

District of: Ontario
Division No. 09 – Toronto
Court No. 32-1935210
Estate No. 32-1935210

Trustee's Report on Material Adverse Change
(Paragraph 50(10)(a) of the Act)

In the Matter of the Proposal of
A-1 Asphalt Maintenance Ltd.
Of the City of Dundas, in the Province of Ontario

On November 21, 2014, A-1 Asphalt Maintenance Ltd. (the "Company") filed a notice of intention to file a proposal. The Company's cash flow is due to be filed with the Official Receiver on December 1, 2014.

In the Trustee's discussions with many of the Company's suppliers, the suppliers indicated they intended to lien the Company's various projects. The Trustee informed the Company's counsel of such discussions. The Company's counsel sent a letter on November 26, 2014 to all suppliers who may try to lien the Company's various projects informing them that the comprehensive stay, pursuant to the Bankruptcy and Insolvency Act, would operate to stay the taking of such actions.

On November 27, 2014 certain municipal customers received a letter from counsel for a significant supplier to the Company, Emco Corporation ("Emco"). The letters purported to inform the customers of Emco's claim for lien against certain municipal projects. On November 28, 2014, Emco's counsel retracted the letters to the customers.

On November 28, 2014 a second significant supplier, Halton Asphalt Supply Limited ("HASL"), issued letters to the Company's largest municipal customer informing the customer of HASL's alleged claim for lien in respect of certain of the Company's projects.

In light of the letters from Emco and HASL, the Trustee contacted the customers involved. Both of the customers indicated that they were concerned over the letters and would not be making further payments to the Company under the contracts unless and until they received legal direction on whom to pay. It is uncertain how long that will take and what the outcome will be. Accordingly, the Company's cash flow will be material affected as payments will not be forthcoming from the Company's two most significant customers. Therefore, the Company will not have the cash flow it requires to complete its ongoing projects with these customers. The Company's inability to complete the ongoing projects will negatively impact the municipal customers involved and therefore will likely have a significant impact on the value of the Company's accounts receivable due from these customers. Therefore, in the Trustee's view these events have caused a material adverse change in the Company's cash flow and financial circumstances.

Dated at the City of Hamilton in the Province of Ontario, this 2nd day of December, 2014.

KPMG Inc. – Trustee



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