

COURT FILE NUMBER 2301 - 16982

COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

MATTER 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.

DOCUMENT **SECOND REPORT OF THE MONITOR  
ALVAREZ & MARSAL CANADA INC.**

**February 29, 2024**

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## INTRODUCTION

1. On December 20, 2023, Candesto Enterprises Corp. (“**CEC**”), Safe Roads Alberta Ltd. (“**Safe Roads**”) and D3 Infrastructure Services Inc. (“**D3**”) (collectively, the “**Companies**” or “**Applicants**”) were granted an initial Order (the “**Initial Order**”) by the Court of King’s Bench of Alberta (the “**Court**”) in relation to proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the “**CCAA**”). Amongst other things, the Initial Order provided for a stay of proceedings until December 30, 2023. Pursuant to the Initial Order, Alvarez & Marsal Canada Inc., (“**A&M**”) was appointed as monitor (the “**Monitor**”) in the CCAA Proceedings. Concurrently on December 20, 2023, and at the same hearing, the Applicants were granted an Amended and Restated Initial Order (“**ARIO**”) by the Court as the Applicants were unable to seek an ARIO during the statutory ten (10) day comeback period pursuant to the CCAA due to the Court’s closure during the winter holiday break.
2. The ARIO, granted, amongst other things, an extension to the stay of proceeding until January 12, 2024 (the “**Initial Stay Period**”), approval of Interim Financing and various priority charges, a stay of proceedings against certain parties and authorization for Management to pay certain pre-filing invoices.
3. On January 12, 2024 the Companies were granted a subsequent Order by this Honourable Court seeking an order to:
  - a) extend the stay of proceedings to March 15, 2024;
  - b) increase the Administration Charge from \$350,000 to \$500,000;
  - c) increase the Authorized Borrowings under the Interim Lending Facility and the corresponding Interim Lender’s Charge from \$450,000 to \$1,400,000;
  - d) amending paragraph 7 of the ARIO to allow accounts receivables from bonded jobs to be used, subject to the oversight and approval of the Monitor, to repay amounts secured under the Administration Charge

and the Interim Lenders' Charge if such accounts receivables were either (i) generated and outstanding prior to the date of the Initial Order; or (ii) generated after the date of the Initial Order as a result of advances made by the Interim Lender pursuant to the Commitment Letter and Definitive Documents (as defined in the ARIO).

- e) The Companies are now seeking an Order (the “**Second Stay Extension Order**”) from this Honourable Court to extend the Initial Stay Period to April 26, 2024, or such other date that this Honourable Court deems appropriate (the “**Second Stay Extension**”)
- 4. Capitalized terms not defined in this Monitor's Second Report (this “**Report**” or the “**Second Report**”) are as defined in the Initial Order, ARIO, the Stay Extension Order, the prior reports prepared and filed by the Monitor and/or the various affidavits filed by Mr. Jan Van Bruggen in the CCAA Proceedings.
  - 5. The purpose of this Second Report is to provide information to this Honourable Court in respect of the following:
    - a) the activities of the Monitor since the First Report;
    - b) the actual cash flow results of the Companies compared to its Consolidated Cash Flow Forecast as included in the Monitor's Pre-Filing Report;
    - c) the updated consolidated cash flow forecast prepared by Management (the “**Updated CF Forecast**”);
    - d) the proposed stay extension of the Stay Period; and
    - e) the Monitor's overall recommendation in respect of the foregoing.
  - 6. This Report should be read in conjunction with the affidavit of Mr. Jan Van Bruggen sworn February 27, 2024 (the “**Fourth VB Affidavit**”) in support the Companies' Application.

## TERMS OF REFERENCE AND DISCLAIMER

7. In preparing this Report, A&M, in its capacity as the Monitor, has been provided with and has relied upon unaudited financial information and the books and records prepared by the Applicants and has held discussions with the Applicants' management ("**Management**") and their respective counsel and directors (collectively, hereinafter the "**Information**"). Except as otherwise described in this Report in respect of the Applicants' cash flow forecast:
  - a) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CASs**") pursuant to the Chartered Professional Accountants Canada Handbook (the "**CPA Handbook**") and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and
  - b) some of the Information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.
8. Future oriented financial information referred to in this Report was prepared based on the Applicants' estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
9. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars.

## BACKGROUND

### *Overview*

10. The Applicants 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 (the “**Business**”).
11. The goods and services provided by the Applicants can be broken down into six primary categories: (i) guardrail and high-tension cable barrier systems; (ii) concrete and steel barriers; (iii) overhead signs and structures; (iv) overhead sign foundations and caissons; (v) non-overhead and ground mounted signage; and (vi) engineering and planning. These services extend to the installation of these items, systems and structures on roadways.
12. CEC and D3 (together, the “**Operating Entities**”) are the primary operating entities and perform similar functions within Alberta. Over time, CEC has become the primary contractual counterparty for most incoming jobs in Alberta. The Applicants have recently ceased bidding on any projects not currently under contract.
13. Safe Roads (formerly 1957282 Alberta Ltd.) is an Alberta corporation incorporated under the *Business Corporations Act* (Alberta) with its registered office in Calgary, Alberta. Safe Roads was initially set up to source and sell to the Operating Entities certain inventory used in their respective operations, although that sourcing is now predominantly from other suppliers. Safe Roads is now largely dormant, with little to no operations and/or cash flow.
14. Further information regarding the cause of the Applicants’ insolvency and these CCAA Proceedings, including the Initial Order, ARIO, various affidavits filed in the CCAA Proceedings and the prior reports of the Monitor on the Monitor’s website at: [www.alvarezandmarsal.com/candesto](http://www.alvarezandmarsal.com/candesto) (“**Monitor’s Website**”).

## ACTIVITIES OF THE MONITOR SINCE THE FIRST REPORT

15. The Monitor's activities since the First Report have included, but are not limited to, the following:

- a) conducting ongoing discussions with Management, and the Companies' legal counsel regarding the Companies' business and financial affairs;
- b) engaging in discussions with the Applicants' and their legal counsel with respect to various matters including analysis and strategies pertaining to bonded jobs and the respective performance bonds with Trisura;
- c) participating in conversations with the Companies and the Companies' surety provider, Trisura;
- d) assisting Management with certain analysis with respect to potential workout scenarios and identifying potential paths forward to efficiently wind up their operations in a manner that will maximize value for the Companies' stakeholders;
- e) assisting Management with various communications with external stakeholders;
- f) assessing and working with Companies' counsel regarding the transfer of the Companies' employees to Barricades & Signs Ltd. ("**Barricades**")
- g) reviewing and supporting the Companies' Notice of Disclaimer issued to Aecon Transportation West Ltd. ("**Aecon**"), with respect to a sub-contract agreement where the Companies were providing services for Aecon;
- h) acknowledging the application made by Chris Bokenfohr and Vor Allem Consulting Ltd. for March 5, 2024 and discussing the same with

the Companies and its legal counsel regarding the Companies' position to oppose the application. Further discussion and analysis to be completed by the Monitor. The Monitor will consider filing a supplemental report relating to the application, if necessary.

- i) attending to various queries from external stakeholders, including creditors, regarding the CCAA Proceedings;
- j) reviewing and discussing the weekly payables with Management;
- k) reviewing and assisting with the Companies cash flow forecast on a weekly basis and communication with the Interim Lender on the same;
- l) reviewing the Companies' bank details and assisting the Companies with the compilation of their budget to actual reporting for purposes of communicating the same to the Interim Lender; and
- m) continuing communication and utilization of the monitor's independent legal counsel, Gowlings.

#### **ACTUAL CASH FLOW RESULTS COMPARED TO FORECAST**

16. The Companies' actual cash receipts and disbursements as compared to the Consolidated Cash Flow Forecast as originally presented in the Pre-Filing Report during the period of December 30, 2023 to February 23, 2024 (the "**Reporting Period**"), including the cumulative actual results since the date of the Initial Order (December 20, 2023) is summarized below.



**Candesto Enterprises Corp, D3 Infrastructure Services Inc. and Safe Roads Alberta Ltd.**  
**Cash Flow Variance Analysis - Prepared by Management**  
**For the Period December 30, 2023 to February 23, 2024**  
*unaudited, in CAD \$000's*

	Reporting Period			YTD
	Forecast	Actual	Variance	Actual
<b>Cash Receipts</b>				
Accounts receivable	\$ 154	\$ 625	\$ 471	\$ 676
Unbilled active projects	17	-	(17)	-
Other	-	119	119	119
<b>Total Receipts</b>	<b>\$ 172</b>	<b>\$ 744</b>	<b>\$ 572</b>	<b>\$ 795</b>
<b>Operating Disbursements</b>				
F2024 project costs	\$ 591	\$ 120	\$ 471	\$ 140
F2025 project costs	75	-	75	-
Payroll and benefits	282	195	87	261
Sub-contractor payments	-	51	(51)	51
Rent	30	32	(2)	32
Insurance	20	20	0	20
IT	9	4	5	4
Utilities	8	2	6	2
Other operating costs	49	83	(34)	91
Contingency	60	-	60	-
<b>Total Operating Disbursements</b>	<b>\$ 1,124</b>	<b>\$ 506</b>	<b>\$ 617</b>	<b>\$ 601</b>
<b>Net Cash Flow from Operations</b>	<b>\$ (952)</b>	<b>\$ 237</b>	<b>\$ 1,189</b>	<b>\$ 194</b>
<b>Non-Operating Disbursements</b>				
Companies' Counsel's Fees	\$ 200	\$ 120	\$ 80	\$ 120
Monitor's Fees and Disbursements	250	58	192	58
Monitor's Counsel's Fees	110	13	97	13
Interim Financing Interest	6	-	6	-
<b>Total Non-Operating Disbursements</b>	<b>\$ 566</b>	<b>\$ 191</b>	<b>\$ 375</b>	<b>\$ 191</b>
<b>Net Cash Flow</b>	<b>\$ (1,518)</b>	<b>\$ 46</b>	<b>\$ 1,564</b>	<b>\$ 3</b>
<b>Opening Cash</b>	<b>\$ 235</b>	<b>\$ 207</b>	<b>\$ (28)</b>	<b>\$ 251</b>
Net Cash Flow	(1,518)	46	1,564	3
DIP Advance/(Repayment)	1,300	600	(700)	600
<b>Ending Cash</b>	<b>\$ 17</b>	<b>\$ 853</b>	<b>\$ 836</b>	<b>\$ 853</b>
<b>Bonded A/R held-in trust by Monitor</b>	<b>\$ -</b>	<b>\$ 195</b>	<b>\$ 195</b>	<b>\$ 195</b>

17. Over the Reporting Period, the Companies experienced a positive cash flow variance of approximately \$1.56 million largely as a result of the following:

- a) a positive permanent variance in accounts receivable attributed to the collection of pre-filing account receivables associated with certain project work, which was collected and not previously forecasted, including a permanent positive variance attributed to higher than forecasted collections of accounts receivable for specific fiscal 2024 related projects;
- b) a positive permanent variance in other receipts, relating to the pre-filing sale of a company vehicle that was not forecasted;

- c) positive timing variance in fiscal 2024 costs is attributed to a delay in payment of January 2024 labour and material projects costs. Certain projects were delayed due to extreme weather in January 2024 resulting in the project and associated project costs to be delayed into March 2024;
- d) positive timing variance in fiscal 2025 project related costs;
- e) positive permanent variance in payroll and benefits is attributed to a credit balance with the Workers' Compensation Board ("**WCB**"), resulting in no WCB payments required to be paid;
- f) negative permanent variance in sub-contractor payments is attributed to the transfer of all Candesto employees to Barricades effective February 5th, 2024;
- g) negative permanent variance in other operating costs is primarily attributed to costs associated with the payment of November GST and costs of GD Auctions fixed asset appraisal, which had not been considered at the time of drafting the cash flow;
- h) a positive permanent variance due to the allocated contingency that was not required during the Reporting Period. The contingency was incorporated into the Consolidated Cash Flow Forecast to account for unexpected costs not forecast during the Forecast Period (defined below);
- i) approximately \$195,000 of accounts receivable collected to-date relates to bonded projects, and as required per court order, these funds are held in a separate trust account controlled by the Monitor.; and
- j) a positive timing variance relating to non-operating professional fees as invoicing and ultimately payment to professionals have been delayed

18. Actual closing available cash as at February 23, 2024 was \$853,000, which includes \$600,000 in borrowings from Interim Financing.

#### **CCAA UPDATED CF FORECAST**

19. Management has prepared the Updated CF Forecast for the 9-week period from February 24, 2024 to April 26, 2024 (the “**Forecast Period**”), using the probable and hypothetical assumptions set out in the notes to the Consolidated Cash Flow Forecast. A copy of the Updated CF Forecast, together with a summary of the assumptions and Management's representation letter are included as Appendix “A”.
20. The Updated CF Forecast is summarized below:

**Candesto Enterprises Corp,  
D3 Infrastructure Services Inc. and Safe Roads Alberta Ltd.  
Management Prepared Cash Flow Forecast  
For the period from February 24, 2024 to April 26, 2024  
unaudited, in CAD \$000's**

<b>Cash Receipts</b>	
Accounts receivable	32
Unbilled active projects	142
Other	-
<b>Total Receipts</b>	<b>174</b>
<b>Operating Disbursements</b>	
F2024 project costs	277
F2025 project costs	363
Payroll and benefits	-
Sub-contractor payments	200
Rent	27
Insurance	20
IT	4
Utilities	4
Other operating costs	41
Contingency	60
<b>Total Operating Disbursements</b>	<b>995</b>
<b>Net Cash Flow from Operations</b>	<b>(821)</b>
Total Non-Operating Disbursements	394
<b>Net Cash Flow</b>	<b>(1,215)</b>
<b>Opening Cash</b>	<b>853</b>
Net Cash Flow	(1,215)
Interim Financing Advance/(Repayment)	500
<b>Ending Cash</b>	<b>138</b>
<b>Opening Interim Financing balance</b>	<b>600</b>
Advances	500
Repayments	-
<b>Closing Interim Financing balance</b>	<b>1,100</b>
<b>Interim Financing Availability</b>	<b>200</b>

21. A summary of the Updated CF Forecast and select assumptions underlying same are as follows:

- a) total projected cash receipts of approximately \$174,000;

- b) total operating cash disbursements forecast of approximately \$995,000 and non-operating cash disbursements of approximately \$394,000, resulting in a net decrease in cash of approximately \$1.2M during the Forecast Period; and
  - c) an estimated \$500,000 of additional borrowings under the Interim Facility is forecasted during the Forecast Period;
22. Pursuant to section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standards of Professional Practice No. 9, the Monitor hereby reports as follows:
- a) the Updated CF Forecast has been prepared by Management for the purpose described in the notes to the Updated CF Forecast, using probable and hypothetical assumptions as set out in the notes;
  - b) the Monitor's review of the Updated CF Forecast consisted of inquiries, analytical procedures, and discussion related to information supplied to it by Management. Since hypothetical assumptions need not be supported, the procedures with respect to them were limited to evaluating whether they were consistent with the purposes of the Updated CF Forecast. The Monitor also reviewed Information provided by Management for the probable assumptions and the preparation and presentation of the Updated CF Forecast, including, but not limited to: review of the Companies' bank statements, review of historical costs as well as projected general and administrative costs, and review of the Companies projected working capital requirements relating to its various projects;
  - c) based on the Monitor's review of the Updated CF Forecast, nothing has come to the Monitor's attention that causes it to believe that, in all material respects:

- i. the hypothetical assumptions are not consistent with the purpose of the Updated CF Forecast;
    - ii. as at the date of this Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Updated CF Forecast, given the hypothetical assumptions; or
    - iii. the Updated CF Forecast does not reflect the probable and hypothetical assumptions; and
  - d) since the Updated CF Forecast is based on assumptions regarding future events, actual results will vary from Information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor does not express any assurance as to whether the Updated CF Forecast will be accurate. The Monitor does not express any opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report, or relied upon by us in preparing this Report.
23. The Updated CF Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

#### **EXTENSION TO THE STAY OF PROCEEDINGS**

24. Pursuant to the Order granted January 12, 2024, the Stay Period will expire on March 15, 2024. The Applicants are now seeking an extension to the Stay Period to April 26, 2024.
25. The Monitor supports the Second Stay Extension for the following reasons:
- a) it will afford the Applicants and the Monitor sufficient time to:
    - i. consult with Trisura as their surety, the Applicants' customers and key suppliers;

- ii. assist the Applicants in finalizing a restructuring plan;
  - iii. continued evaluation of the various bonded and non bonded projects; and
  - iv. evaluate the merits of a potential sale and investment solicitation process, if required;
- b) the Applicants are forecasted to have sufficient liquidity up to April 26, 2024;
  - c) the Monitor is unaware of any creditor of the Applicants who will be materially prejudiced by the proposed Second Stay Extension; and
  - d) in the Monitor's opinion, the Applicants have acted in good faith and with due diligence in these CCAA Proceedings since the date of the Initial Order.

## **CONCLUSIONS AND RECOMMENDATIONS**

26. Based on the current information that has been made available to the Monitor by the Applicants, the Monitor is of the opinion that the relief sought by the Applicants is appropriate and respectfully recommends that this Honourable Court approve the proposed Second Stay Period to April 26, 2024.

All of which is respectfully submitted this 29<sup>th</sup> day of February, 2024.

**ALVAREZ & MARSAL CANADA INC.,  
in its capacity as Monitor of the Companies, and  
not in its personal or corporate capacity**



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Orest Konowalchuk, CPA-CA, CIRP, LIT  
Senior Vice-President



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Bryan Krol  
Director




## **APPENDIX “A”**

**Candesto Enterprises Corp. D3 Infrastructure Services Inc. and Safe Roads Alberta Ltd.**  
**Management Prepared Cash Flow Forecast**  
For the period from February 24, 2024 to April 26, 2024  
*unaudited, in CAD \$000's*


		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
	Notes	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16	Week 17	Week 18	Week 19
		1-Mar-24	8-Mar-24	15-Mar-24	22-Mar-24	29-Mar-24	5-Apr-24	12-Apr-24	19-Apr-24	26-Apr-24
										Week 11 to Week 19
<b>Cash Receipts</b>										
Accounts receivable	1	-	-	-	-	26	6	-	-	32
Unbilled active projects	2	-	-	-	-	-	22	-	-	142
Other		-	-	-	-	-	-	-	-	-
<b>Total Receipts</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>174</b>
<b>Operating Disbursements</b>										
F2024 project costs	3	12	15	125	125	-	-	-	-	277
F2025 project costs	4	2	-	-	-	87	62	62	62	363
Payroll and benefits	5	-	-	-	-	-	-	-	-	-
Sub-contractor payments	6	-	50	-	50	-	50	-	50	200
Rent	7	16	-	-	-	-	11	-	-	27
Insurance	8	-	-	10	-	-	-	-	10	20
IT	9	1	-	2	-	-	-	-	2	4
Utilities	10	2	-	-	-	-	2	-	-	4
Other operating costs	11	5	12	6	-	-	-	12	6	41
Contingency	12	-	15	-	15	-	15	-	15	60
<b>Total Operating Disbursements</b>		<b>37</b>	<b>92</b>	<b>143</b>	<b>190</b>	<b>87</b>	<b>140</b>	<b>74</b>	<b>145</b>	<b>995</b>
<b>Net Cash Flow from Operations</b>		<b>(37)</b>	<b>(92)</b>	<b>(143)</b>	<b>(190)</b>	<b>(61)</b>	<b>(112)</b>	<b>(74)</b>	<b>(145)</b>	<b>33</b>
<b>Non-Operating Disbursements</b>										
Companies' Counsel's Fees	13	-	-	-	-	-	-	50	-	50
Monitor's Fees and Disbursements	13	-	129	-	-	-	-	80	-	209
Monitor's Counsel's Fees	13	-	80	-	-	-	-	40	-	120
Interim Financing Interest	14	-	-	-	-	-	-	15	-	15
<b>Total Non-Operating Disbursements</b>		<b>-</b>	<b>209</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>185</b>	<b>-</b>	<b>394</b>
<b>Net Cash Flow</b>		<b>(37)</b>	<b>(301)</b>	<b>(143)</b>	<b>(190)</b>	<b>(61)</b>	<b>(112)</b>	<b>(259)</b>	<b>(145)</b>	<b>33</b>
<b>Opening Cash</b>		<b>853</b>	<b>816</b>	<b>515</b>	<b>372</b>	<b>182</b>	<b>121</b>	<b>9</b>	<b>250</b>	<b>105</b>
<b>Net Cash Flow</b>		<b>(37)</b>	<b>(301)</b>	<b>(143)</b>	<b>(190)</b>	<b>(61)</b>	<b>(112)</b>	<b>(259)</b>	<b>(145)</b>	<b>33</b>
<b>Interim Financing Advance/(Repayment)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500</b>	<b>-</b>	<b>500</b>
<b>Ending Cash</b>		<b>816</b>	<b>515</b>	<b>372</b>	<b>182</b>	<b>121</b>	<b>9</b>	<b>250</b>	<b>105</b>	<b>138</b>
<b>Opening Interim Financing balance</b>		<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>1,100</b>	<b>1,100</b>
<b>Advances</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500</b>	<b>-</b>	<b>500</b>
<b>Repayments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing Interim Financing balance</b>		<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>1,100</b>	<b>1,100</b>	<b>1,100</b>
<b>Interim Financing Availability</b>		<b>700</b>	<b>700</b>	<b>700</b>	<b>700</b>	<b>700</b>	<b>700</b>	<b>200</b>	<b>200</b>	<b>200</b>

Unaudited cash flow forecast to be read in conjunction with the cash flow notes and the Monitor's Second report on the cash flow forecast.

Candesto Enterprises Corp.,  
D3 Infrastructure Services Inc.  
and Safe Roads Alberta Ltd.

  
Jan Van Gugen  
Director

Alvarez & Marsal Canada Inc., in its capacity as  
Proposed Monitor of Candesto Enterprises Corp.,  
D3 Infrastructure Services Inc. and Safe Roads Alberta Ltd.  
and not in its personal or corporate capacity

  
Orest Konowalchuk, LIT  
Senior Vice President

**Candesto Enterprises Corp., D3 Infrastructure Services Inc. and Safe Roads Alberta Ltd.**  
**(collectively, the "Companies")**  
**Notes to Management Prepared Cash Flow Forecast**  
**For the period from February 24, 2024 to April 26, 2024**

Disclaimer

*In preparing this cash flow forecast (the "**Forecast**"), the Companies have relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast includes assumptions discussed below with respect to the requirements and impact of a filing under the Companies' Creditors Arrangement Act ("**CCAA**"). Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Forecast period will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized. The Forecast is presented in thousands of Canadian dollars.*

**Note 1 Accounts receivable**

Forecast collections of invoiced amounts and holdback for completed projects.

**Note 2 Unbilled active projects**

Collections of unbilled progress payments and holdback for active projects.

**Note 3 F2024 project costs**

Costs related to ongoing projects which completion was delayed past the Companies' fiscal year ending January 31, 2024, due to unforeseen weather conditions at the beginning on January.

**Note 4 F2025 project costs**

Estimated payment of design and pre-fabrication costs related to the Companies' projects which have commenced in March 2024.

**Note 5 Payroll and benefits**

Salaries, wages, statutory remittances and benefits for salaried and hourly employees. Effective February 5th, 2024, all Candesto employees were transferred to Barricades and Signs Ltd.

**Note 6 Sub-contractor payments**

Bi-weekly sub-contractor payments for the contracting of employees that were transferred to Barricades and Signs Ltd.

**Note 7 Rent**

Monthly rent payments for the Companies' two leased properties. One of the two property leases will be terminated effective April 1, 2024.

**Note 8 Insurance**

Monthly payment for equipment, vehicle and commercial general liability insurance policies.

**Note 9 IT**

Monthly payments to third-party providers for IT infrastructure and software.

**Note 10 Utilities**

Estimated monthly utility costs at the Companies' leased premises.

**Note 11 Other operating costs**

Includes payment of monthly equipment and vehicle leases required for the ongoing operations of the Companies.

**Note 12 Contingency**

A bi-weekly contingency of \$15,000 has been included to account for possible unforeseen expenditures.

**Note 13 Professional Fees and Expenses**


Disbursements include forecast payments to the Companies' counsel, the Monitor and the Monitor's counsel. The respective professionals have been provided with a cumulative retainer of \$125,000.


**Note 14 Interim Financing Interest**

Forecast payments to be made to the interim financing lender. The interim financing agreement has not yet been finalized at this time.

Candesto Enterprises Corp.,  
D3 Infrastructure Services Inc.  
and Safe Roads Alberta Ltd.

Alvarez & Marsal Canada Inc., in its capacity as  
Proposed Monitor of Candesto Enterprises Corp.,  
D3 Infrastructure Services Inc. and Safe Roads Alberta Ltd.  
and not in its personal or corporate capacity

  
Jan Van Bruggen  
Director

  
Orest Konowalchuk, LIT  
Senior Vice President