

*ONTARIO*  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF  
ACCULINK FENCE & WIRE INC.  
OF THE CITY OF BOLTON  
IN THE PROVINCE OF ONTARIO

**RESPONDING MOTION RECORD**

(Returnable: February 2, 2016)

January 28, 2016

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*ONTARIO*  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF  
ACCULINK FENCE & WIRE INC.  
OF THE CITY OF BOLTON  
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B.	Projected cashflow to April 1, 2016

# TAB 1



*ONTARIO*  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL  
OF  
ACCULINK FENCE & WIRE INC.  
OF THE CITY OF BOLTON,  
IN THE PROVINCE OF ONTARIO**

**THIRD REPORT OF KPMG INC.  
IN ITS CAPACITY AS PROPOSAL TRUSTEE**

JANUARY 28, 2016

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- Appendix A - Listing of equipment to be sold by Danbury
- Appendix B - Projected cashflow to April 1, 2016

## ***1.0 INTRODUCTION AND PURPOSE OF REPORT***

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### **1.1 INTRODUCTION**

- 1.1.1 Acculink Fence & Wire Inc. (“Acculink” or the “Company”) operates a fence manufacturing plant from leased premises in Bolton, Ontario. Acculink is a member of the Roma Fence group of companies. Acculink’s operations are seasonal in nature with the bulk of sales occurring during the period May to November. Acculink has been operating since about 2001 and employs up to 30 employees, depending on the season.
- 1.1.2 Acculink purchased the majority of its raw materials in U.S. dollars. However, the majority of its sales were to Canadian companies in Canadian dollars. The relatively recent and material rise in the U.S. dollar exchange has had a significant negative impact on Acculink’s gross margins, resulting in substantial operating losses. To mitigate the negative effect of foreign exchange the Company has switched to Canadian dollar suppliers where possible. In addition, Acculink’s sales volumes have declined significantly over the last two years resulting in excess production capacity.
- 1.1.3 Acculink’s primary lender is Royal Bank of Canada (“RBC”). RBC provided the Company with revolving demand loans in both U.S. and Canadian dollars, secured by a first ranking security interest over all of Acculink’s assets (the “RBC Loans”).
- 1.1.4 The Company defaulted on its obligations to RBC under the RBC Loans. RBC demanded on the RBC Loans in May, 2015 and entered into a forbearance agreement with Acculink that expired on September 30, 2015. The forbearance agreement was not extended and the Company could not repay the RBC Loans.
- 1.1.5 On October 5, 2015 (the “Filing Date”), the Company, on notice to RBC, filed a Notice of Intention to Make a Proposal (“NOI”) pursuant to the *Bankruptcy and Insolvency Act* (“BIA”) to allow the Company to downsize its operations and sell its excess assets.
- 1.1.6 The Proposal Trustee understands that RBC has agreed not to exercise its enforcement rights in the proposal proceeding, provided however, that Acculink remains within its cash flow projection and a portion of the realizations on the Company’s assets generated in these proceedings are used to permanently reduce the RBC Loans.
- 1.1.7 A copy of the NOI notice to creditors, including the creditor listing, was attached to the Trustee’s first report to the Court. Through ongoing loan repayments, Acculink’s secured creditors now total approximately CDN \$358,000 and US \$425,000 (down from approximately CDN \$497,000 and US \$905,000 on the filing date) and its unsecured creditors total approximately \$3.2 million for a total outstanding indebtedness of \$4.9 million at the time of filing. Of the \$3.2 million of unsecured liabilities, approximately \$1.1 million is to companies or persons related to Acculink.
- 1.1.8 During the proposal period, the Company has continued to operate at reduced production levels sufficient to supply the related Roma entities and higher margin customers. Since the date of the filing to January 15, 2016, Acculink has completed approximately CDN \$819,000 and US \$143,000 in sales.

- 1.1.9 In addition, the Company has sold significant redundant equipment for proceeds of US \$330,000 and is working to sell excess inventory to generate the proceeds to reduce its secured debt with RBC and to provide funds for a dividend to its creditors.
- 1.1.10 The Trustee filed its first report on November 2, 2015 (the “**First Report**”) and its second report on December 16, 2015 (the “**Second Report**”) which both dealt with requests for an extension of the time to file the proposal and with sales of certain redundant equipment. These reports and the related motion records and orders are all posted on the Trustee’s website.
- 1.1.11 The current extension of the stay period will expire on February 4, 2016.

**1.2 PURPOSE OF THE TRUSTEE’S THIRD REPORT TO THE COURT**

- 1.2.1 The Company will bring a motion returnable on February 2, 2016 the (“**Motion**”), for an order, among other things, granting the Company an extension of the time period to make a proposal to March 21, 2016.
- 1.2.2 In support of the Motion, the Company filed an Affidavit of Christina Marra sworn January 26, 2016 which describes in greater detail the background of the Motion.
- 1.2.3 The purpose of this third report to the Court (the “**Third Report**”) report is to:
- Provide an update on the results of the previously approved sales of equipment and excess inventory;
  - Report on the status of the proposal proceeding to date, and the Company’s extended cash flow forecast to March 31, 2016; and,
  - The request for an extension of the stay period all as set out in Section 3, below.

## **2.0 SALE OF EXCESS ASSETS AND USE OF PROCEEDS**

### **2.1 SALES TO ARIVALI**

**2.1.1** As discussed in the First Report and the Second Report and approved in the related Court orders dated November 4, 2015 and December 18, 2015, the sales to Arivali have been completed and total proceeds of US \$330,000 have been collected and applied as a permanent reduction to the RBC US dollar loan.

### **2.2 REMAINING REDUNDANT EQUIPMENT**

**2.2.1** As discussed in the Second Report and approved in the related Court order dated December 18, 2015, the Company has provided a small quantity of equipment to Danbury Global Limited (“**Danbury**”) to be sold in its auction at the end of January 2016. A listing of the equipment is attached as **Appendix A**. The sale of this equipment has been appraised at significantly less than the \$100,000 approved limit as set out in the Second Report. The proceeds from any such sales will be applied as a permanent reduction of the RBC Loans.

### **2.3 EXCESS INVENTORY**

**2.3.1** The Company has built up significant excess inventory over the last several years (the “**Excess Inventory**”). A listing of the Excess Inventory was attached as **Appendix B** to the Second Report. The Company has contacted in excess of 200 parties over the last several weeks to provide them details of the Excess Inventory sales program. The Company has also been in discussions with three brokers in Ontario and the North Eastern U.S. to discuss an arrangement to sell further significant quantities of the Excess Inventory at discounted prices.

### ***3.0 EXTENSION OF STAY PERIOD AND REVISED CASH FLOW***

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- 3.1.1 The current stay period extension is scheduled to expire on February 4, 2016. The Company seeks a further 45 day extension of the stay in order to complete the sale of equipment by Danbury and complete the sale process for the Excess Inventory. If the requested extension is not granted, the Company will be automatically deemed bankrupt.
- 3.1.2 The Company has prepared a revised cash flow that extends to March 31, 2016, which is past the requested extension date. The Trustee has reviewed the cash flow and has filed the cash flow with the Office of the Superintendent of Bankruptcy. A copy of the cash flow is attached as **Appendix B**. The cash flow demonstrates that, prior to the proceeds generated from any sales of the Excess Inventory and the equipment to be sold by Danbury, the Company is expected to have sufficient funds to carry on business and fund the proceedings through to March 31, 2016.
- 3.1.3 The Trustee is satisfied that the Company has acted and is acting in good faith and with due diligence in these proceedings. The Trustee is satisfied that none of the Company's creditors will be materially prejudiced by the extension of time sought by the Company to make a proposal. The Trustee has discussed the proposed extension with RBC and they do not object to the extension requested.

This report is respectfully submitted this 28<sup>th</sup> day of January, 2016.

**KPMG INC. solely in its capacity as  
Trustee in Re: the Proposal of  
Acculink Fence & Wire Inc.  
and not in its personal capacity**



Per: Brad Newton  
*Vice President*

# TAB A

**Acculink Fence and Wire Inc.  
Trustee's Third Report  
Appendix A**

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**Description**

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12-step warehouse ladder

Scale Service 60kg platform scale

Husqvarna DMS-240 core drill w/ stand

F.C.T.S Ltd. custom built wire bending / cutting machine

PowerBoss model CSS/82 riding propane power floor scrubber, s/n 6395073 (not-in-use)

1999 Sahinler model SM-60 power hammer, s/n 679

(2) Fume extractors (as is)

Falcon model profile bending machine c/w PLC controls

Erconina Singer Head Bender (CML. 494121)

3 Head Forge (N.C. Tool Co. Model Z6786)

12 Head Forge (N.C. Tool Co.)

Hydraulic Press for Bearings (No name or model)

Abrasive Chop Saw (G.M. Rigging Suppliers Inc., Model P850A)



# TAB B

Acculink Fence and Wire Inc.  
Cash Flow Forecast

Appendix B

	22-Jan-16	29-Jan-16	5-Feb-16	12-Feb-16	19-Feb-16	26-Feb-16	4-Mar-16	11-Mar-16	18-Mar-16	25-Mar-16	1-Apr-16	Total
<b>Receipts</b>												
Third party AR collections	13,594	41,060	30,057	26,405	32,977	42,131	50,824	30,824	53,488	54,644	48,235	424,238
Other receipts	10,000	8,000	15,000	58,840	38,840	29,800	18,073	50,141	12,113	-	24,207	265,013
Total receipts	23,594	49,060	45,057	85,245	71,817	71,931	68,896	80,965	65,601	54,644	72,442	689,251
Forecasted Sales	50,329	50,329	58,698	27,874	27,874	58,698	65,261	71,824	78,386	84,949	91,512	665,735
<b>Direct disbursements</b>												
Raw materials purchases	525	-	-	23,000	15,000	23,000	23,000	23,000	18,000	23,000	23,000	171,525
Direct net wages	10,141	8,418	9,750	8,970	9,750	8,970	9,750	8,970	9,750	8,970	9,750	103,189
Total	10,666	8,418	9,750	31,970	24,750	31,970	32,750	31,970	27,750	31,970	32,750	274,714
Margin	12,929	40,642	35,307	53,275	47,067	39,961	36,146	48,995	37,851	22,674	39,692	414,537
<b>Other disbursements</b>												
Net management salaries	2,299	732	2,210	780	2,210	780	2,210	780	2,210	780	2,210	17,201
Net office salaries	270	2,196	260	2,340	260	2,340	260	2,340	260	2,340	260	13,126
Net commissions	-	122	130	130	130	130	130	130	130	130	-	642
Source deductions	811	732	780	780	780	780	780	780	780	780	780	8,563
WSIB Payments	-	-	2,517	-	-	-	2,000	-	-	-	2,000	6,517
Utilities (Enbridge & Hydro)	301	-	-	-	6,500	-	-	6,500	-	-	-	13,301
BDC Loan	-	-	-	-	-	-	-	-	-	-	-	-
HST Monthly Premium	-	-	15,000	-	-	-	15,000	-	-	-	15,000	45,000
Realty Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Kentworth Rental	-	-	-	-	-	-	-	-	-	-	-	-
Other Vendors	12,535	5,578	5,750	15,850	3,850	850	6,750	3,250	21,250	3,250	6,750	85,662
Master Halco	-	-	-	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-	-	-	-
Carat Rent + Farm Equip	-	-	-	13,765	-	-	-	13,765	-	-	-	27,530
Canon Lease	-	-	-	-	-	2,500	-	-	-	-	-	2,500
Employee Benefits (Manulife)	-	-	2,500	-	-	-	2,500	-	-	-	-	5,000
Bank charges and interest	17	5,000	-	-	-	-	5,000	-	-	-	5,000	15,017
Total	16,233	14,360	29,017	33,645	13,600	7,380	34,500	27,545	24,500	7,280	32,000	240,060
Total Disbursements	26,899	22,778	38,767	65,615	38,350	39,350	67,250	59,515	52,250	39,250	64,750	514,773
Net cash inflow/(outflow)	(3,304)	26,282	6,290	19,630	33,467	32,581	1,646	21,450	13,351	15,394	7,692	174,478
Opening loan balance	(931,701)	(935,005)	(908,723)	(902,433)	(882,803)	(849,336)	(816,755)	(815,109)	(793,659)	(780,309)	(764,915)	(931,701)
Closing loan balance	(935,005)	(908,723)	(902,433)	(882,803)	(849,336)	(816,755)	(815,109)	(793,659)	(780,309)	(764,915)	(757,223)	(757,223)

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF  
ACCULINK FENCE & WIRE FENCE**

**Court File No.: 32-2043593**

**ONTARIO  
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IN BANKRUPTCY AND INSOLVENCY**

**RESPONDING MOTION RECORD**

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