

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE BANKRUPTCY OF
KAISER STEEL LTD.**

TRUSTEE'S PRELIMINARY REPORT TO CREDITORS

JANUARY 17, 2023

BACKGROUND

This report has been prepared by The Bowra Group Inc., in its capacity as Licensed Insolvency Trustee in the bankruptcy of Kaiser Steel Ltd. (the "Trustee") to provide preliminary information to creditors on January 17, 2023.

Kaiser Steel Ltd is a private company incorporated in British Columbia (the "Company"). The Company has operated as Kaiser Steel Ltd. since 2016. Matthew Neustaedter is the owner of the Company and its sole director and president.

The Company was in the business of steel fabrication and erection for the construction industry, and had operated out of premises located in Vancouver, B.C. However, the COVID-19 pandemic put a strain on the Company's ability to operate and caused a working capital shortfall.

The Company began to wind down, vacating the location and terminating all their employees over the last 12 months. Currently, the Company has no employees, and is being operated by its sole Director, Matthew Neustaedter, from his residence.

On September 15, 2022, Royal Bank of Canada ("RBC"), the Company's senior secured lender, appointed Grant Thornton Limited as RBC's agent under the General Security Agreement held between RBC and the Company.

On October 4, 2022, RBC sent the Company a Notice of Intention to Enforce Security.

On October 14, 2022, the Company filed an NOI to allow the Company to collect the balance of outstanding receivables, while completing its final project, making it more likely that the Company will be able to make a proposal to its creditors.

On November 10, 2022, an application to request an extension for filing a Proposal was filed in the Supreme Court of British Columbia. It was ordered that the time for filing of a Proposal by Kaiser Steel Ltd. be extended from November 13, 2022, to December 28, 2022.

The Company did not file a Proposal to its creditors by December 28, 2022 and was deemed bankrupt on December 29, 2022. The Bowra Group Inc. was appointed Licenced Insolvency Trustee on this date.

FINANCIAL SITUATION

The Trustee has been provided with financial statements for three years to financial year ended 30 September 2021, and incomplete books and records for the subsequent period. The financial statements for financial year ended 30 September 2022 were not completed by the Company's third-party accounting firm.

The table below is a summary of the income statements for three years of financial statements:

	1 Oct to 30 Sept 2021	1 Oct to 30 Sept 2020	1 Oct to 30 Sept 2019
	\$000's		
Sales	2,482	1,457	1,100
Cost of sales	(1,455)	(676)	(995)
Gross Profit / (Loss)	1,027	781	105
Operating and Other Expenses	(516)	(291)	(407)
Net Operating Income	511	490	(302)

Notes:
(1) The financial information was prepared by a third-party accounting firm.

CONSERVATORY AND PROTECTIVE MEASURES

The only assets of the Company are accounts receivable related to ongoing and previous jobs. Mr. Neustaedter was attempting to finish the remaining jobs and collect the receivables to maximize the recoveries.

From the company's records and discussions with management, the accounts receivable amount to approximately \$296,000 with estimated recoverability to be below 50%.

BOOKS AND RECORDS

The Trustee has taken possession of certain books and records of the Company and is in the process of reviewing financial records available and obtaining additional financial information. The books and records provided to date are incomplete.

PRELIMINARY EVALUATION OF ASSETS

The Company's senior secured creditor, RBC, is expected to suffer a shortfall on its debt to the Company. Accordingly, there will likely be no excess funds available to unsecured creditors.

SECURED CREDITORS AND PRIORITY CREDITORS

The Trustee is aware of the following parties that may have priority over the claims of unsecured creditors:

Secured Party	Asset Secured	Estimated Claim (\$'s)
Canada Revenue Agency	Deemed Trust - Source Deductions	100,000
Royal Bank of Canada	All property	428,000
BMW	Motor Vehicle	Unknown
Business Development Bank of Canada	All property	Unknown
Director of Employment Standards (Lien)	All property	Unknown

UNSECURED CREDITORS

The Company's records indicate there are unsecured creditors with total claims of approximately \$467,000. This amount does not include any amounts of secured creditors for shortfalls on their security.

LEGAL ACTIONS

The Trustee is not aware of any ongoing litigation. The Trustee has not commenced or continued any actions on behalf of the Company.

Miller Thompson had been engaged as part of a dispute with Structure Corporation for unpaid invoices, however no proceedings have been filed with the courts to date.

REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

The Trustee has taken possession of certain books and records of the Company and is in the process of obtaining additional records and gathering additional information.

The Trustee has conducted a preliminary review of the information available and has not identified any transactions which could be regarded as preference transactions or transfers at undervalue to date. Further investigations may be conducted which could reveal such transactions.

CONFLICT OF INTEREST

The Trustee is not aware of any conflicts of interest.

TRUSTEE'S REMUNERATION

The Company provided a retainer in the amount of \$20,000 for the funding of the costs of the administration of the NOI and bankrupt estate including professional fees.

CONCLUSION

Based on our preliminary estimates, there will be no recovery to unsecured creditors.

MNP Ltd. / The Bowra Group Inc.

In its capacity as the Licensed Insolvency Trustee of the bankrupt estate of Kaiser Steel Ltd., and not in its personal capacity.

Per: 

Doug Chivers, CPA, CA, CIRP, LIT