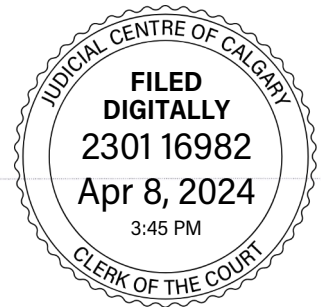


COURT FILE NUMBER 2301-16982
COURT COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

IN THE MATTER OF THE COMPANIES'
CREDITORS ARRANGEMENT ACT, RSC
1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF
COMPROMISE OR ARRANGEMENT OF
CANDESTO ENTERPRISES CORP., D3
INFRASTRUCTURE SERVICES INC. and
SAFE ROADS ALBERTA LTD.

Clerk's Stamp



APPLICANTS CANDESTO ENTERPRISES CORP., D3 INFRASTRUCTURE
SERVICES INC. and SAFE ROADS ALBERTA LTD.

DOCUMENT AFFIDAVIT NO. 5 OF JAN VAN BRUGGEN

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SERVICE AND
CONTACT
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OF PARTY
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File No.: 58965-1

Attention: Jeffrey Oliver / Natalie Thompson

AFFIDAVIT OF: JAN VAN BRUGGEN

SWORN ON: April 8, 2024

I, JAN VAN BRUGGEN, of the City of ST. ALBERT, in the Province of Alberta, SWEAR AND SAY THAT:

1. I am a director and President of Safe Roads Alberta Ltd. ("**Safe Roads**"), D3 Infrastructure Services Inc. ("**D3**") and Candesto Enterprises Corp. ("**CEC**" and together with Safe Roads and D3, the "**Companies**"). Additionally, I am a director and Chief Executive Officer of Barricades and Signs Ltd. ("**Barricades**"), and a 50% shareholder and director of Batavi Venture Group Inc. ("**Batavi**"), which in turn is a shareholder of CEC, D3 and Safe Roads. Barricades and Batavi are non-applicant related companies.
2. As a result of the foregoing, I have personal knowledge of the matters hereinafter deposed to except where stated to be based upon information and belief, and where so stated I do verily believe the same to be true.
3. I have been authorized to swear this affidavit as the corporate representative of the Companies. In preparing this affidavit, I consulted with the Companies' management teams and advisors and reviewed relevant documents and information concerning the Companies' operations and financial affairs.

4. I have been authorized to swear this affidavit as the corporate representative of the Companies.
5. I rely on my previous Affidavits sworn December 18, 2023 (the "**First van Bruggen Affidavit**"), January 2, 2024 (the "**Second van Bruggen Affidavit**"), January 5, 2024 (the "**Third van Bruggen Affidavit**"), and February 26, 2024 (the "**Fourth van Bruggen Affidavit**").
6. Capitalized terms not otherwise defined herein shall have the meaning given to them in the First van Bruggen Affidavit.

Background and Causes of Insolvency

7. As set out in greater detail in the First van Bruggen Affidavit, the Companies form part of a broader group of companies (the "**Candesto Group**"), which has been a leader of installation services in western Canada for traffic control, roadside safety and barrier systems for over 25 years. Over the course of that history and under the control of different shareholders and management, the Companies have worked on some of the largest and most complex road construction projects in Alberta.
8. The Companies were typically engaged on such projects as a subcontractor to a general contractor, who in turn has contracted with a level of government for the construction of road infrastructure. Larger projects (and some smaller projects) require that one or more of the Companies provide a labour and material bond, a performance bond, or both for the benefit of its subcontractors.
9. Several unprofitable contracts and one particularly unprofitable contract put a considerable financial strain on the operations of the Companies. Due to the losses associated with such contracts, as well as challenges associated with inflation (including cost increases during the lag time between tendering bids on projects and their completion), the Companies became insolvent.

Overview of the CCAA Proceedings

10. In light of the Companies' insolvency, in late 2023 the Companies ceased bidding on new contracts and began to consider winding down their operations under the protection offered by the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**").
11. Through a CCAA proceeding, the Companies' goal was to complete a liquidation that would enable the transfer or assumption of ongoing projects in order to maximize value for their stakeholders, and to pursue consensual arrangements with the Companies' surety under their labour and material/performance bonds in order to minimize financial exposure to the surety and to other companies in the Companies' corporate group.
12. On December 20, 2023, this Honourable Court concurrently granted the Companies' originating application for an initial order (the "**Initial Order**") and an amended and restated initial order (the "**ARIO**"), both pursuant to the CCAA.
13. Pursuant to the Initial Order and ARIO, among other things:
 - (a) Alvarez & Marsal Canada Inc. was appointed as monitor (in such capacity, the "**Monitor**") of the Companies;
 - (b) the Stay Period (as defined at paragraph 14 of the ARIO) was set for December 30, 2023 by the Initial Order and then extended to January 12, 2024 by the ARIO;
 - (c) the Administration Charge (as defined at paragraph 33 of the ARIO) was set at \$350,000;

- (d) the authorized borrowings (the “**Authorized Borrowings**”) under the Interim Credit Facility (as set out at paragraph 34 of the ARIO and defined at paragraph 37 of the Pre-Filing Report of the Monitor dated December 19, 2023 (the “**Pre-Filing Report**”) and the corresponding Interim Lender’s Charge (as defined at paragraph 37 of the ARIO) was set to \$450,000; and
 - (e) the Companies were authorized to, among other items:
 - (i) remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”);
 - (ii) carry on business in a manner consistent with the preservation of the business (the “**Business**”) and the Property;
 - (iii) continue to pay and retain and employ their employees, consultants, agents, experts, accountants, counsel and such other persons with liberty to retain such others as they deem necessary or desirable;
 - (iv) continue to utilize their cash management system or replace it;
 - (v) pay all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable after the date of the ARIO; and
 - (vi) with the consent of the Monitor, pay amounts owing for goods and services supplied to the Companies prior to the Initial Order, if necessary or desirable to avoid disruption of the Companies’ operation of the Business, maximize recoveries or to preserve the Property or Business.
14. On January 12, 2024, upon application (the “**January Application**”) by the Companies, this Honourable Court granted an Order (the “**Extension Order**”) for, among other things, the following:
- (a) extending the Stay Period to March 15, 2024 (the “**Initial Stay Extension**”);
 - (b) increasing the Administration Charge (as defined at paragraph 33 of the ARIO) from \$350,000 to \$500,000; and
 - (c) increasing the Authorized Borrowings (as defined in the Second van Bruggen Affidavit) under the Interim Credit Facility (as set out at paragraph 34 of the ARIO and defined at paragraph 37 of the Pre-Filing Report of the Monitor dated December 19, 2023) and the corresponding Interim Lender’s Charge (as defined at paragraph 37 of the ARIO) from \$450,000 to \$1,400,000.
15. On March 5, 2024 (the “**March Application**”), this Honourable Court granted an Order extending the Stay Period to April 26, 2024 (the “**Second Stay Extension Order**”).

Actions of the Companies since the March Application

16. Since the Initial Order and ARIO were pronounced on December 20, 2023 (the “**Filing Date**”), the Companies have been working diligently and in good faith to identify a path forward to efficiently wind up their operations in a manner that will maximize value for their stakeholders.
17. Since the Second Stay Extension Order was granted, the Companies have:

- (a) engaged with certain creditors, suppliers, customers, and contractual counterparties with respect to the commencement of these CCAA proceedings;
- (b) reviewed the economics associated with various bonded and non-bonded jobs and taken steps to mitigate exposure;
- (c) continued to consult with legal counsel and the Monitor to discuss operational issues, cashflow requirements, staffing issues, and options available to most efficiently pursue the winding up of the Companies given the issues described in First van Bruggen Affidavit;
- (d) engaged in further discussions with the surety under the Companies' labour and material and performance bonds, Trisura Guarantee Insurance Company and Trisura Insurance Company (collectively "**Trisura**") to mitigate the Companies' exposure under the Indemnity Agreement (as defined in paragraph 6(a)(iv) of the First van Bruggen Affidavit);
- (e) consulted with legal counsel and the Monitor for the continued collection of accounts receivable;
- (f) reviewed the Companies' actual cash flow results and their forecasted cash flow forecast; and
- (g) provided ongoing updates to Durisol Ltd. ("**Durisol**" or the "**Interim Lender**").

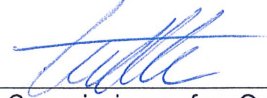
Path Forward

- 18. As discussed in the First van Bruggen Affidavit, one of the objectives of these CCAA Proceedings was to evaluate the Companies' business and any ongoing or partially completed projects.
- 19. As will be described in further detail in the Third Report of the Monitor, in consultation with the Monitor, Trisura and the Interim Lender, the Companies have determined that the best path forward is to terminate the within CCAA proceedings and to permit a receiver (the "**Receiver**") to complete the administration of the affairs of the Companies through a receivership (the "**Proposed Receivership Proceedings**"). In light of the foregoing, the Companies have not filed an application to extend the stay of proceedings.
- 20. Should this Honourable Court grant Durisol's application to appoint a receiver, because collectively the remaining bonded projects are unprofitable, I anticipate that the Receiver will notify contractual counterparties that the Receiver does not intend to complete the bonded project at issue. This will result in Trisura effectively stepping in to administer its obligations under the applicable labour/material or performance bond for each bonded project. In some instances, I anticipate that the obligations associated with a particular project will exceed the penal sum of the bond at issue.
- 21. In light of the foregoing, and with the benefit of the additional analysis performed by the Monitor and the Companies, the Companies determined that the within CCAA proceedings were no longer necessary and represented an unnecessary cost to continue.
- 22. The Companies previously ceased working on any unbonded projects. Since collectively the remaining bonded projects are unprofitable, I do not believe that any party or the Companies are prejudiced by this decision.
- 23. Through the Proposed Receivership Proceedings, after the existing bonded projects are turned over to Trisura I understand that the Receiver intends sell the remaining assets of the Companies

(including the Companies' equipment) and intends to continue to collect upon any accounts receivables of the Companies.

24. I swear this affidavit in support of the relief sought by the Companies and for no improper purpose.

SWORN BEFORE ME at the City of St. Albert, in the)
Province of Alberta, this 8th day of April, 2024)



Commissioner for Oaths/Notary Public in and for)
Alberta)



JAN VAN BRUGGEN

KAELA NICOLE TUTTLE
A Commissioner for Oaths
in and for the Province of Alberta
My Commission Expires February 3, 2026
Appointee #0767089