

**Estate File No. 31-2639875
Estate File No. 31-2639876
Estate File No. 31-2639614
Estate File No. 31-2639615**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A
PROPOSAL OF JMX CONTRACTING INC., JMX LEASING INC., JMX NATIONAL
INC. AND BRND PROPERTIES INC.**

**FIRST REPORT OF CROWE SOBERMAN INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE NOTICES OF INTENTION TO MAKE A
PROPOSAL OF JMX CONTRACTING INC., JMX LEASING INC., JMX NATIONAL
INC. AND BRND PROPERTIES INC.**

May 13, 2020

TABLE OF CONTENTS

I.	TERMS OF REFERENCE.....	2
II.	GENERAL BACKGROUND INFORMATION ON THE COMPANIES.....	3
III.	THE NOI PROCEEDINGS.....	6
IV.	ADMINISTRATIVE CONSOLIDATION.....	8
V.	COURT ORDERED CHARGES.....	9
VI.	EXTENSION OF THE STAY PERIOD TO JULY 1, 2020.....	11
VII.	CONCLUSION AND RECOMMENDATIONS.....	13

APPENDICES

APPENDIX "A"- CERTIFICATES OF FILING THE NOTICES TO MAKE A PROPOSAL
APPENDIX "B"- 2019 FINANCIAL STATEMENT (CONSOLIDATED)
APPENDIX "C"- CASH FLOW FORECASTS
APPENDIX "D"- UPDATED CASH FLOW FORECAST FOR CONTRACTING

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INC. AND BRND PROPERTIES INC.

May 13, 2020

1. This report (the “**First Report**”) is filed by Crowe Soberman Inc. (“**Crowe**”) in its capacity as proposal trustee (the “**Proposal Trustee**”), in connection with the Notices of Intention to Make a Proposal (“**NOIs**”) filed by each of JMX Contracting Inc. (“**Contracting**”), JMX Leasing Inc. (“**Leasing**”), JMX National Inc. (“**National**”) and BRND Properties Inc. (“**BRND**” and together with Contracting, Leasing, and National the “**Companies**” or the “**JMX Group**”).
2. On April 17th and April 20th, 2020 (the “**Filing Dates**”), the Companies each filed an NOI pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c B.-3, as amended (the “**BIA**”) and Crowe was appointed as Proposal Trustee under each NOI. Copies of the Certificates of Filing issued by the Superintendent of Bankruptcy for each of the Companies are attached hereto as **Appendix “A”**.
3. The purpose of this First Report is to provide the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) with information pertaining to the following:

- a. a limited summary of certain background information about the Companies;
- b. the restructuring steps to be undertaken by the Companies during these proceedings;
- c. the recent challenges experienced by Contracting surrounding one of its current contracts with the Ontario Power Generation Inc. (“**OPG**”) as it relates to the demolition of OPG’s Lambton Generating Station (“**OPG Demolition Agreement**”);
- d. the removal of certain assets of the Companies’ by Kirby Waste Transfer Solutions (“**Kirby**”) from an active job site and the request of the Companies for the Proposal Trustee to be granted enhanced powers to recover possession of the assets of the JMX Group removed without the consent of the Companies;
- e. the proposed charges (the “**Charges**”) sought by the Companies;
- f. the Companies’ request for an order approving the administrative consolidation of the Companies’ proposal proceedings; and
- g. the Companies’ request for an extension of the stay initiated on the Filing Date (the “**Stay Period**”) to July 1, 2020.

I. TERMS OF REFERENCE

- 4. Unless otherwise noted, all monetary amounts contained in this First Report are expressed in Canadian dollars.
- 5. In preparing this First Report, the Proposal Trustee has relied upon certain unaudited internal financial information prepared by the Companies’ representatives, the Companies’ books and records and discussions with their management, staff, agents, and consultants (collectively, the “**Information**”). The

Proposal Trustee has not performed an audit or other verification of the Information in a manner that would comply with Generally Accepted Assurance Standards (“GAAS”) pursuant to the Chartered Professional Accountant of Canada Handbook (the “CPA Handbook”) and, as such, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

II. GENERAL BACKGROUND INFORMATION ON THE COMPANIES

6. The principal operating entity among the Companies is Contracting, which is a full-service environmental contractor and serves commercial, industrial and institutional clients, providing demolition, abatement, remediation and commodity salvage services to construction and decommissioning projects across Canada.
7. Contracting operates primarily in Ontario, and currently has one active contract in British Columbia. The Companies’ business, affairs, financial performance and position, as well as the causes of their insolvency are detailed in the affidavit of Mr. Charlie Dahl sworn May 12, 2020 (the “Dahl Affidavit”) in support of the Companies’ May 15, 2020 motion and are, therefore, not repeated herein. The Proposal Trustee has reviewed the Dahl Affidavit and discussed the business and affairs of the Companies with senior management personnel of the Companies and its advisors and is of the view that the Dahl Affidavit provides a fair summary thereof.

Corporate Structure

8. Contracting is a private company incorporated under the *Business Corporations Act* (Ontario) whose registered office is located at 27 Anderson Boulevard, Uxbridge, Ontario. Contracting carries on the business of a full-service environmental contractor construction company and carries out large scale projects in the public and private sector. Contracting is wholly owned by Leasing

9. Leasing is a private company incorporated under the Business Corporations Act (Ontario) whose registered office is located at 27 Anderson Boulevard, Uxbridge, Ontario. Leasing carries on the business of an equipment leasing company whose primary client is Contracting.
10. National is a private company incorporated under the Business Corporations Act (Ontario) whose registered office is located at 27 Anderson Boulevard, Uxbridge, Ontario. National conducts no active business.
11. BRND is a private company incorporated under the Business Corporations Act (Ontario) whose registered office is located at 27 Anderson Boulevard, Uxbridge, Ontario, and owns the real property that houses the Companies' warehouse and head office located in Uxbridge, Ontario (the "**Real Property**").
12. The directors and officers of the JMX Group consist of Mr. Jeff Norton ("**Norton**"), Mr. Charlie Dahl ("**Dahl**") Mr. Peter Bensley ("**Bensley**") and Mr. Matthew Richard ("**Richard**") (collectively the "**D&O**"). The organizational chart of the Companies is attached as Exhibit "A" to the Dahl Affidavit.

Overview of Operations

13. As at the Filing Date, Contracting currently had 21 active projects at differing levels of completion. The cumulative value of those contracts is over \$46 million, the largest being the OPG Demolition Agreement in the amount of \$30 million to dismantle a non-operating power plant in Sarnia, Ontario.
14. The Proposal Trustee understands that Contracting currently employs approximately 51 employees and independent contractors, approximately 24 of whom are unionized. The majority of JMX Contracting's employees are located in Ontario and a handful are located in British Columbia. Prior to the COVID-19 outbreak, Contracting employed approximately 220 employees. It is anticipated that once the job sites are allowed to re-open, the majority will be brought back. Outside of the Real Property, the other main assets of the JMX Group are

equipment and inventory, including scrap, in relation to its environmental services and demolition business.

15. Contracting's unionized employees are governed by various collective agreements with a number of unions including LIUNA Local 506 and LIUNA Local 1089 ("**Unions**"). As outlined in the Dahl Affidavit, Contracting is currently in arrears in respect of arrears in respect of payroll and union dues in the amount of approximately \$340,000. The full amount of the arrears is expected to be paid the week of May 25, 2020. Union dues from and after May 15, 2020 will be paid in the ordinary course.

16. Contracting pays employees on a weekly basis and manages its payroll internally. As of the date of this affidavit, Contracting is currently up to date in respect of payroll obligations to non-unionized employees. The JMX Group is currently up to date on source deductions and all other CRA obligations.

The Companies' Creditors

17. As detailed in the Dahl Affidavit, the Companies have a banking relationship with the Royal Bank of Canada ("**RBC**") and maintain their operating accounts at RBC. The amounts of the obligations of each of the Companies to RBC is outlined in paragraphs 14 to 17 of the Dahl Affidavit.

18. On April 9, 2020, RBC issued a series of demand notices to the Companies, alongside Section 244 Notice of Intention to Enforce Security, as it related to their collective indebtedness owing by the Companies currently estimated in the amount of approximately \$4.43 million.

19. Each of the Companies has granted RBC a general security interest over its assets, property and undertaking. In addition, BRND has granted RBC mortgage security over its real property assets to secure a Construction Loan (as defined in the Dahl Affidavit).

20. In addition to the amounts owed by the Companies to RBC, the Companies estimate that, as at the Filing Date, they have unsecured obligations totaling approximately \$10.5 million to various service providers, including subcontractors.

The Companies' Financial Results

21. As described in the Dahl Affidavit, due to a number of factors, including the OPG Demolition Agreement, the Companies' financial performance has declined, and its operations have suffered.

22. The Companies' accountants, BDO Canada LLP ("**BDO**"), reported on Contracting and Leasing's financial statements for the fiscal year ending March 31, 2019 ("**Consolidated 2019 Financial Statement**"). A copy of the Consolidated 2019 Financial Statement is attached hereto as **Appendix "B"**.

III. THE NOI PROCEEDINGS

23. Due the losses incurred by the Companies as it related to specific contracts, the Companies have determined that it is in the best interest of all stakeholders for the Companies to explore restructuring options. The JMX Group continues to operate as a going concern. It is the JMX Group's intention to repay its secured debt to RBC through refinancing and/or investment and to continue its operations in the normal course with the assistance of the Companies advisors, and under the supervision of the Proposal Trustee.

24. Prior to the Filing Date, the Companies retained Mr. Daniel Stevens to act as Chief Financial Officer ("**CFO**") to assist with the restructuring efforts and turnaround planning.

The Ontario Power Demolition Agreement

25. The Dahl Affidavit outlines the challenges experienced by Contracting as it relates to the OPG Demolition Agreement. Contracting agreed to provide demolition services and to purchase and dispose of scrap from the demolition project. A copy of the OPG Demolition Agreement is attached as Exhibit “F” to the Dahl Affidavit
26. Part of the work to be performed under the OPG Demolition Agreement was structured as a fixed price contract where OPG would be paid for scrap removed and sold by Contracting. The unit price that Contracting was required pay to OPG for various types of scrap are set out in the OPG Demolition Agreement, as fixed in July 2018 when the contract was executed.
27. The Proposal Trustee understands that Contracting has performed approximately 70% of the work required under the OPG Demolition Agreement and has been paid approximately \$21.5 million to date. The project end date was extended to October 2020, however, work on site has ceased as demolition services are not deemed to be an essential service in light of the COVID-19 epidemic.
28. Further, the collapse in world metal prices has changed the economics of the OPG Demolition Agreement. It is no longer profitable for Contracting to purchase scrap from OPG at contract prices only to sell the scrap at depressed commodity market prices.
29. According to the Companies, OPG owes approximately \$7.6 million to JMX Contracting for services performed under the OPG Demolition Agreement (the “**OPG Contract Payment**”). The OPG Contract Payment is due and owing. The Proposal Trustee understands that OPG is asserting a claim for approximately \$700,000 from JMX Contracting for scrap purchased by Contracting (the “**Scrap**”).

Payment”). In addition, certain sub-trades have registered liens against the OPG project totaling \$410,901.00.

30. OPG and Contracting are continuing in their negotiations over the payment of the OPG Contract Payment and to potentially pursue a global settlement in respect of the OPG Demolition Agreement.

Kirby & Enhanced Powers of the Proposal Trustee

31. After the Filing Dates, the Proposal Trustee was advised by management of the Companies that Kirby took possession of certain Company owned assets without the prior knowledge and consent of the JMX Group.

32. As outlined in the Dahl Affidavit, there is video footage which suggests that employees of Kirby attended at an active job site at 475 Commissioners Street in Toronto without authorization of the project owner or Contracting, and removed equipment from the construction project stored there. During the removal of the equipment, hazardous waste, including asbestos deposits, were disturbed, potentially polluting the site. The Proposal Trustee has not been provided any further details by the Companies, as it understands the incident is being investigated by the police.

33. The Companies wish to expand and enhance the powers of the Proposal Trustee and are seeking an Order which authorizes the Proposal Trustee to take all necessary steps to obtain custody of certain equipment removed from the Debtors' sites and/or projects by third parties after the commencement of the Proposal Proceedings, without the Debtors' knowledge or consent, and in violation of the stay of proceedings. The Proposal Trustee is prepared to accept those enhanced powers if granted by the Court.

IV. ADMINISTRATIVE CONSOLIDATION

34. The Companies are seeking an order administratively consolidating the proposal proceedings of each of Contracting, Leasing, National, and BRND and authorizing the Proposal Trustee to administer the Companies' proposal proceedings as if they were a single proceeding for the purpose of filing materials and reporting to the Court.

35. As noted in the Dahl Affidavit, the relationship between the Companies is closely intertwined. The Companies share common management and administrative support, share office space at the Real Property, and have parallel obligations to the RBC.

36. The Proposal Trustee agrees that the administrative consolidation of the Companies proposal proceedings is appropriate, as it would avoid duplication of efforts in reporting and be more efficient and cost effective. The proposed consolidation is on an administrative level only and not on a substantive basis and will not result in any prejudice to the creditors of the Companies.

37. For the above reasons, the Proposal Trustee is supportive of the Companies' request for the administrative consolidation of the Companies' proposal proceedings.

V. COURT ORDERED CHARGES

38. The Companies are seeking an order providing for the following Charges: Administration Charge and a D&O Charge (each as hereinafter defined).

Administration Charge

39. The Companies are seeking an order granting, among other things, a charge in the maximum amount of \$300,000 against the property of the Companies, to secure the fees and disbursements incurred in connection with professional services rendered to the Companies both before and after the commencement of the proposal proceedings by the Proposal Trustee and its legal counsel, and the

Companies' legal counsel (the "**Administration Charge**"). The Administration Charge is proposed to rank first on the Companies' property.

40. The quantum of the Administration Charge sought by the Companies was determined in consultation with the Proposal Trustee and having regard for the Companies Original Cash Flow Forecast (later defined).

Directors' Charge

41. The proposed Administration Order also provides for a charge in the maximum amount of \$175,000 against the assets of the Companies, to indemnify the officers and directors for liabilities incurred by the Companies that result in post-filing claims against the directors and officers in their personal capacities (the "**Directors' Charge**"). The Directors' Charge is proposed to rank second in priority against the Companies' property after the Administration Charge.

42. The Proposal Trustee understands that the Companies' directors and officers have a directors and officers liability insurance policy in effect (the "**D&O Insurance**"). As the Companies will require the participation and experience of the directors and officers to ensure that, among other things, the restructuring is carried out successfully and value is maximized for Companies' creditors, the Proposal Trustee is of the view that the Directors' Charge (both the amount and the priority ranking) is required and reasonable in the circumstances.

43. The Companies worked with the Proposal Trustee and their advisors to prepare the Directors' Charge quantum, considering the potential director liabilities. The Proposal Trustee has reviewed the basis of the size estimate prepared by the Companies and supports the quantum of the Directors' Charge.

Summary and Proposed Ranking of the Court Ordered Charges

44. The priorities of the Charges sought by the Companies in the proposed Administration Order are as follows:
- a. First-the Administration Charge;

- b. Second- the Directors' Charge;
45. The Administration Order sought by the Companies provides that the Charges will rank in priority to the security interests of RBC.
46. As noted above, the Proposal Trustee believes that the Charges and rankings are required and reasonable in the circumstances and, as such, supports the granting and proposed ranking of the Charges.

VI. EXTENSION OF THE STAY PERIOD TO JULY 1, 2020

47. The current stay of proceedings will expire on May 17, 2020 for BRND and for National and on May 20, 2020 for Contracting and for Leasing. The JMX Group is seeking a 45-day extension pursuant to Section 50.4(9) of the BIA up to and including July 1, 2020 (being 45 days from the date of the earlier NOI filings) (the **"Stay Extension"**).
48. In support of the request for the Stay Extension, the Companies, with the assistance of the Proposal Trustee, have prepared individual forecasts of their anticipated receipts and disbursements for the weeks April 27 to July 20, 2020 (the **"Original Cash Flow Forecasts"**). A copy of the Original Cash Flow Forecasts for each of the Companies is attached hereto as **Appendix "C"**.
49. In light of the issues surrounding the OPG Contract Payment, the Proposal Trustee worked with Contracting to prepare an updated cash flow forecast for Contracting for the weeks May 11 to July 20, 2020 (**"Updated Cash Flow Forecast"**) a copy of the Updated Cash Flow Forecast is attached hereto as **Appendix "D"**, and is summarized below.

**JMX Contracting Cash Flow Forecast
For Period from May 11 to July 20, 2020**

Receipts

AR Collections	\$	3,452,644.00
Contract Draw (Prince Rupert)	\$	466,865.00
COVID -19 Wage Subsidy	\$	449,320.00
	\$	4,368,829.00

Disbursements

Payroll	-\$	1,169,282.00
Union Dues	-\$	656,584.00
Rent, Utilities, & Insurance	-\$	244,487.00
HST	-\$	847,999.00
Contract Expenses	-\$	1,016,733.00
Lease Payments	-\$	510,636.00
Professional Fees	-\$	350,000.00
Contingency, Office & Other	-\$	26,511.00
	-\$	4,822,232.00

Net Cash Flow **-\$ 453,403.00**

Opening Cash Balance	\$	637,735.00
Closing Cash Balance	\$	184,332.00

50. The Cash Flow Forecasts indicate that the Companies will have sufficient liquidity to fund both operating costs and the costs of these proposal proceedings for the period of the Stay Extension, if granted.

51. The Proposal Trustee supports the Companies; request for the Stay Extension for the following reasons:

- a. More time is required to complete discussions with OPG and to refinance RBC;
- b. The Stay Extension is necessary to provide the Companies sufficient time to continue planning the resumption of certain job sites once certain restrictions are lifted in related to COVID-19;
- c. The Companies are acting in good faith and with due diligence; and

- d. It is the Proposal Trustee's view that the Stay Extension will not prejudice any group of creditors.

VII. CONCLUSION AND RECOMMENDATIONS

52. Based on the foregoing, the Proposal Trustee supports the relief sought by the Companies for Orders;

- a. approving the administrative consolidation of the Companies' proposal proceedings;
- b. approving the enhanced powers of the Proposal Trustee;
- c. approving the Charges; and
- d. approving the extension of the Stay Period to July 1, 2020.

All of which is respectfully submitted this 13th day of May 2020.

CROWE SOBERMAN INC.

Trustee acting under a Notice of Intention to Make a Proposal of
JMX Contracting Inc., JMX Leasing Inc., JMX National Inc., and BRND Properties Inc.

Per



Hans Rizarri, CIRP, LIT

APPENDIX

‘A’



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 10 - Peterborough
Court No. 31-2639615
Estate No. 31-2639615

In the Matter of the Notice of Intention to make a
proposal of:

BRND PROPERTIES INC.
Insolvent Person

CROWE SOBERMAN INC.
Licensed Insolvency Trustee

Date of the Notice of Intention: April 17, 2020

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: April 20, 2020, 11:18

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

Canada



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 10 - Peterborough
Court No. 31-2639875
Estate No. 31-2639875

In the Matter of the Notice of Intention to make a
proposal of:

JMX CONTRACTING INC.
Insolvent Person

CROWE SOBERMAN INC.
Licensed Insolvency Trustee

Date of the Notice of Intention: April 20, 2020

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: April 21, 2020, 08:45

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

Canada



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 10 - Peterborough
Court No. 31-2639876
Estate No. 31-2639876

In the Matter of the Notice of Intention to make a
proposal of:

JMX LEASING INC.
Insolvent Person

CROWE SOBERMAN INC.
Licensed Insolvency Trustee

Date of the Notice of Intention: April 20, 2020

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: April 21, 2020, 08:45

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

Canada



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 10 - Peterborough
Court No. 31-2639614
Estate No. 31-2639614

In the Matter of the Notice of Intention to make a
proposal of:

JMX NATIONAL INC.
Insolvent Person

CROWE SOBERMAN INC.
Licensed Insolvency Trustee

Date of the Notice of Intention: April 17, 2020

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: April 20, 2020, 11:15

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

Canada

APPENDIX

‘B’

JMX Group of Companies
Combined Financial Statements
For the year ended March 31, 2019
(Unaudited - see Notice to Reader)

Contents

Notice to Reader	2
Combined Financial Statements	
Combined Balance Sheet	3
Combined Statement of Operations and Retained Earnings	4
Notes to Combined Financial Statements	5
Combined Schedule of Direct Contracting Expenses	6



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BDO Canada LLP
60 Columbia Way, Suite 300
Markham ON L3R 0C9 Canada

Notice to Reader

On the basis of information provided by management, we have compiled the combined balance sheet of JMX Group of Companies as at March 31, 2019 and the combined statement of operations and retained earnings for the year then ended.

We have not performed an audit or a review engagement in respect of these combined financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these combined statements may not be appropriate for their purposes.

Bdo Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Markham, Ontario

June 27, 2019

JMX Group of Companies
Combined Balance Sheet
(Unaudited - see Notice to Reader)

March 31	2019	2018
Assets		
Current		
Cash	\$ -	\$ 290,683
Short term investment	-	1,319,000
Accounts receivable	12,987,173	9,660,557
Inventory	1,309,001	322,361
Income taxes	64,968	-
Prepaid expenses and deposits	99,775	35,000
	14,460,917	11,627,601
Property and equipment , net of accumulated amortization	11,742,203	4,966,046
	\$26,203,120	\$ 16,593,647
Liabilities		
Current		
Bank indebtedness	\$ 3,031,467	\$ -
Accounts payable and accrued liabilities	5,750,996	3,723,299
Income taxes payable	-	172,656
Current portion of obligations under capital leases	1,105,022	784,342
Current portion of long-term debt	10,579	26,323
Due to related companies	664,334	3,100,122
	10,562,398	7,806,742
Obligations under capital leases	8,919,852	2,721,909
Long-term debt	4,074	14,650
	19,486,324	10,543,301
Shareholders' Equity		
Share capital	100	100
Retained earnings	6,716,696	6,050,246
	6,716,796	6,050,346
	\$26,203,120	\$ 16,593,647

On behalf of the Board:

_____ Director

JMX Group of Companies
Combined Statement of Operations and Retained Earnings
(Unaudited - see Notice to Reader)

For the year ended March 31	2019	2018
Revenue	\$ 42,311,926	\$ 32,361,540
Direct contracting expenses (Schedule)	36,681,355	26,125,331
Gross margin	5,630,571	6,236,209
Expenses		
Advertising and promotion	65,375	35,904
Bank charges and interest	126,909	58,873
General and office	285,199	361,970
Interest on obligations under capital leases	278,721	70,852
Professional fees	99,845	85,343
Rent	105,178	75,441
Telephone	88,244	71,579
Utilities	13,768	9,767
Salaries, wages and employee benefits	1,873,585	1,206,181
	2,936,824	1,975,910
Income before undernoted items and income taxes	2,693,747	4,260,299
Amortization	(2,316,197)	(762,326)
Gain on disposal of equipment	204,215	38,310
Foreign exchange gain	21,240	-
Income before income taxes	603,005	3,536,283
(Recovery of) provision for income taxes	(63,445)	273,247
Net income	666,450	3,263,036
Retained earnings, beginning of the year	6,050,246	2,787,210
Retained earnings, end of the year	\$ 6,716,696	\$ 6,050,246

JMX Group of Companies
Notes to Combined Financial Statements
(Unaudited - see Notice to Reader)

March 31, 2019

1. The combined financial statements include the financial statements of the following companies and their respective reporting periods:

JMX Contracting Inc.	April 01, 2018 to March 31, 2019
JMX Leasing Inc.	April 01, 2018 to March 31, 2019

JMX Contracting Inc. and JMX Leasing Inc. were issued with Review Engagement Reports.

All significant inter-company transactions and balances have been eliminated.

JMX Group of Companies
Combined Schedule of Direct Contracting Expenses
(Unaudited - see Notice to Reader)

For the year ended March 31	2019	2018
Materials		
Amortization	\$ 51,136	\$ 45,572
Dumping and recycling	1,994,603	2,410,681
Equipment - maintenance	1,439,433	978,746
Equipment - rental and storage	3,533,245	1,214,438
Fuel	1,342,872	865,659
Insurance	348,291	194,911
Materials	2,854,785	2,140,552
Subcontractors	9,578,136	8,009,279
Wages and benefits	15,538,854	10,265,493
	\$ 36,681,355	\$ 26,125,331

APPENDIX

‘C’

JMX National Inc

Projected Statement of Cash Flows

From April 27, 2020 - (unaudited - CDNS)

For the Week Commencing	27-Apr	04-May	11-May	18-May	25-May	01-Jun	08-Jun	15-Jun	22-Jun	29-Jun	06-Jul	13-Jul	20-Jul	Total
Opening Cash														
Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
AR Collections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Projected Disbursements														
Payroll- Including Deductions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
HST	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utilities - Hydro	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utilities - Gas	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utilities - Telephone & Cellular	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Material Purchases*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Shipping Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subcontractor Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Warehousing & Transportation Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vehicle Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Office Supplies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Credit Cards	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Misc	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal Contingency Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Professional Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lease Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Disbursements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Closing Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CERTIFICATION

The preparer of this statement of projected cash flows has provided evidence and sufficient data to make an informed decision regarding the accuracy of the cash flow projections. The preparer has reviewed the financial statements of JMX National Inc. and has determined that the information presented is true and accurate to the best of their knowledge and belief. The preparer has also reviewed the supporting documents for the period of the statement of projected cash flows and has determined that the information presented is true and accurate to the best of their knowledge and belief.

[Handwritten Signature]

Dated this 27th day of April 2020
 CRAIG SCHREIBER
 Licensed Member of the Chartered Accountants of Ontario
 Acting as the Preparer of this Statement of Projected Cash Flows
 Per: Alan Reid, CMA, CMAA, CITI, CFP®

JMX Lending Inc.

Projected Statement of Cash Flows

From April 27, 2020 - (unaudited - C/DNS)

For the Week Commencing	27-Apr	04-May	11-May	18-May	25-May	01-Jun	08-Jun	15-Jun	22-Jun	29-Jun	06-Jul	13-Jul	20-Jul	Total
Opening Cash	\$ 63,395.16													
Income														
AR Collections	\$ -	\$ 45,759.27	\$ 30,536.94	\$ 33,397.90	\$ 74,434.78	\$ 29,109.30	\$ 67,436.93	\$ 9,213.90	\$ 53,267.74	\$ 78,189.50	\$ 89,419.67	\$ 9,213.90	\$ 36,415.12	\$ 519,979.83
Sales	\$ -	\$ 45,759.27	\$ 30,536.94	\$ 33,397.90	\$ 74,434.78	\$ 29,109.30	\$ 67,436.93	\$ 9,213.90	\$ 53,267.74	\$ 78,189.50	\$ 89,419.67	\$ 9,213.90	\$ 36,415.12	\$ 519,979.83
Total Income	\$ -	\$ 45,759.27	\$ 30,536.94	\$ 33,397.90	\$ 74,434.78	\$ 29,109.30	\$ 67,436.93	\$ 9,213.90	\$ 53,267.74	\$ 78,189.50	\$ 89,419.67	\$ 9,213.90	\$ 36,415.12	\$ 519,979.83
Projected Disbursements														
JMX Lease Payments (includes int)		\$ 45,759.27	\$ 30,536.94	\$ 33,397.90	\$ 74,434.78	\$ 29,109.30	\$ 67,436.93	\$ 9,213.90	\$ 53,267.74	\$ 78,189.50	\$ 89,419.67	\$ 9,213.90	\$ 36,415.12	\$ 519,979.83
Bank Charges					700.00					700.00				1,400.00
HST								(76,317.19)						(76,317.19)
Utilities - Hydro														-
Utilities - Gas														-
Utilities - Telephone & Cellular														-
Insurance														-
Material Purchases														-
Shipping Costs														-
Subcontractor Expenses														-
Warehousing & Transportation Costs														-
Vehicle Expenses														-
Office Supplies														-
Credit Cards														-
Misc														-
Legal Contingency Fund			4,000.00			4,000.00					4,000.00			36,000.00
Professional Fees				12,000.00				12,000.00						-
Lease Payments														-
Total Operating Disbursements	\$ -	\$ -	\$ 30,536.94	\$ 45,297.90	\$ 75,134.78	\$ 33,109.30	\$ 67,436.93	\$ (55,103.29)	\$ 53,267.74	\$ 78,889.50	\$ 93,419.67	\$ 9,213.90	\$ 36,415.12	\$ 431,303.37
Net Income	\$ -	\$ 45,759.27	\$ -	\$ (12,000.00)	\$ (700.00)	\$ (4,000.00)	\$ -	\$ 64,317.19	\$ -	\$ (700.00)	\$ (4,000.00)	\$ -	\$ -	\$ 88,676.46
Closing Cash	\$ 63,395.16	\$ 109,154.43	\$ 109,154.43	\$ 97,154.43	\$ 96,454.43	\$ 92,454.43	\$ 92,454.43	\$ 156,771.62	\$ 156,771.62	\$ 156,071.62	\$ 152,071.62	\$ 152,071.62	\$ 152,071.62	\$ 152,071.62

CERTIFICATION

I, the undersigned, being a director or officer of the company, do hereby certify that the foregoing is a true and correct statement of the cash flows of the company for the period indicated.

For JMX Lending Inc. (authorized representative)

Timothy W. Lee, President of JMX Lending Inc.
 Licensed Broker/Trader
 Acting as the President of JMX Lending Inc.
 For JMX Lending Inc. (authorized representative)

JMX Contracting Inc.

Projected Statement of Cash Flows

From April 27, 2020 - (unaudited - CPNS)

	27-Apr	04-May	11-May	18-May	25-May	01-Jun	08-Jun	15-Jun	22-Jun	29-Jun	06-Jul	13-Jul	20-Jul	Total
Opening Cash	\$ 87,935.30	\$ 87,935.30	\$ 713,276.11	\$ 1,580,220.04	\$ 2,354,236.06	\$ 2,474,177.81	\$ 5,096,399.82	\$ 4,290,897.68	\$ 4,511,513.11	\$ 4,096,451.10	\$ 5,542,108.61	\$ 4,969,497.29	\$ 4,646,141.74	\$ 6,083,985.40
Income														\$ 4,299,207.00
AR Collections		\$ 523,568.01	\$ 1,965,383.36	\$ 823,892.46	\$ 513,355.06	\$ 1,395,497.83	\$ 470,165.06	\$ 191,123.60	\$ 3,036,547.00					\$ 10,882,192.40
Sales		\$ 367,098.00				\$ 1,395,562.00								
Total Income	\$ -	\$ 890,666.01	\$ 1,965,383.36	\$ 823,892.46	\$ 513,355.06	\$ 2,991,059.83	\$ 470,165.06	\$ 191,123.60	\$ -	\$ 3,036,547.00	\$ -	\$ -	\$ -	\$ 10,882,192.40
Projected Disbursements														
Payroll- Including Deductions		\$ 63,179.92	\$ 63,179.92	\$ 76,755.91	\$ 76,755.91	\$ 76,755.91	\$ 167,010.09	\$ 167,010.09	\$ 167,010.09	\$ 167,010.09	\$ 143,393.97	\$ 143,393.97	\$ 143,393.97	\$ 1,311,455.83
Union Dues		\$ 6,500.00		\$ 80,000.00				\$ 80,000.00					\$ 80,000.00	\$ 494,736.00
Medical Benefits		\$ 13,960.00				\$ 22,250.00					\$ 12,430.00			\$ 48,660.00
Rent										\$ 1,000,905.71				\$ 1,000,905.71
HST			\$ 800.00				\$ 800.00				\$ 800.00			\$ 2,400.00
407 ETR			\$ 1,500.00				\$ 1,500.00				\$ 1,500.00			\$ 4,500.00
Utilities - Gas & Hydro			\$ 2,000.00				\$ 2,000.00				\$ 2,000.00			\$ 6,000.00
Utilities - Telephone & Cellular														\$ 274,711.16
Insurance		\$ 74,711.16				\$ 100,000.00					\$ 100,000.00			\$ 706,922.58
OPC Scrap Payment			\$ 706,922.58											\$ 706,922.58
Material Purchases*		\$ 5,000.00	\$ 5,000.00	\$ 27,911.24	\$ 27,911.24	\$ 27,911.24	\$ 60,730.94	\$ 60,730.94	\$ 60,730.94	\$ 60,730.94	\$ 52,143.26	\$ 52,143.26	\$ 52,143.26	\$ 440,944.00
Employee LOA & Expenses		\$ 9,502.85	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 59,502.85
Subcontractor Expenses		\$ 5,000.00	\$ 5,000.00	\$ 41,866.86	\$ 41,866.86	\$ 41,866.86	\$ 91,096.41	\$ 91,096.41	\$ 91,096.41	\$ 91,096.41	\$ 78,214.89	\$ 78,214.89	\$ 78,214.89	\$ 656,416.00
Fuel & Transportation Costs		\$ 2,000.00	\$ 5,000.00	\$ 17,444.53	\$ 17,444.53	\$ 17,444.53	\$ 37,956.84	\$ 37,956.84	\$ 37,956.84	\$ 37,956.84	\$ 32,589.54	\$ 32,589.54	\$ 32,589.54	\$ 276,340.00
Vehicle Expenses - Fuel		\$ 6,952.00					\$ 6,000.00				\$ 6,000.00			\$ 18,952.00
Office Supplies		\$ 200.00					\$ 200.00				\$ 200.00			\$ 600.00
Credit Cards					\$ 150,000.00					\$ 150,000.00				\$ 300,000.00
IT Support		\$ 3,200.00					\$ 3,200.00				\$ 3,200.00			\$ 9,600.00
Interest & Bank Charges		\$ 7,000.00					\$ 7,000.00				\$ 7,000.00			\$ 21,000.00
Legal Contingency Fund		\$ 20,860.00	\$ 25,000.00	\$ 17,500.00		\$ 35,000.00				\$ 35,000.00				\$ 150,860.00
Professional Fees		\$ 45,759.27	\$ 30,536.94	\$ 33,397.90	\$ 74,434.78	\$ 29,109.30	\$ 67,436.93	\$ 17,500.00	\$ 53,267.74	\$ 78,189.50	\$ 89,419.67	\$ 9,213.90	\$ 36,415.12	\$ 519,979.83
Lease Payments		\$ 265,325.20	\$ 848,439.44	\$ 299,876.44	\$ 393,413.32	\$ 368,837.84	\$ 775,667.20	\$ 470,508.17	\$ 415,062.01	\$ 1,590,889.48	\$ 572,611.32	\$ 323,355.55	\$ 427,756.77	\$ 6,323,985.96
Total Operating Disbursements	\$ -	\$ 625,340.81	\$ 1,116,943.92	\$ 524,016.03	\$ 119,941.75	\$ 524,222.02	\$ 305,502.14	\$ 629,384.57	\$ 415,062.01	\$ 1,445,657.52	\$ 572,611.32	\$ 323,355.55	\$ 427,756.77	\$ 4,558,206.44
Net Income	\$ -	\$ 265,325.20	\$ 848,439.44	\$ 299,876.44	\$ 393,413.32	\$ 368,837.84	\$ 775,667.20	\$ 470,508.17	\$ 415,062.01	\$ 1,590,889.48	\$ 572,611.32	\$ 323,355.55	\$ 427,756.77	\$ 4,558,206.44
Closing Cash	\$ 87,935.30	\$ 713,276.11	\$ 1,830,220.04	\$ 2,354,236.06	\$ 2,474,177.81	\$ 5,096,399.82	\$ 4,290,897.68	\$ 4,511,513.11	\$ 4,096,451.10	\$ 5,542,108.61	\$ 4,969,497.29	\$ 4,646,141.74	\$ 4,646,141.74	\$ 4,646,141.74

Note: 1 Payments to Suppliers does not take place account extra codes that will request a invoice forward

CERTIFICATION
 I, the undersigned, certify that the information contained herein is true and correct to the best of my knowledge and belief, and that I am a duly authorized officer or representative of the company named herein.
 Signature of Officer or Representative: _____
 Title: _____
 Date: _____

Dated this 30th day of April 2020
 JAMES SHERIDAN, Inc.
 Authorized Representative
 Signature of President of JMX Contracting Inc.
 Per: James Sheridan, CEO, JMX Contracting Inc.

APPENDIX

‘D’

JMX Contracting Inc.
Projected Statement Of Cash Flows
Beginning May 11, 2020 (unaudited - CDN\$)

For the week commencing	11-May	18-May	25-May	01-Jun	08-Jun	15-Jun	22-Jun	29-Jun	06-Jul	13-Jul	20-Jul	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening Cash	637,735	485,575	245,588	14,652	591,752	1,669,258	1,588,666	1,415,294	1,049,272	738,129	525,054	637,735
Cash-in												
A/R Collections	-	61,406	60,038	450,565	1,400,615	289,114	127,068	1,063,839	-	-	-	3,452,644
Prince Rupert (cash-in)			466,865									466,865
Renotown deposit received early, on May 12	42,940		(42,940)									-
CRA Covid-19 wage subsidy				449,320								449,320
Total Cash-in	42,940	61,406	483,963	899,885	1,400,615	289,114	127,068	1,063,839	-	-	-	4,368,829
Projected Disbursements												
Payroll- Including Deductions	84,297	84,297	84,297	84,297	132,629	132,629	132,629	132,629	100,525	100,525	100,525	1,169,282
Union Dues - March (due May 15)		107,283	334,736			107,283					107,283	656,584
Prince Rupert (cash-out)			100,258									100,258
Medical Benefits			6,500					6,500				13,000
Rent				10,000					10,000			20,000
HST - February, March, April and May								847,999				847,999
407 ETR	887				800					800		2,487
Utilities - Gas & Hydro					1,500				1,500			3,000
Utilities - Telephone & Cellular	2,000					2,000				2,000		6,000
Insurance				100,000				100,000				200,000
Construction material purchases (Note 1)	15,161	15,161	15,161	15,161	23,854	23,854	23,854	23,854	18,080	18,080	18,080	210,298
Employee Live out allowance Expenses	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	55,000
Subcontractor Expenses - % of sales	22,742	22,742	22,742	22,742	35,781	35,781	35,781	35,781	27,119	27,119	27,119	315,447
Fuel & Transportation Costs - % of sales	9,476	9,476	9,476	9,476	14,909	14,909	14,909	14,909	11,300	11,300	11,300	131,436
Vehicle Expenses - Fuel					6,000				6,000			12,000
Office Supplies					200				200			400
Credit Cards			42,294					150,000				192,294
IT Support		4,037				4,037				4,037		12,111
Interest & Bank Charges				7,000					7,000			14,000
Professional Fees	25,000	20,000	20,000	40,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	350,000
Lease Payments - JMX Leasing CF	30,537	33,398	74,435	29,109	67,437	9,214	53,268	78,190	89,420	9,214	36,415	510,636
Total Projected Disbursements	195,100	301,394	714,898	322,785	323,109	369,706	300,440	1,429,861	311,143	213,075	340,721	4,822,232
Net cash inflow (outflow)	(152,160)	(239,988)	(230,936)	577,100	1,077,506	(80,592)	(173,372)	(366,022)	(311,143)	(213,075)	(340,721)	(453,402)
Closing Cash	485,575	245,588	14,652	591,752	1,669,258	1,588,666	1,415,294	1,049,272	738,129	525,054	184,333	184,333

Notes:

1. We were advised that payments to suppliers do not take into account certain vendors that will request C.O.D going forward.
2. We were advised that the above cash flow projections do not reflect a potential credit facility adjustment done by RBC on the 20th of each month. We understand that the adjustment is based on the level of accounts receivable and various covenants.