



ESTATE FILE NO.: 35-2693784

**IN THE MATTER OF THE BANKRUPTCY OF
2145744 ONTARIO LIMITED
OF THE CITY OF CHATHAM, IN THE PROVINCE OF ONTARIO**

**TRUSTEE'S REPORT TO CREDITORS ON
PRELIMINARY ADMINISTRATION**

1.0 Introduction

1. On September 30, 2019, the Ontario Superior Court of Justice (Commercial List) (the "Court") appointed BDO Canada Limited ("BDO") as the receiver of 2145744 Ontario Limited (the "Company") and a number of other related parties pursuant to an application brought by Canadian Imperial Bank of Commerce ("CIBC") on an *ex parte* basis. On that date, the Court also issued a Mareva Order freezing the assets of various parties, including those of the Company's directors and officers. The application records for both Court Orders issued on September 30, 2019 were and remain sealed.
2. On November 28, 2019, Laurentian Bank of Canada ("LBC"), the Company's principal secured creditor, brought a receivership application to replace BDO as receiver over its collateral. Pursuant to a Court Order made on December 16, 2019, KSV Restructuring Inc.¹ ("KSV") was appointed receiver ("Receiver") of the Company's properties, assets and undertakings (the "Receivership Proceedings"). BDO was discharged as receiver of the Company on that date.
3. The Company was the registered owner of real property municipally described as 203 Indian Road South, Sarnia, Ontario (the "Real Property") until a Court-approved transaction for the Real Property was completed in the context of the Receivership Proceedings on November 20, 2020.
4. A Bankruptcy Order was made against the Company on November 27, 2020 and KSV was appointed Licensed Insolvency Trustee (the "Trustee") of the Company, subject to affirmation by the creditors of the Trustee's appointment at the first meeting of creditors to be convened on December 18, 2020.

¹ KSV Kofman Inc. changed its name to KSV Restructuring Inc. effective August 31, 2020.

1.1 Currency

1. All currency references in this report (“Report”) are to Canadian dollars unless otherwise noted.

1.2 Restrictions

1. The Trustee has not audited, or otherwise attempted to verify, the accuracy or completeness of the financial information relied upon in this Report in a manner that complies with Canadian Auditing Standards (“CAS”) pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Trustee expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information presented in this Report should perform its own diligence.
2. The Trustee accepts no responsibility for any reliance placed by any third party on the Company’s financial information presented herein, nor for any information concerning potential recoveries.

2.0 Background

1. The Company’s principal asset was the Real Property. The Real Property is approximately 0.74 acres on which a Shell gas station and commercial building is situated. The Company was the landlord of the gas station, convenience store and Burger King that operated at the Real Property.
2. The Receiver conducted a Court-approved sale process for the Real Property beginning in February 2020 and entered into an Agreement of Purchase and Sale with an arm’s length purchaser in July 2020 (the “Transaction”). The purchase price under the Transaction was \$3.755 million. The net proceeds of the Transaction were distributed by the Receiver to LBC.
3. There is presently approximately \$105,000 in the Receiver’s account and, accordingly, LBC will incur a shortfall on its advances to the Company.

3.0 Creditors

1. Following the Court-approved distribution of \$3.25 million from the proceeds of the Transaction, LBC is owed approximately \$700,000. The other known unsecured and/or potential creditors of the Company are set out below.
 - a) **Canada Revenue Agency (“CRA”)**: Based on a Notice of Assessment dated January 8, 2020, CRA claims to be owed approximately \$255,000 in respect of the Company’s HST obligations, including approximately \$53,000 of interest and penalties. The Trustee understands that CRA’s claim is not reflected in and/or substantiated by the Company’s books and records. Given that the Company had limited operating activity and transacted largely with its related party tenants, the Receiver was unable to reconcile the Company incurring HST obligations of this magnitude.

- b) **Di Cocco Contractors (2015) Inc.**: This claimant registered a construction lien of approximately \$67,000 on title to the Real Property on November 8, 2018. The Receiver is presently reviewing the validity of this lien, which would be paid from the funds in the Receiver's account, if determined to be valid.
- c) **CIBC**: Prior to the Transaction, CIBC had a charge over the Real Property which, pursuant to a Postponement dated March 27, 2018, was subordinated in favour of LBC. The amount owing to CIBC under this charge is unknown.
- d) **Gurcharan Bajwa**: Prior to the Transaction, a \$2 million Charge/Mortgage was registered on October 9, 2018 by Gurcharan Bajwa, which was subordinated in favour of LBC. The amount owing to Mr. Bajwa under this charge is unknown.

3.1 Property of the Bankrupt Not Divisible Amongst Creditors

- 1. The Trustee is not aware of any property that would not be divisible among the Company's creditors by virtue of Section 67(1) of the BIA or otherwise.

4.0 Books and Records

- 1. The Trustee has taken possession of the Company's available books and records to complete its duties and obligations under the BIA. The Trustee understands that there were very limited records available to the Receiver and BDO as the Company failed to maintain proper books and records. As an example, the Receiver was not provided with the Company's minute books for the year preceding the start of the Receivership Proceedings.

5.0 Preferences and Transfers Undervalue

- 1. As the Receiver was appointed on December 16, 2019, the disbursements/transactions relating to the one-year statutory review period relate solely to those incurred over the course of the Receivership Proceedings, during which the Receiver had control over the Company's receipts and disbursements. As a result, there were no preferences or transfers at undervalue identified during this one-year "lookback" period.

6.0 Anticipated Realization and Projected Distribution

- 1. There will not be any funds available for distribution to the Company's unsecured creditors.

7.0 Other Matters

1. Pursuant to a Third-Party Guarantee Agreement dated November 30, 2020 between the Receiver and the Trustee, the Receiver has provided a guarantee of the fees and disbursements of the Trustee related to the administration of these bankruptcy proceedings, including those of its legal counsel.
2. There are no other matters to discuss at this time.

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DATED at Toronto, Ontario, this 17th day of December, 2020.

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
IN ITS CAPACITY AS LICENSED INSOLVENCY TRUSTEE OF
2145744 ONTARIO LIMITED
AND NOT IN ITS PERSONAL CAPACITY**