

Court No.: 25-1268903  
Estate No.: 25-1268903

IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL DISTRICT OF CALGARY  
IN BANKRUPTCY

**IN THE MATTER OF THE PROPOSAL OF  
ACCURATE LOGISTICS SOLUTIONS INC.**

**REPORT OF THE TRUSTEE TO CREDITORS  
HARDIE & KELLY INC.  
NOVEMBER 23, 2009**

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**INDEX**

INTRODUCTION .....	1
TERMS OF REFERENCE .....	1
BACKGROUND .....	2
TERMS OF PROPOSAL.....	3
ESTIMATED LIQUIDATION ANALYSIS .....	4
TRUSTEE'S REMUNERATION.....	5
TRUSTEE'S RECOMMENDATION .....	6

## **INTRODUCTION**

1. On September 30, 2009, Accurate Logistics Solutions Inc. (“Accurate” or the “Company”) filed a Notice of Intention to Make a Proposal (the “NOI”) in accordance with the provisions of the *Bankruptcy and Insolvency Act* (the “BIA”). Hardie & Kelly Inc. consented to act as Trustee under the Proposal (the “Trustee”).
2. On October 30, 2009, the Company made application to the Court of Queen’s Bench of Alberta (the “Court”) seeking an extension of the time in which it is required to file a proposal to its creditors. The Court issued an order extending the time to file a proposal to December 14, 2009.
3. On November 23, 2009, the Company filed a Proposal to its creditors (the “Proposal”) with the Trustee.
4. The purpose of this report is to provide the creditors of Accurate with information on the following:
  - a. Background to the Company’s financial situation;
  - b. The Company’s current financial position
  - c. The terms of the Proposal;
  - d. An estimated liquidation analysis; and
  - e. The Trustee’s recommendation to unsecured creditors regarding the Proposal.

## **TERMS OF REFERENCE**

5. In preparing this report to the creditors, the Trustee has relied upon unaudited financial information, records of the Company and discussions with the Company’s management (“Management”) and their legal and financial advisors. The Trustee has not performed an audit, review or other verification of such information.

## **BACKGROUND**

6. Accurate commenced operations in May 2003 as a freight broker servicing Canadian clients, coordinating the transportation of goods by truck and rail. In 2008, the Company attempted to expand operations with the development of a collapsible rail deck and the inclusion of their own fleet of owner/operator trucks. As a result of the competitive nature of the trucking industry, the lack of progress on the rail deck development and the economic downturn, the Company began experiencing declining revenues and lower margins. This resulted in a cash flow strain such that the Company is unable to pay its obligations as they become due.
7. In 2008, following the advice of their tax advisor, Management established a related company, 1179107 Alberta Ltd., in which a significant amount of resources were expended in developing the rail deck technology including engineering and design costs. These development expenses were funded by advances from Accurate. Although, a separate legal entity was established for tax purposes, Management has advised the Trustee that for all intents and purposes the expenditures were in effect incurred by Accurate and that the structure was created only for tax planning purposes.
8. Patent applications have been filed to protect the rail deck technology (the "Patent Applications"). In the interests of expediting matters, the Patent Applications were initially filed in the name of a principal of the Company, with a view to the Patent Applications subsequently being registered in the name of the Company.
9. As the Company had become insolvent by the Fall of 2009, Management determined the only way to possibly restructure the Company and to avoid a bankruptcy and or receivership proceedings was to raise equity around the idea of continued development of the rail deck technology and by way of a capital injection into the Company.

10. In early October of 2009, Management and the Company's financial advisors embarked on an initiative to raise equity. To date, the capital initiative has met with some success. However, given the financial position and risk associated with the Company, prospective investors (the "Investors") are not prepared to invest directly in Accurate. Consequently, the Company's financial advisors developed a restructuring plan whereby a new company was established, RailDeck (2009) Inc. ("NewCo"), which would assume the Company's secured debt and continue the development of the rail deck technology.
  
11. With a view to providing some form of return to Accurate's unsecured creditors, Management and the Company's financial advisors have arranged for a pool of funds contributed by the Investors in NewCo to be offered as a lump sum settlement to Accurate's creditors.

#### **TERMS OF PROPOSAL**

12. The key terms of the Proposal are *inter alia* as follows:
  - a. All unsecured claims filed with the Trustee pursuant to the Proposal that are admitted by the Trustee, or are otherwise determined to be valid claims by the Court ("Unsecured Creditors") shall be treated as one class for purposes of both voting on the Proposal and for distributions under the Proposal;
  - b. A lump sum of \$200,000 (the "Proposal Fund") will be made available by the Investors for distribution to Unsecured Creditors as full and final settlement of the Company's obligations to Unsecured Creditors;
  - c. Unsecured Creditors shall receive payment of up to the first \$500 of the amount of their respective admitted claims; and
  - d. After making the payments provided for in subparagraph c) above, Unsecured Creditors whose claims exceed \$500 will share in a distribution of the remaining balance of the Proposal Fund on a pro rata basis based on the remaining value of their respective admitted claims after the payment provided for in subparagraph c) above.

13. The Proposal provides that in order for the Proposal Fund to be funded by the Investors, the Proposal must be approved by both:
  - a. A majority in number and 2/3 in dollar value of those Unsecured Creditors voting on the Proposal (the “Statutory Majority of Creditors”); and
  - b. The Court.
  
14. The Proposal provides that the secured claims of Business Development Bank, First Calgary Savings and Credit Union Ltd. and Community Futures Highwood (the “Secured Creditors”) shall be unaffected by the Proposal as these claims are to be transferred to and become the responsibility of NewCo.
  
15. In the event the Proposal is not approved by both the Statutory Majority of Creditors and the Court, Accurate shall irrevocably be deemed to have thereupon immediately made an assignment in bankruptcy and the Proposal Fund will not be available to Unsecured Creditors.

#### **ESTIMATED LIQUIDATION ANALYSIS**

16. Attached as Exhibit “A” is the Company’s unaudited balance sheet as at October 31, 2009.
  
17. As discussed above, in the event the Proposal is not approved by both the Statutory Majority of Creditors and the Court, the Company will have been deemed to have made an assignment into bankruptcy. Attached as Exhibit “B” is the Trustee’s estimated liquidation analysis and related assumptions as to the estimated realizations in the event of a bankruptcy.

18. In the event of a bankruptcy, we estimate available gross recoveries ranging from \$66,000 to \$239,000. However, the Secured Creditors holding general security agreements are owed in excess of a total of \$700,000 which would ultimately result in the Secured Creditors experiencing a shortfall from realizations. Consequently, assuming the Secured Creditors hold valid and enforceable security, there would be absolutely no recoveries available for Unsecured Creditors in the event of a bankruptcy.
19. In the event that Unsecured Creditors in a bankruptcy wished to advance a claim that any further development of the rail deck technology should in fact accrue to the benefit of Accurate, we wish to point out the following considerations:
  - a. The prospects and costs of advancing a successful argument are highly uncertain;
  - b. As highlighted above, the Secured Creditors would be left with a significant shortfall which would rank ahead of Unsecured Creditors, such that any additional potential recoveries by the Trustee would accrue firstly to the benefit of the Secured Creditors; and
  - c. There would be no funds in a bankruptcy to allow the Trustee to pursue a potential cause of action and or run a form of sales process of any alleged asset unless Unsecured Creditors were prepared to fund the Trustee or assume a potential cause of action, if any, by way of S. 38 of the BIA.

#### **TRUSTEE'S REMUNERATION**

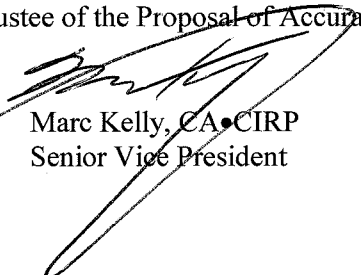
20. The Trustee's fees and expenses will be based on the time spent by the Trustee and members of its staff at their respective billing rates plus any out of pocket expenses incurred.
21. The Trustee received a limited retainer from the Company. Consequently, the Proposal Fund is to be distributed in its entirety to Unsecured Creditors.

**TRUSTEE'S RECOMMENDATION**

22. The Proposal provides for a guaranteed and expedited form of return to Accurate's Unsecured Creditors. Based on the Company's representations of its unsecured obligations, totalling approximately \$778,000, Unsecured Creditors will receive a gross dividend ranging from approximately 20% to 100% depending on the amounts of the respective admitted claims.
23. The actual amount of the dividend to Unsecured Creditors is likely to vary and will be dependent upon the claims that are ultimately admitted by the Trustee, or are otherwise determined to be valid claims by the Court.
24. Regardless of the ultimate quantum of unsecured claims, given that Unsecured Creditors are not anticipated to receive any funds in the event of a bankruptcy, the Proposal provides for a superior return to Unsecured Creditors. Consequently, we recommend acceptance of the Proposal to you.

DATED at Calgary, Alberta, this 23<sup>rd</sup> day of November 2009.

Hardie & Kelly Inc., in our capacity  
as Trustee of the Proposal of Accurate Logistics Solutions Inc.

Per:  Marc Kelly, CA, CIRP  
Senior Vice President



# Exhibit “A”

Accurate Logistics Solutions Inc.

Balance Sheet

As of October 31, 2009  
Oct 31, 09

ASSETS

Current Assets

Chequing/Savings

1-1115 · Accurate Logistics Solutions In	15,122.77
1-1120 · First Calgary Financial Chqing	(284,387.11)
1-1121 · First Calgary Savings	202.70

Total Chequing/Savings (269,061.64)

Accounts Receivable

1-1200 · Accounts Receivable	221,499.31
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Total Accounts Receivable 221,499.31

Other Current Assets

1-1204 · SR&ED ITC's Recievable	47,966.72
1-1220 · Short Term Receivable	26,698.68
1-1225 · First Calgary Member Shares	25.00
1-1235 · Driver reimburseables	7,192.27
1-1700 · Other Prepaid Expenses	8,182.34
1499 · Undeposited Funds	(28,857.84)

Total Other Current Assets 61,207.17

Total Current Assets 13,644.84

Fixed Assets

1-2410 · Computer Software - Orig Cost	20,125.18
1-2420 · Computer Software - Accum Dep	(17,210.18)
1-2610 · Computer Equipment	4,754.57
1-2620 · Computer Equipment - Accum Amor	(3,786.35)
1-2710 · Furniture & Fixtures Orig Co	1,072.36
1-2720 · Furniture & Fixtures Accum Dep	(635.66)
1-2810 · Office Equipment	4,064.05
1-2820 · Office Equipment - Accum Dep	(843.41)

Total Fixed Assets 7,540.56

Other Assets

1-1206 · Raildecks Interco Loan	760,465.78
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Total Other Assets 760,465.78

TOTAL ASSETS 781,651.18

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

2-1200 · Accounts Payable - CDN	872,252.05
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Accurate Logistics Solutions Inc.

Balance Sheet

As of October 31, 2009  
Oct 31, 09

Total Accounts Payable	872,252.05
Credit Cards	
2-1120 · MasterCard	(19.38)
Total Credit Cards	(19.38)
Other Current Liabilities	
2-1500 · Accrued Expenses	4,500.00
2-2100 · Bank Loans	134,728.51
2-2156 · BDC LOAN #3	100,000.00
2-2200 · GST Payable	11,210.05
Total Other Current Liabilities	250,438.56
Total Current Liabilities	1,122,671.23
Long Term Liabilities	
2-2165 · COMMUNITY FUTURES LOC	245,692.00
Total Long Term Liabilities	245,692.00
Total Liabilities	1,368,363.23
Equity	
3-0000 · Equity	
3-1000 · Owner's/Shareholder's Equity	
3-1100 · Owner's/Sharehldr Investment	21,789.07
3-1200 · Owner's/Sharehldr Withdrawal	(33,809.17)
3-1000 · Owner's/Shareholder's Equity - Other	(1,586.50)
Total 3-1000 · Owner's/Shareholder's Equity	(13,606.60)
3-0000 · Equity - Other	2,960.09
Total 3-0000 · Equity	(10,646.51)
3-3000 · Opening Bal Equity	(0.14)
3-3015 · Share Capital	(1,075.34)
3-3900 · Retained Earnings	(214,870.26)
Net Income	(360,119.80)
Total Equity	(586,712.05)
TOTAL LIABILITIES & EQUITY	781,651.18

# Exhibit “B”

**Accurate Logistics Solutions Inc.**  
**Estimated Liquidation Analysis**  
**as at October 31, 2009**  
**(unaudited)**

	<b>Book</b>	<b>Estimated Realizations</b>	
	<b>Value (a)</b>	<b>Low</b>	<b>High</b>
Cash	\$ 15,123	\$ -	\$ 15,123
Accounts Receivable (b)	221,499	66,450	155,049
Other Current Assets (c)	61,207	-	61,207
Fixed Assets (d)	7,541	-	7,541
Intercompany loan (e)	760,466	-	-
	<u>\$ 1,065,836</u>	<u>\$ 66,450</u>	<u>\$ 238,920</u>

**Notes:**

- a) Book value is as set out on Company's internal unaudited balance sheet as at October 31, 2009 attached as Exhibit "A" to this report.
- b) Assumes collection of accounts listed as current through less than 90 days in the range of 30 -70%.
- c) Miscellaneous net receivables.
- d) Given the represented net book value, the Trustee has not obtained an independent appraisal.
- e) This account effectively represents amounts that could otherwise be classified as expenses of Accurate Logistics Inc. ("Accurate"). Notwithstanding, we are advised by the Management of Accurate that the related company does not have any assets which could be realized upon.