

**No. S-237897
Vancouver Registry**

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

- AND -

**IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF TEBO MILL
INSTALLATIONS INC., TEBO MILL CONSTRUCTION INC., ALGON HOLDINGS INC.,
FRASERVIEW FABRICATION AND MACHINING INC., PTOLEMYTECH CONSULTANTS INC.**

PETITIONERS

MATERIAL ADVERSE CHANGE REPORT OF THE MONITOR

CROWE MACKAY & COMPANY LTD.

April 24, 2024

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I. INTRODUCTION

1. This Material Adverse Change Report (the "**MAC Report**") should be read in conjunction with the First Report of the Monitor dated April 12, 2024 (the "**First Report**"). Capitalized terms herein undefined have the meanings given to them in the First Report.
2. On April 5, 2024 (the "**Filing Date**"), the Supreme Court of British Columbia (the "**Court**") granted TEBO Mill Installations Inc. ("**TMI**"), TEBO Mill Construction Inc. ("**TMC**"), Algon Holdings Inc. ("**Algon**"), Fraserview Fabrication and Machining Inc. ("**FFM**"), and Ptolemytech Consultants Inc. ("**Ptolemytech**") (collectively, the "**TEBO Group**", or the "**Petitioners**") protection under the *Companies' Creditors Arrangement Act*. R.S.C. 1985, c. C-36, as amended (the "**CCAA**") pursuant to an initial order of the same date (the "**Initial Order**").
3. Among other things, the Initial Order provided that:
 - a. Crowe MacKay & Company Ltd. ("**Crowe**") be appointed monitor of the Petitioners in these CCAA proceedings (in such capacity, the "**Monitor**");
 - b. an initial stay of proceedings be granted up to and including April 15, 2024 (the "**Stay Period**"); and
 - c. an Administration Charge in the amount of \$200,000, and a Director's Charge in the amount of \$65,000 be granted on the Petitioners' property and undertakings in accordance with the priorities set forth therein.
4. On April 11, 2024, the Petitioners filed the Comeback Application returnable April 15, 2024, seeking, among other things, the Stay Extension (defined below) in order to:
 - a. "provide the time necessary for the Monitor to further its inquiries of [Deutsche]" in respect of the Deutsche Funds; and
 - b. "allow time for alternate banking facilities to be opened" in order to potentially facilitate the transfer of the Deutsche Funds to RBC.¹
5. On April 12, 2024, the Monitor filed the First Report in support of the Comeback Application.
6. On April 15, 2024, the Court granted an amended and restated Initial Order (the "**ARIO**") which, among other things, provided:
 - a. for the extension of the Stay Period from April 15 to May 6, 2024 (the "**Stay Extension**"); and
 - b. that paragraphs 10(a) and 10(b) of the Initial Order be amended so as to clarify that the Petitioners were authorized to make certain interest-only payments to Royal Bank of Canada ("**RBC**") and payments in respect of pre-filing financing leases (with the authorization of the Monitor).

¹ Comeback Application, filed April 11, 2024, para. 7.

7. The Monitor has posted the materials related to these proceedings on its website at: <https://crowemackayco.ca/project/tebo-group-of-industries/> (the "**Monitor's Website**").

II. PURPOSE

8. The purpose of this MAC Report is to report to this Honourable Court and the Petitioners' stakeholders on:
 - a. a material adverse change, pursuant to section 23(1)(d) of the CCAA;
 - b. the Monitor's difficulties obtaining financial and other information from the Petitioners, including regarding their assets, liabilities, and weekly cash flows; and
 - c. the Monitor's intended course of action.

III. TERMS OF REFERENCE

9. In preparing this MAC Report, the Monitor has necessarily relied upon audited and unaudited financial and other information provided by the Petitioners, the Companies' books and records, and discussions with Management (collectively, the "**Information**"), as applicable.
10. Crowe has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Auditing Standards pursuant to the Chartered Professional Accountants Handbook. Accordingly, Crowe expresses no opinion and does not provide any other form of assurance on the accuracy and/or completeness of any of the Information used to prepare this MAC Report.
11. Certain of the information referred to in this MAC Report consists of financial forecasts and/or projections prepared by the Petitioners. An examination or review of the financial forecasts/projections and procedures as outlined by the Chartered Professional Accountants of Canada has not been performed by Crowe. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions of future events and conditions that are not ascertainable, actual results may vary and the variations could be material.
12. All monetary amounts are expressed in Canadian dollars unless otherwise noted.

IV. MATERIAL ADVERSE CHANGE

(a) *Deutsche Email*

13. As set out in the First Report, the Monitor has been advised by the Petitioners that TMI entered into the Dalocorp Loan Agreement, whereby Dalocorp agreed to loan to TMI an

amount of funds to be advanced in a number of tranches for the purposes of funding certain construction projects detailed in “annexes” to that agreement.

14. The Deutsche Funds are purported to comprise the “initial test tranche” of these loan funds, and the Petitioners have deposed that such funds are “ready and available” to be transferred from a Dalocorp Deutsche account to an account held by TMI at RBC in Vancouver, in order to repay RBC. Further, the Petitioners have put in evidence the SWIFT Message, which purports to show an attempt by Dalocorp to further the transfer of the Deutsche Funds to RBC.²
15. As set out in the First Report, since the Initial Order (and prior to the Comeback Hearing):
 - a. the Petitioners requested that the Monitor assist the parties by conducting its own investigations to verify, among other things, whether the Deutsche Funds were in fact on deposit at Deutsche to the credit of Dalocorp; and
 - b. further to its investigations as above, the Monitor, among other things, telephoned, emailed, and sent a letter to the Deutsche Canada Office and certain C-suite executives at Deutsche requesting their assistance with confirming that the Deutsche Funds were on deposit at Deutsche to the credit of Dalocorp.
16. As a result of the foregoing outreach efforts to the Deutsche Canada Office, and in response to emails and correspondence enclosing copies of the ARIO and the SWIFT Message, on April 18, 2024, the Monitor received an email (the “**Deutsche Email**”) from Deutsche’s Chief Country Officer and CFO of the Deutsche Canada Office (with copy to an individual the Monitor understands to be a Vice President at Deutsche and Chief Compliance and Anti-Money Laundering Officer) advising as below. A copy of the Monitor’s email exchange with Deutsche, including the Deutsche Email, is attached hereto as Appendix “A”.

“Based on information available to Deutsche Bank (“DB”) and DB’s review to date, DB believes that the SWIFT message provided is not authentic, DB has no client relationship with Dalocorp PTE Ltd, and the account number referred to in the SWIFT message doesn’t exist in the books and records of DB.”
17. In the Monitor’s view, the Deutsche Email constitutes verification from Deutsche that:
 - a. the Deutsche Funds are not on deposit to the credit of Dalocorp (at the Frankfurt Branch, or otherwise; and
 - b. Dalocorp is not a Deutsche client.
18. **Petitioners’ Response.** In response to the Deutsche Email, the Monitor understands that the Petitioners take the position that: (i) Dalocorp has provided to them an “IBAN number” for its account, which can be validated online to indicate a link to a Deutsche account at the Frankfurt Branch; and (ii) only bankers with “a clearance level-16 and above” at Deutsche can access information regarding “institutional funds”; i.e., Dalocorp’s.

² Affidavit #2 of Victor Fong, made April 5, 2024, Exhibit “A”.

19. As discussed further below, the Petitioners have mentioned many times the prospect of setting up a meeting between a Deutsche representative at the Frankfurt Branch and the Monitor in order to counter the information contained in the Deutsche Email. To date, such meeting has not been arranged, and the Monitor has received no further documentation—from Deutsche or the Petitioners—that would cause it to doubt verification provided by the Deutsche Email.

(b) Petitioners' refinancing efforts

20. Since the Comeback Hearing, the Monitor has engaged in extensive discussions with the Petitioners in respect of the Deutsche Funds and their efforts to refinance and repay RBC, generally.

21. Among other things, the Petitioners have advised the Monitor regarding:

- a. their attempts to open accounts at other Canadian financial institutions (including Toronto-Dominion Bank, the Bank of Nova Scotia, and HSBC Bank Canada), in order to facilitate the transfer of the Deutsche Funds;
- b. their dealings with Dalocorp in respect of attempting to verify the Deutsche Funds and facilitate their transfer;
- c. their dealings with third parties, including: (i) a US-based attorney whom the Petitioners contacted to assist with the transfer of the Deutsche Funds; and (ii) Haywood & Associates International Investments, LLC ("**Haywood**"), which the Petitioners engaged to facilitate the transfer of the Deutsche Funds, specifically through Haywood's Citibank accounts (as described further below); and
- d. the potential to source funds to repay RBC from a UK-based company called Asia Investment and Development Ltd. ("**AIDL**"), of which Mr. Khara advises he is the finance director and signatory on an AIDL account at UBS Bank, Switzerland.

22. **Haywood.** The Petitioners have advised the Monitor that they have engaged Haywood to assist with transferring the Deutsche Funds through Haywood's accounts at Citibank.

23. Prior to its receipt of the Deutsche Email, the Monitor was introduced by the Petitioners to representatives of Haywood over videoconference, whereupon Haywood advised the Monitor that it had completed its "due diligence" procedures in respect of the transfer of funds from an account held by Dalocorp at Deutsche, including by (collectively, "**Haywood's Due Diligence**"):

- a. verifying that the Deutsche Funds existed;
- b. verifying Dalocorp's account at Deutsche;
- c. confirming the balance of the funds held by Dalocorp at Deutsche; and

- d. confirming that Mr. Danial Siddiqui is an authorized signatory on the Dalocorp account at Deutsche, and that he is in good standing with no criminal record or warrants for his arrest.
24. On this call, Haywood advised the Monitor that steps would be taken to initiate the transfer of the sum of €50 million from accounts held by Dalocorp at Deutsche to its accounts at Citibank, and that transfer was expected to be completed on or before April 26, 2024. The Monitor is advised by the Petitioners that Haywood was not agreeable to transferring funds in amounts equal to the Deutsche Funds, which is why the sum of €50 million would be transferred instead. The Petitioners advised the Monitor that an amendment to the Dalocorp Loan Agreement would be required to increase the amount of the "initial test tranche", accordingly.
25. Also on the videoconference, the Monitor requested that Haywood provide documentation to support Haywood's Due Diligence for its review. To date, the Monitor has received no such documentation, despite repeated follow-ups to both Haywood and the Petitioners.

(c) Monitor's comments and recommendations

26. Throughout its investigations, aside from the Deutsche Email, the Monitor has only received information regarding Dalocorp and the purported Deutsche Funds from the Petitioners. During this time, both before and after its receipt of the Deutsche Email, the Monitor has urged the Petitioners to:
- a. connect the Monitor directly with representatives at Dalocorp, or with senior banking officials at Deutsche to discuss, which meetings the Petitioners have advised they are capable of arranging;
 - b. provide further information and documentation regarding: (i) the Petitioners' efforts to open bank accounts at other Canadian financial institutions; and (ii) the availability of funds through AIDL; and
 - c. provide any kind of third-party documentation available to support the existence of the Deutsche Funds, including:
 - i. copies of correspondence between Dalocorp, Deutsche, and/or Haywood regarding the transfer of the Deutsche Funds;
 - ii. bank statements or other documentation available to Dalocorp regarding its accounts at Deutsche; and
 - iii. documents produced by Haywood and/ or its Citigroup bankers in respect of Haywood's Due Diligence.
27. As at the date of this MAC Report, while the Monitor has received certain documents from the Petitioners purported to comprise correspondence between Dalocorp and Haywood, it has received none that it considers of material value to its investigation. Further, to date the Monitor has not been connected by the Petitioners to any representative of Deutsche or Dalocorp. In short, and again, to date the Monitor has received no information from the Petitioners, or otherwise that would cause it to doubt the verification contained in the Deutsche Email.

28. **Conclusion.** The Monitor understands that the kernel of the Petitioners' restructuring plan in these CCAA proceedings to date has been to repay RBC with the Deutsche Funds purported to be held on deposit by Dalocorp at Deutsche. It was on the basis of this plan that the Stay Extension was granted.
29. In the Monitor's respectful view: (i) its investigations have produced verification (i.e., the Deutsche Email) that the Deutsche Funds do not exist; and (ii) accordingly, there has been a significant impairment in the likelihood of success of the Petitioners' plan, which must be reported on pursuant to section 23(1)(d) of the CCAA.

V. CASH FLOW MONITORING AND FINANCIAL INFORMATION

30. As reported in the First Report, since the Initial Order the Monitor has requested from the Petitioners documents that would allow it to, among other things, assess the reasonableness of the First Cash Flow Forecast (attached as Appendix "A" to the First Report), including: bank statements, general ledger accounts, project information, and trial balances. As at the date of the First Report, the Monitor had received some information, but not all of the information it has requested.
31. As at the date of this MAC Report, the Monitor still has not received enough of the requested information for it to verify the reasonableness of assumptions underlying the First Cash Flow Forecast. It has advised the Petitioners of this, repeatedly.
32. Further, as at the date of this MAC Report, the Petitioners have not provided the Monitor with the financial information required to perform its weekly monitoring duties with respect to the First Cash Flow Statement. Despite numerous and frequent requests, the Petitioners have not provided the Monitor with, among others, the following documents:
- a. general ledgers for the two-week period that has elapsed since the First Cash Flow Statement;
 - b. copies of all supporting documents for each cash receipt and disbursement for the two-week period that has elapsed on the First Cash Flow Statement;
 - c. a Management prepared cash flow statement comparing the Petitioners' actual cash flow results to those projected in the First Cash Flow Forecast for the week April 19, 2024; and
 - d. responses to the Monitor's inquiries with respect to certain variances identified by the Monitor for the week ending April 12, 2024.
33. Despite its numerous requests, the Monitor has not received any documentation from the Petitioners that would be sufficient for it to verify the amounts owing on account of priority payables to the Crown. The Monitor has been advised by counsel for His Majesty the King in right of Canada that FFM owes \$220,177.93 for source deductions up to the end of February 2024, and that this amount represents employee deductions for federal and provincial income tax, as well as CPP and EI premiums.

34. In short, the Monitor is of the respectful view that the Petitioners have, to date, failed to provide it with the financial and other information required for it to monitor the Petitioners' business and financial affairs to the extent required under the ARIO and the CCAA. As mentioned in the First Report, it is possible that these failings are attributable to the Petitioners lacking the appropriate staff, but the fact that they are continuing causes the Monitor to have grave concerns regarding the Petitioners' ability to advance these restructuring proceedings.

VI. MONITOR'S INTENDED COURSE OF ACTION

35. For the reasons set forth above, the Monitor is of the view that—within the meaning of section 23(a) of the CCAA—a material adverse change has occurred that significantly impacts the likelihood of the Petitioners' plan in these proceedings.

36. It is therefore the Monitor's intended course of action to:

- a. file this MAC Report with this Honourable Court as well as the Official Receiver without delay in accordance with the above section;
- b. advise all known creditors of the Petitioners that this MAC Report has been filed, and is available on the Monitor's Website;
- c. continue to monitor the Petitioners' cash flows and financial position to the extent possible, and to continue to work with the Petitioners to obtain the financial and other information it is lacking in order to perform its statutory duties; and
- d. continue to work and correspond with the Petitioners regarding the Deutsche Funds and their attempts to secure financing in general, further to the ultimate goal of repaying RBC. The Monitor will report further as the circumstances require.

DATED AT the City of Vancouver, in the Province of British Columbia, the 24th day of April, 2024.

CROWE MACKAY & COMPANY LTD.

in its capacity as Court Appointed Monitor of
the TEBO Group and not its personal capacity

Per:



Derek Lai, CPA, CMA, CIRP, LIT, CFE
Senior Vice President

APPENDIX A

Nelson Allan

From: David Gynn <[REDACTED]>
Sent: Thursday, April 18, 2024 2:17 PM
To: Sarah Sabbagh
Cc: Derek Shepherd
Subject: RE: In the Matter of the CCAA proceedings of Tebo Group - Deutsche Bank Funds Transfer
Attachments: MT199_ATTESTATION_FORMAT_RWA_DEUTDEFF_ROYCCAT2
_DALOCORP_TEBO_MILL_CONF199FTP_4,997M_02042024_Authentic.pdf

CAUTION: External Email.

Classification: Confidential

Hi Sarah;

Based on information available to Deutsche Bank ("DB") and DB's review to date, DB believes that the SWIFT message provided is not authentic, DB has no client relationship with Dalocorp PTE Ltd, and the account number referred to in the SWIFT message doesn't exist in the books and records of DB.

Many thanks and regards,

David Gynn

Deutsche Bank AG, Filiale Canada
Chief Country Officer
CFO, Deutsche Bank AG, Canada Branch
Regional Finance
199 Bay Street, Suite 1510, M5L 1E9 Toronto, Canada
Tel. + [REDACTED]
Fax + [REDACTED]
Mobile [REDACTED]
Email [REDACTED]

From: Sarah Sabbagh <Sarah.Sabbagh@crowemackay.ca>
Sent: Wednesday, April 17, 2024 1:23 PM
To: David Gynn <[REDACTED]>
Subject: FW: In the Matter of the CCAA proceedings of Tebo Group - Deutsche Bank Funds Transfer

Hi David,

In addition to the below, please see attached for the Amended and Restated Initial Order.

Do you have an idea of when we can expect to have a response from your internal affiliates?

Many thanks,

Sarah Sabbagh
Senior Associate



Crowe MacKay & Company Ltd.

Direct (604) 245 1967
Main (604) 689 3928
Fax (604) 687 5617

1100 – 1177 West Hastings Street
Vancouver, British Columbia V6E 4T5

From: Sarah Sabbagh
Sent: Wednesday, April 17, 2024 9:02 AM
To: David Gynn <[REDACTED]>
Subject: RE: In the Matter of the CCAA proceedings of Tebo Group - Deutsche Bank Funds Transfer

Hi David,

Thank you very much for the update.

We look forward to hearing back from you once you've had a response from your internal affiliates.

Regards,

Sarah Sabbagh
Senior Associate



Crowe MacKay & Company Ltd.

Direct (604) 245 1967
Main (604) 689 3928
Fax (604) 687 5617

1100 – 1177 West Hastings Street
Vancouver, British Columbia V6E 4T5

From: David Gynn <[REDACTED]>
Sent: Wednesday, April 17, 2024 6:03 AM
To: Sarah Sabbagh <Sarah.Sabbagh@crowemackay.ca>
Subject: RE: In the Matter of the CCAA proceedings of Tebo Group - Deutsche Bank Funds Transfer

CAUTION: External Email.

Classification: Confidential

Hi;

I did receive the package, and the voicemail from Nelson Allan. I have forwarded this information on to our internal affiliates and they are looking into this matter.

Regards,

David Gynn

Deutsche Bank AG, Filiale Canada
Chief Country Officer
CFO, Deutsche Bank AG, Canada Branch
Regional Finance
199 Bay Street, Suite 1510, M5L 1E9 Toronto, Canada
Tel. + [REDACTED]
Fax + [REDACTED]
Mobile [REDACTED]
Email [REDACTED]

From: Sarah Sabbagh <Sarah.Sabbagh@crowemackay.ca>

Sent: Friday, April 12, 2024 2:37 PM

To: David Gynn <[REDACTED]>

Subject: FW: In the Matter of the CCAA proceedings of Tebo Group - Deutsche Bank Funds Transfer

Importance: High

Hi David,

Just a friendly following up on the below.

Are you able to assist with this? If not, could you please put us in contact with someone who can.

Regards,

Sarah Sabbagh
Senior Associate



Crowe MacKay & Company Ltd.

Direct (604) 245 1967

Main (604) 689 3928

Fax (604) 687 5617

1100 – 1177 West Hastings Street
Vancouver, British Columbia V6E 4T5

From: Sarah Sabbagh
Sent: Tuesday, April 9, 2024 11:11 AM
To: [REDACTED]
Subject: FW: In the Matter of the CCAA proceedings of Tebo Group - Deutsche Bank Funds Transfer
Importance: High

Hi David,

On April 5, 2024, Tebo Mill Installations Inc. (“**TMI**”), Tebo Mill Construction Inc. (“**TMC**”), Algon Holdings Inc. (“**Algon**”), Fraserview Fabrication and Machining Inc. (“**FFM**”), and Ptolemytech Consultants Inc. (“**Ptolemytech**”) (collectively, the “**TEBO Group**” or the “**Petitioners**”) obtained a court order (the “**Initial Order**”) from the Supreme Court of British Columbia (the “**Court**”) pursuant to the Companies’ Creditors Arrangement Act, R.S.C. 1985, c-36 (“**CCAA**”). Crowe Mackay & Company Ltd. (“**Crowe**”) has been appointed as Monitor. Please see attached for the Initial Order appointing Crowe as Monitor.

The Monitor understands that the Petitioners, specifically TMC, are in the process of receiving in or around €4,997,955.00, and that these funds are currently held in transit by Deutsche Bank AG. Attached for your records is the MT199 confirmation. The Monitor is wanting to verify the existence of the funds held by Deutsche Bank AG. Pursuant to paragraph 26(e) of the Initial Order, the Monitor is empowered to:

“...have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Petitioners, to the extent that is necessary to adequately assess the Petitioners’ business and financial affairs or to perform its duties arising under this Order...”

Accordingly, pursuant to the powers granted to the Monitor under the Initial Order, the Monitor hereby requests that Deutsch Bank AG confirm the existence of the €4,997,955.00 as held in transit with the intended recipient being TMC as outlined in the attached MT199 confirmation.

If you have any questions regarding the foregoing, please reply directly and advise the Monitor as to any question or concerns.

Regards,

Sarah Sabbagh
Senior Associate



Crowe MacKay & Company Ltd.

Direct (604) 245 1967