentures, etc.)
	0.00
	13. Interests under wills
	0.00
	14. Vehicles
	40,000.00
	15. Other property, as per list "H"
	0.00
	If debtor is a corporation, add:
	Amount of subscribed capital
	0.00
	Amount paid on capital
	0.00
	Balance subscribed and unpaid
	0.00
	Estimated to produce
	0.00
	Total assets
	500,486.24
	Deficiency
	2,663,664.44

I, Louie Frustaglio, of the City of Vaughan in the Province of Ontario, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of my affairs on the 5th day of December 2018 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

SWORN (or SOLEMNLY DECLARED)
 before me at the City of ~~Toronto~~ ^{Vaughan} in the Province of Ontario, on this 5th day of December 2018.

CELESTE IACOBELLI LSUC # 19924L

Louie Frustaglio
 Louie Frustaglio



District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2442243
 Estate No. 31-2442243

FORM 78 -- Continued

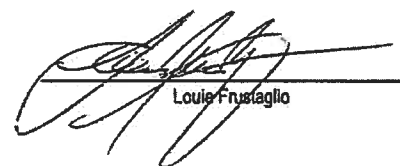
List "A"
 Unsecured Creditors

Markdale Aggregates Inc.

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
1	407 ETR Express Toll Route Attn: Marion Richardson/Collections	6300 Steeles Ave W Woodbridge ON L4H 1J1	207.44	0.00	207.44
2	Active Scale Manufacturing Inc.	P.O. Box 2145 Brantford ON N3T 5Y6	18,367.52	0.00	18,367.52
3	ARG Group Inc.	111 Creditstone Road Concord ON L4K 1N3	8,128.86	0.00	8,128.86
4	Arthurs Fuel	202350 County Road 109 East Garafraxa ON L9W 7N1	56,227.95	0.00	56,227.95
5	Bird Fuels	490 Richardson Road Orangeville ON L9W 4W8	38,399.52	0.00	38,399.52
6	Cardinal Couriers Ltd.	6600 Goreway Drive Unit D Mississauga ON L4V 1S6	84.36	0.00	84.36
7	CRA - Tax - Ontario	Shawirigan-Sud National Verification and Collection Centre 4695 Shawinigan-Sud Blvd Shawirigan-Sud QC G9P 5H9	0.00	0.00	0.00
8	Fastenal Canada Ltd.	900 Wabanaki Drive Kitchener ON N2C 0B7	637.96	0.00	637.96
9	GM BluePlan Engineering Limited	1260-2nd Avenue East, Unit 1 Owen Sound ON N4K 2J3	596.08	0.00	596.08
10	Grey Northern Powerline Inc.	15543 7th Line, RR 2 Markdale ON N0C 1H0	10,397.50	0.00	10,397.50
11	Kreator Equipment & Services Inc.	473036 County Road 11 Amaranth ON L9W 0R2	4,633.00	0.00	4,633.00
12	Miller Thomson LLP	60 Columbia Way, Suite 600 Markham ON L3R 0C9	70,127.19	0.00	70,127.19
13	Ministry of Finance - ON PST, EHT & Other Taxes Attn: Mrs. Asta Albery	Ministry of Revenue 33 King Street West 6th Floor Oshawa ON L1H 8H5	0.00	0.00	0.00
14	Powerscreen of Canada Ltd.	800 Farewell Street Oshawa ON L1H 6N5	37,514.33	0.00	37,514.33
15	RSI Truck & Trailer Repair Inc.	P.O. Box 2148 Angus ON L0M 1B0	8,047.78	0.00	8,047.78
16	Silver Top Supply Limited	324 Scvereign Road London ON N6M 1A8	748.06	0.00	748.06
17	Steer Enterprises Ltd.	14 Station Street Glen Huron ON L0M 1L0	564.71	0.00	564.71
18	Tiber Markdale Resources Inc.	111 Creditstone Road Concord ON L4K 1N3	0.00	2,305,679.76	2,305,679.76
19	Tri-County Aggregates Ltd.	92 Kenhar Drive North York ON M9L 1N2	99,202.46	0.00	99,202.46
20	Wayne Spears Electric Limited	12 Rorell Crescent Collingwood ON L9Y 4J7	4,097.96	0.00	4,097.96
21	Wilton Sanitation Inc	405549 Cty Road 4, RR 5 Fleshe-ton ON N0C 1E0	1.00	0.00	1.00
22	Workplace Safety and Insurance Board Attn: c/o Collection Services	200 Front St W Toronto ON M5V 3J1	0.00	0.00	0.00
Total:			357,983.68	2,305,679.76	2,663,663.44

05-Dec-2018

Date


 Louie Frustaglio

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2442243
 Estate No. 31-2442243

FORM 78 - Continued

List "B"
 Secured Creditors

Markdale Aggregates Inc.

No.	Name of creditor	Address	Amount of claim	Particulars of security	When given	Estimated value of security	Estimated surplus from security	Balance of claim
1	RBC Royal Bank / Banque Royale Attn: c/o BankruptcyHighway.com	PO Box 57100 Etobicoke ON M8Y 3Y2	39,050.00	Motor Vehicles - Automobile - 2017 - GMC - Sierra SLE 1500 - 1GTV2MEC2GZ157013 Motor Vehicles - Automobile - 2013 - GMC - Sierra SLE 1500 - 3GTP2VE74DG255652 Motor Vehicles - Automobile - 2013 - GMC - Sierra SLT 1500 - 3GTP1WE73DG322828		17,050.00 11,000.00 11,000.00		
2	Tiber Markdale Resources Inc.	111 Creditstone Road Concord ON L4K 1N3	2,767,116.00	Business Assets - Stock In Trade - Inventory Debts Due - Business - Accounts Receivable Motor Vehicles - Automobile - 2017 - GMC - Sierra SLE 1500 - 1GTV2MEC2GZ157013		234,872.45 225,613.79 950.00		2,305,679.76
Total:			2,806,166.00			500,486.24	0.00	2,305,679.76

05-Dec-2018

Date


 Louie Frustaglio

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2442243
Estate No. 31-2442243

FORM 78 – Continued

List "D"
Contingent or Other Liabilities

Markdale Aggregates Inc.

No.	Name of creditor or claimant	Address and occupation	Amount of liability or claim	Amount expected to rank for dividend	Date when liability incurred	Nature of liability
1	Aggregate Processing Services Ltd.	669 Charles St. East Kitchener ON N2G 2R6	1.00	0.00		Contingent claim
Total:			1.00	0.00		

05-Dec-2018

Date


Lodie Frustaglio

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2442243
 Estate No. 31-2442243

FORM 78 – Continued

List "E"
 Debts Due to the Debtor
 Markdale Aggregates Inc.

No.	Name of debtor	Address and occupation	Nature of debt	Amount of debt (good, doubtful, bad)	Folio of ledgers or other book where particulars to be found	When contracted	Estimated to produce	Particulars of any securities held for debt
1	Accounts Receivable	111 Creditstone Road Vaughan ON L4K 1N3	Accounts Receivable	225,613.79 0.00 0.00		09-Nov-2018	225,613.79	Accounts Receivable
2	Legal Action	111 Creditstone Road Vaughan ON L4K 1N3	Legal Action	0.00 69,925.15 0.00		09-Nov-2018	0.00	Legal Action
Total:				225,613.79 69,925.15 0.00			225,613.79	

05-Dec-2018

Date



Louie Frastaglio

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2442243
 Estate No. 31-2442243

FORM 78 – Concluded

List "H"
 Property

Markdale Aggregates Inc.

FULL STATEMENT OF PROPERTY

Nature of property	Location	Details of property	Original cost	Estimated to produce
(a) Stock-in-trade		Inventory	0.00	234,872.45
(b) Trade fixtures, etc.			0.00	0.00
(c) Cash in financial institutions			0.00	0.00
(d) Cash on hand			0.00	0.00
(e) Livestock			0.00	0.00
(f) Machinery, equipment and plant			0.00	0.00
(g) Furniture			0.00	0.00
(h) Life insurance policies, RRSPs, etc.			0.00	0.00
(i) Securities			0.00	0.00
(j) Interests under wills, etc.			0.00	0.00
(k) Vehicles		Automobile - 2013 - GMC - Sierra SLE 1500 - 3GTP2VE74DG255652	0.00	11,000.00
		Automobile - 2013 - GMC - Sierra SLT 1500 - 3GTP1WE73DG322828	0.00	11,000.00
		Automobile - 2017 - GMC - Sierra SLE 1500 - 1GTV2MEC2GZ157013	0.00	18,000.00
(l) Taxes			0.00	0.00
(m) Other			0.00	0.00
			Total:	274,872.45

05-Dec-2018

Date



Louie Frastaglio

District of ONTARIO
Division 09-Toronto
Estate #: 31-2442243
Court # 31-2442243

SUPERIOR COURT OF JUSTICE (IN BANKRUPTCY)

**IN THE MATTER OF THE PROPOSAL OF
MARKDALE AGGREGATES INC.
OF THE CITY OF VAUGHAN,
IN THE PROVINCE OF ONTARIO**

REPORT OF TRUSTEE TO THE CREDITORS
(Section 50(5) of the Bankruptcy and Insolvency Act)

Enclosed are the following documents:

- ♦ Notice of Proposal to Creditors;
- ♦ Proposal under Part III, Division I, of the *Bankruptcy and Insolvency Act* (the “**BIA**”), dated December 5, 2018 (the “**Proposal**”) lodged with MNP Ltd. (the “**Trustee**”) by Markdale Aggregates Inc. (“**Markdale**” or the “**Company**”) and filed with the Official Receiver on December 10, 2018;
- ♦ a statement of affairs, detailing the Company’s assets and liabilities as at November 9, 2018 (“**SOA**”);
- ♦ a proof of claim form;
- ♦ voting letter if you wish to vote in advance of the meeting; and
- ♦ general proxy.

The following is an outline of the background and financial position of the Company, including relevant information that should be of assistance to the creditors in considering their position with respect to the Proposal.

In preparing this Report and making the comments herein, the Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, the Company’s books and records, discussions with employees and management and information from other third-party sources (collectively, the “**Information**”). Except as described in this Report, the 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 Standards pursuant to the CPA Canada Handbook.

Capitalized terms used in this Report are the same as those referenced in the Proposal.

SECTION A - Background

Markdale is an Ontario corporation having its head office in Vaughan, Ontario. Markdale carries on business as a purveyor of aggregate, stone and premium stone products that are produced from the materials extracted from a gravel pit approximately 35 acres in size located at 554605 Glenelg Road #23 in Markdale, Ontario (the “Pit”). The Pit is owned by Frank Handy (“Handy”) of Markdale, Ontario while Tiber Markdale Resources Inc, a related creditor (“TMRI”), holds the licensing agreement with Handy to occupy the site, as well as Class A aggregate license with the Ministry of Natural Resources and Forestry. In addition, all operating equipment onsite is owned by TMRI and rented to Markdale for a monthly fee for the purpose of extraction of materials.

Markdale filed a Notice of Intention to Make a Proposal on November 9, 2018, as a means of: (i) stabilizing the Company; and (ii) developing a proposal with the assistance of the Trustee for the purposes of offering its creditors a dividend that would be higher than its creditors would receive in the event of a bankruptcy. On December 10, 2018, the Company filed a Proposal pursuant to the BIA.

The Trustee is maintaining a website at <https://mnpdebt.ca/en/corporate/engagements/markdale-aggregates-inc> with publicly available information on the Company’s proposal proceedings.

SECTION B - Summary of the Proposal

This section contains a summary of the Proposal, the terms of which would be effective only if the Proposal is accepted by the creditors and approved by the Court, in accordance with the provisions of the BIA.

As set out in the Proposal, the Proposal provides for the following:

- (i) Conditional on the approval of the Proposal by the Unsecured Creditors of Markdale and the making of the Approval Order, Markdale will pay to the Trustee the sum of \$75,000 (the “Proposal Proceeds”, as defined in the Proposal);
- (ii) Secured Creditors will be paid in accordance with existing arrangements, or as may be arranged with them and are not affected by this Proposal;
- (iii) The Administrative Fees and Expenses shall be paid by retainers paid by Markdale or TMRI to the Trustee and will not be paid from the Proposal Proceeds;
- (iv) The Proposal Proceeds shall be distributed by the Trustee as soon as practicably possible, but in any event within six (6) months of the Implementation Date and in accordance with the provisions of the BIA as follows:
 - a) First, to payment of Source Deduction Creditors (defined below), if any;
 - b) Second, to payment of the Office of the Superintendent of Bankruptcy levy payable under section 147 and Rule 123(2) of the BIA on the distributions set-out below;
 - c) Third, to payment of the Claims, if any, of the Employee Creditors (defined below);
 - d) Fourth, to payment of all Claims of any other Preferred Creditors, if any, in the priority set out in section 136 of the BIA;
 - e) Fifth, the ordinary Unsecured Creditors will be paid the balance on a *pro rata* basis.

- (v) Any Claims against Markdale by any Creditor that are also Claims against the directors and/or officers of Markdale that relate to obligations of Markdale where the directors and/or officers are under any law liable in their capacity as directors and/or officers for the payment of such obligations shall be, and upon Court approval of the Proposal, are to the extent permitted by the BIA, released and forever discharged as against the directors and/or officers of Markdale;
- (vi) Sections 95-101 of the BIA will not apply in respect of this Proposal;
- (vii) TMRI, as a Secured Creditor, will not share in the distribution of the Proposal Proceeds.

The above description of the Proposal is a summary only, and readers are cautioned that if there is inconsistency between this report and the Proposal, the terms of the Proposal shall govern.

SECTION C - Financial Position and Causes of Difficulties

Markdale advises that the causes of its financial difficulties are attributable to the following:

- i. Markdale has struggled with profitability since its inception in 2013.
- ii. In or about April 2013, Markdale entered into an agreement with Aggregate Processing Services Limited¹ (“APS”) wherein APS would provide crushing, screening and washing of material extracted from the Pit. APS claims damages in the amount of \$395,906 (plus interest), representing the price of labour materials supplied by APS and received by Markdale.
- iii. Markdale defends the claim by asserting set-off as against the entire amount claimed by APS alleging that APS breached the terms of the agreement that resulted in, *inter alia*, lower than anticipated quality and quantity of product delivered to Markdale. Markdale also claims from APS damages for, among other things, loss in sales and costs to reprocess the aggregate produced by APS.
- iv. In 2014, APS and Markdale entered into discussions/negotiations aimed at resolving the dispute. Shortly thereafter, negotiations fell through and a lawsuit was initiated by APS (the “**APS Litigation**”). To date the lawsuit has not been resolved and costs associated with continuing the APS Litigation have been a significant financial burden to Markdale. With the APS Litigation not resolved, APS is shown as a contingent creditor on the SOA.
- v. In 2017, because of numerous issues with contracting the production of gravel at the Pit, TMRI purchased its own equipment to rent to Markdale and Markdale brought on its own staff in an attempt to complete its own gravel production efficiently and at reduced cost. However, costs of staff and equipment rentals have remained high relative to revenues as revenues have not grown sufficiently to enable Markdale to meet its obligations. Markdale has been dependent on TMRI to fund operational shortfalls of Markdale.

¹ APS’s Amended Statement of Claim notes that all rights to pursue this action were transferred by APS to APS Aggregate Services Inc. on July 3, 2014 and that an Order to Continue reflecting the transmission of interest was issued on May 11, 2017.

- vi. Recently Markdale entered into a labor agreement with Olympia Sand and Gravel (“**Olympia**”), another related party operating from a separate location, wherein Markdale provides labour services to Olympia that has generated additional revenues to Markdale allowing the Company to mitigate some of its losses going forward;
- vii. Regardless of the new revenues resulting from Olympia’s labour requirements, with the APS Litigation, current outstanding debts to its creditors, and TMRI’s requirement to fund its operations, Markdale filed the NOI as part of an overall restructuring of the Company.
- viii. A summary of Markdale’ historical financial results is set out below:

Year Ended March 31 (CAD\$)	F2019 (Nov 8)	F2018 Unaudited	F2017
Revenue	\$ 770,298	\$ 1,185,930	\$1,127,630
% Growth	n/a	5%	n/a
Cost of Goods Sold	800,644	1,106,350	1,308,388
Gross Margin	- 30,346	79,580	- 180,758
Gross Margin (%)	-4%	7%	-16%
Operating Expenses	201,375	190,803	208,013
Operating Expenses (%)	26%	16%	18%
EBITDA	- 231,721	- 111,223	- 388,771

SECTION D - Interim Receiver

Not Applicable.

SECTION E - Identification and Evaluation of Assets

According to the SOA, the Company’s assets and their estimated realizable value are as listed below. Further details can be found in Section L of this Report.

Description	Estimated Realizable Value
Accounts receivable (net of allowance for doubtful accounts)	\$ 225,614
Inventory (gravel and sand inventories, extracted and unextracted)	234,872
Vehicles	40,000
TOTAL	\$500,486

The Trustee performed a *Personal Property Security Act* (Ontario) registration search on November 8, 2018. The search revealed registrations by Royal Bank of Canada (“**RBC**”), Caterpillar Financial (“**Caterpillar**”), and TMRI.

SECTION F - Conduct of the Company

The conduct of the Company does not appear to be subject to censure.

SECTION G - Creditors' Claims

As per the SOA, the Company's creditors consist of:

Creditor Classifications	SOA ² Amount
Secured	\$ 500,486
Preferred	0
Unsecured	2,663,663
Contingent	1
TOTAL	<u>\$ 3,164,150</u>

Based on Markdale's books and records, there do not appear to be any outstanding source deductions obligations due by Markdale to Canada Revenue Agency ("CRA" or the "Source Deduction Creditors") at the date of filing the NOI and the Company has maintained their remittances in the post filing period. CRA has contacted to the Trustee in order to facilitate it carrying out a trust examination of Markdale's books and records.

The Company has advised the Trustee there are no amounts owing to the employees for unpaid wages and vacation pay ("Employee Creditors") of Markdale.

Included in the secured creditor claims is TMRI's claim in the amount of approximately \$2,767,000. Markdale granted a general security agreement ("GSA") in favour of TMRI. This claim relates to the advances described above to fund the ongoing financial obligations of Markdale. The Trustee's independent legal counsel, Loopstra Nixon LLP, is of the opinion that, subject to the assumptions and qualifications normal to this type of opinion, the security interest granted pursuant to the GSA by Markdale in favour of TMRI is valid and enforceable.

SECTION H - Previous Business Dealings with the Company

Not applicable.

SECTION I - Informal Meeting with Major Creditors

Not applicable.

SECTION J - Remuneration of Trustee

The Trustee's fees and expenses related to the administration of the Proposal, including those of its and Markdale's legal counsel, will be paid separately from the Proposal Proceeds by either Markdale or the Related Creditor and will not form part of the Proposal.

To date, Markdale has provided a retainer of \$15,000 to the Trustee.

² The secured claims total \$2,806,167. The value of Markdale's assets is estimated at \$500,486. The difference between the estimated realizable value of the assets and the secured claims, namely \$2,305,681 represents an unsecured claim.

SECTION K - Other

Not applicable.

SECTION L - Statement of Estimated Realizations

Set out below is the Trustee's estimate of the distribution to ordinary unsecured creditors if the Proposal is accepted by the Unsecured Creditors and approved by the Court:

Proposal Proceeds	\$ 75,000
Less:	
Source Deduction Creditors	(0)
Estimated Trustee's Fees and Expenses ³	<u>(0)</u>
Estimated Net Funds Available for Distribution to Unsecured Creditors	<u>\$ 75,000</u>
Estimated claims of Unsecured Creditors per SOA (net of TMRI's claims)	753,889
Estimated distribution to Unsecured Creditors	<u>9.95%</u>

Note: The estimated distribution to Unsecured Creditors includes APS's \$395,906 claim (before inclusion of interest). The inclusion of APS's claim in the above-noted calculation is for illustrative purposes only. Given the contingent nature of APS's claim, the Trustee will need to determine whether APS has a proven claim against Markdale, and if so, the extent that APS's claim is a provable claim. However, regardless of the outcome of the APS Litigation claim, the Proposal offers a greater distribution to creditors than a bankruptcy

If the Proposal is rejected by the Creditors, the Company will be deemed bankrupt. The anticipated realizations from a bankruptcy, per the SOA, are summarized below.

	<u>Notes</u>	<u>Estimated Realization</u>
Accounts receivable (book value is net of allowance for doubtful account)	(1)	225,614
Inventory	(2)	234,872
Vehicles	(3)	40,000
Total:		<u>\$500,486</u>
Less:		
Claims of Secured Creditors	(4)	(2,806,166)
Estimated Professional fees		<u>(25,000)</u>
Estimated Amount Available for Distribution		<u>0</u>

³ The Administrative Fees and Expenses shall be paid by retainers paid by Markdale or TMRI to the Trustee and will not be paid from the Proposal Proceeds

Notes:

1. Based on the Trustee's discussions with Management, if Markdale were bankrupt, it appears the recoveries from this source would be similar to what is value ascribed on the SOA.
2. The estimated realization of the inventory is based on the current pricing schedules of Markdale. The Trustee has not obtained a formal appraisal in respect of the liquidation value of Markdale inventory but understands from discussions with management that in a liquidation scenario the amounts received would be approximately 20% of the book value of the assets. The Trustee also consulted a third-party industry appraiser and auctioneer who confirmed the reasonableness of Management's estimate of the realizable value of the inventory in a liquidation scenario.
3. The estimated realization of the vehicles is based on the black book value searches of the Trustee and discussions with management regarding the condition of the vehicles.
4. In the event of a bankruptcy, claims of the Secured Creditors would rank ahead of unsecured creditors. As described earlier in this report, the Trustee's independent counsel is of the opinion that subject to certain assumptions and qualifications, the security interest granted pursuant to the GSA by Markdale in favour of TMRI to be valid and enforceable.

Preferences and Transfers at Undervalue

The Proposal provides that sections 95-101 are not applicable. Accordingly, and to assess the appropriateness of the inclusion of this clause, the Trustee has undertaken a limited review of the Company's books and records in order to report to the creditors on any potential preferences or transfers at undervalue identified, consisting of the following:

- Markdale's bank statements and cancelled cheques for the period beginning one year prior to the filing of the NOI and ending on November 9, 2018;
- examining cheques and transfers greater than \$10,000 in the twelve (12) month period preceding the NOI filing; and,
- inquiring with management whether any assets were transferred or disposed for no consideration or conspicuously less than fair market value.

To date, the Trustee has not identified any transactions in the last 12 months that could be considered preferences or transfers at under value. The Trustee has not yet completed its review at this time and will advise creditors at the meeting of creditors on December 21, 2018 should any preferences or transfers at undervalue be identified as part of the Trustee's further review.

The Trustee has not identified any post filing transactions that are material in nature but notes the following:

Telus

Upon filing of the NOI, Markdale advised the Trustee that it made a payment to Telus in the amount of \$977 with respect to outstanding amounts due prior to November 9, 2018 to ensure continued services of cell phones to their employees.

SECTION M - Recommendations

Based on the above, the Trustee recommends the acceptance of the Proposal as the Proposal contemplates a higher distribution to the Unsecured Creditors than a bankruptcy. The Proposal would also provide for the continued employment of Markdale's current employees and the preservation of business relationships with Markdale's existing suppliers and customers.

SECTION N - Technical Requirements for a Successful Proposal

This Proposal will become effective only if it is accepted by a resolution of the Unsecured Creditors and approved by the Court. To obtain Creditor approval, a simple majority in the number of Unsecured Creditors voting, with this majority representing at least 2/3 of the dollar value of the proven claims of the Unsecured Creditors voting, must vote in favour of the Proposal. If the Unsecured Creditors do not accept the Proposal, then the Company will be deemed to have made an assignment in bankruptcy and a meeting of creditors in the matter of the bankruptcy will immediately take place.

If the Unsecured Creditors vote to accept the Proposal, Court approval of the Proposal must then be sought. If the Court does not approve the Proposal, the Company would be deemed to have made an assignment in bankruptcy and the Trustee will then call a meeting of creditors in the matter of the bankruptcy.

When completing the Proof of Claim form submitted herewith, Creditors should include all outstanding amounts as at November 9, 2018, the date of the filing of the NOI. It is expressly noted and should be clearly understood that the Trustee, in its capacity as Trustee, assumes no personal liability for any claims that Creditors may have against Markdale either before or after the filing of the Proposal.

Creditors may attend, in person or by proxy, the meeting to consider the Proposal, which will be held at MNP's offices located on the 3rd floor at 111 Richmond Street in the City of Toronto in the Province of Ontario on December 21, 2018 at 2 PM (Toronto Time).

Creditors who do not wish to attend or be represented at the meeting but who wish to vote, may forward their Proofs of Claim and voting letters by either email to echa.odeh@mnp.ca or fax to (416) 323-5242, to the Trustee so as to be received prior to 2 PM (Toronto Time) on December 21, 2018.

Should you have any questions or comments on the Proposal or this report, please do not hesitate to contact the undersigned.

Dated at Toronto, Ontario, the 10th day of December, 2018.

MNP LTD.

**Trustee acting in *re the Proposal of*
Markdale Aggregates Inc., and not in its
personal capacity**

Per:



Sheldon Title, CPA, CA, CIRP, LIT

Encl.

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2442243
Estate No. 31-2442243

FORM 31

Proof of Claim

(Sections 50.1, 81.5, 81.6, Subsections 65.2(4), 81.2(1), 81.3(8), 81.4(8), 102(2), 124(2), 128(1),
and Paragraphs 51(1)(e) and 66.14(b) of the Act)

In the matter of the proposal of
Markdale Aggregates Inc.
of the City of Vaughan
in the Province of Ontario

All notices or correspondence regarding this claim must be forwarded to the following address:

In the matter of the proposal of Markdale Aggregates Inc. of the City of Vaughan in the Province of Ontario and the claim of
_____, creditor.

I, _____ (name of creditor or representative of the creditor), of the city of _____ in the
province of _____, do hereby certify:

1. That I am a creditor of the above named debtor (or I am _____ (position/title) of _____
creditor).

2. That I have knowledge of all the circumstances connected with the claim referred to below.

3. That the debtor was, at the date of proposal, namely the 9th day of November 2018, and still is, indebted to the creditor in the sum of
\$ _____, as specified in the statement of account (or affidavit) attached and marked Schedule "A", after deducting any
counterclaims to which the debtor is entitled. (The attached statement of account or affidavit must specify the vouchers or other evidence in
support of the claim.)

4. (Check and complete appropriate category.)

A. UNSECURED CLAIM OF \$ _____

(other than as a customer contemplated by Section 262 of the Act)

That in respect of this debt, I do not hold any assets of the debtor as security and
(Check appropriate description.)

Regarding the amount of \$ _____, I claim a right to a priority under section 136 of the Act.

Regarding the amount of \$ _____, I do not claim a right to a priority.

(Set out on an attached sheet details to support priority claim.)

B. CLAIM OF LESSOR FOR DISCLAIMER OF A LEASE \$ _____

That I hereby make a claim under subsection 65.2(4) of the Act, particulars of which are as follows:

(Give full particulars of the claim, including the calculations upon which the claim is based.)

C. SECURED CLAIM OF \$ _____

That in respect of this debt, I hold assets of the debtor valued at \$ _____ as security, particulars of which are as follows:
(Give full particulars of the security, including the date on which the security was given and the value at which you assess the security,
and attach a copy of the security documents.)

D. CLAIM BY FARMER, FISHERMAN OR AQUACULTURIST OF \$ _____

That I hereby make a claim under subsection 81.2(1) of the Act for the unpaid amount of \$ _____

(Attach a copy of sales agreement and delivery receipts.)

- E. CLAIM BY WAGE EARNER OF \$ _____
- That I hereby make a claim under subsection 81.3(8) of the Act in the amount of \$ _____,
- That I hereby make a claim under subsection 81.4(8) of the Act in the amount of \$ _____,
- F. CLAIM BY EMPLOYEE FOR UNPAID AMOUNT REGARDING PENSION PLAN OF \$ _____
- That I hereby make a claim under subsection 81.5 of the Act in the amount of \$ _____,
- That I hereby make a claim under subsection 81.6 of the Act in the amount of \$ _____,
- G. CLAIM AGAINST DIRECTOR \$ _____

(To be completed when a proposal provides for the compromise of claims against directors.)

That I hereby make a claim under subsection 50(13) of the Act, particulars of which are as follows:
(Give full particulars of the claim, including the calculations upon which the claim is based.)

- H. CLAIM OF A CUSTOMER OF A BANKRUPT SECURITIES FIRM \$ _____

That I hereby make a claim as a customer for net equity as contemplated by section 262 of the Act, particulars of which are as follows:
(Give full particulars of the claim, including the calculations upon which the claim is based.)

5. That, to the best of my knowledge, I _____ (am/am not) (or the above-named creditor _____ (is/is not)) related to the debtor within the meaning of section 4 of the Act, and _____ (have/has/have not/has not) dealt with the debtor in a non-arm's-length manner.

6. That the following are the payments that I have received from, and the credits that I have allowed to, and the transfers at undervalue within the meaning of subsection 2(1) of the Act that I have been privy to or a party to with the debtor within the three months (or, if the creditor and the debtor are related within the meaning of section 4 of the Act or were not dealing with each other at arm's length, within the 12 months) immediately before the date of the initial bankruptcy event within the meaning of Section 2 of the Act: *(Provide details of payments, credits and transfers at undervalue.)*

7. *(Applicable only in the case of the bankruptcy of an individual.)*

- Whenever the trustee reviews the financial situation of a bankrupt to redetermine whether or not the bankrupt is required to make payments under section 68 of the Act, I request to be informed, pursuant to paragraph 68(4) of the Act, of the new fixed amount or of the fact that there is no longer surplus income.
- I request that a copy of the report filed by the trustee regarding the bankrupt's application for discharge pursuant to subsection 170(1) of the Act be sent to the above address.

Dated at _____, this _____ day of _____, _____.

Witness

Creditor

Phone Number: _____
Fax Number : _____
E-mail Address : _____

NOTE: If an affidavit is attached, it must have been made before a person qualified to take affidavits.

WARNINGS: A trustee may, pursuant to subsection 128(3) of the Act, redeem a security on payment to the secured creditor of the debt or the value of the security as assessed, in a proof of security, by the secured creditor.

Subsection 201(1) of the Act provides severe penalties for making any false claim, proof, declaration or statement of account.

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2442243
Estate No. 31-2442243

FORM 37

Voting Letter
(Paragraph 51(1)(f) of the Act)

In the matter of the proposal of
Markdale Aggregates Inc.
of the City of Vaughan
in the Province of Ontario

I, _____, creditor (or I, _____, representative
of _____, creditor), of _____, a creditor in the above matter
for the sum of \$ _____, hereby request the trustee acting with respect to the proposal of
Markdale Aggregates Inc., to record my vote _____ (for or against) the acceptance of the proposal
as made on the 5th day of December 2018.

Dated at _____, this _____ day of _____.

Witness

Individual Creditor

Witness

Name of Corporate Creditor

Per _____

Name and Title of Signing Officer

Return To:
MNP LTD. - Licensed Insolvency Trustee
Per:

Sheldon Title - Licensed Insolvency Trustee
300 - 111 Richmond Street West
Toronto ON M5H 2G4
Phone: (416) 596-1711 Fax: (416) 323-5242

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2442243
Estate No. 31-2442243

FORM 36
Proxy

(Subsection 102(2) and paragraphs 51(1)(e) and 66.15(3)(b) of the Act)

In the matter of the proposal of
Markdale Aggregates Inc.
of the City of Vaughan
in the Province of Ontario

I, _____, of _____, a creditor in the above matter, hereby
appoint _____, of _____, to be
my proxyholder in the above matter, except as to the receipt of dividends, _____ (with or without)
power to appoint another proxyholder in his or her place.

Dated at _____, this _____ day of _____, _____.

Witness

Individual Creditor

Witness

Name of Corporate Creditor

Per _____

Name and Title of Signing Officer

Return To:

MNP LTD. - Licensed Insolvency Trustee

300 - 111 Richmond Street West
Toronto ON M5H 2G4
Phone: (416) 596-1711 Fax: (416) 323-5242

CHECKLIST FOR PROOFS OF CLAIM

This checklist is provided to assist you in preparing the accompanying proof of claim form and, where required, proxy form in a complete and accurate manner. Please specifically check each requirement.

Under Section 109 of the Bankruptcy and Insolvency Act only those creditors who have filed their claims in the proper form with the trustee, before the time appointed for the meeting, are entitled to vote at the meeting.

Section 124 states that every creditor shall prove his claim and the creditor who does not prove his claim is not entitled to share in any distribution that may be made.

General

- ◆ The signature of a witness is required;
- ◆ The claim must be signed personally by the individual completing this declaration;
- ◆ Give the complete address where all notices or correspondence is to be forwarded
- ◆ The amount of the statement of account must correspond to the amount indicated on the proof of claim.
- ◆ It is permissible to file a proof of claim by fax or by email.

Paragraph 1

- ◆ Creditor must state full and complete legal name of company or firm;
- ◆ If the individual completing the proof of claim is not the creditor himself, he/she must state his/her position or title.

Paragraph 3

- ◆ The statement of account must be complete;
- ◆ A detailed statement of account must be attached to the proof of claim and must show the date, the number and the amount of all the invoices or charges, together with the date, the number and the amount of all credits or payments. A statement of account is not complete if it begins with an amount brought forward.

Paragraph 4

- ◆ Subparagraph 4.A must be completed by an unsecured creditor and must indicate if priority is claimed pursuant to Section 136.
- ◆ Subparagraph 4.B must be completed by a landlord only in a Proposal, for any claim related to disclaimer of lease. The amount of the claim is to be calculated according to the terms of the proposal. Provide details of calculation.
- ◆ Subparagraph 4.C must be completed by a secured creditor. A certified true copy of the security instrument as registered must be provided.
- ◆ Subparagraph 4.D must be completed a farmer, fisherman or aquaculturist creditor. A copy of the sales agreement and delivery documents must be provided.
- ◆ Subparagraph 4.E applies if you are a wage earner (ie, a clerk, servant, travelling salesperson, labourer or worker who is owed wages, salaries, commissions or compensation by a bankrupt (subsection 81.3) or by a "person" that is subject to a receivership (subsection 81.4) for services rendered during the six months immediately before the date of bankruptcy or receivership).
- ◆ Subparagraph 4.F applies to claims by employees for unpaid amounts regarding pension plans. Please note that such claims apply only to unremitted pension contributions outstanding when the sponsoring employer becomes bankrupt or is subject to a receivership.
- ◆ Subparagraph 4.G is to be completed only in a Proposal, and only if the proposal provides for the compromise of claims against Directors. Provide full details including calculations.
- ◆ Subparagraph 4.H applies if you are a "customer" of a bankrupt securities firm (as contemplated by Section 262 of the Bankruptcy and Insolvency Act).

Paragraph 5

- ◆ All claimants must indicate if he or she is related or not to the debtor, as defined in Section 4 of the Bankruptcy and Insolvency Act, by striking out "AM" or "IS" or "AM NOT" or "IS NOT".

Paragraph 6

- ◆ All claimants must attach a detailed list of all payments or credits received or granted, as follows:
 - a) Within the three (3) months preceding the bankruptcy or the proposal, in the case where the claimant and the debtor are not related;
 - b) Within the twelve (12) months preceding the bankruptcy or proposal, in the case where the claimant and the debtor are related.

- APPOINTING PROXY -

Note: The Bankruptcy and Insolvency Act permits a proof of claim to be made by a duly authorized agent of a creditor but this does not give such a person power to vote at the first meeting of creditors or to act as the proxy of the creditor.

General

- ◆ A creditor may vote either in person or by proxy;
- ◆ A debtor may not be appointed as proxy to vote at any meeting of his creditors;
- ◆ The Trustee may be appointed as a proxy for any creditor;
- ◆ In order for a duly authorized person to have a right to vote he must himself be a creditor or be the holder of a properly executed proxy. The name of the creditor must appear in the proxy.