

District of Ontario
Division No.: 09 - Toronto
Estate No. 31-2655918
Court No. 31-2655918

IN THE MATTER OF THE BANKRUPTCY OF
2305992 ONTARIO INC.
OF THE CITY OF VAUGHAN
IN THE PROVINCE OF ONTARIO

Trustee's Preliminary Report to the Creditors

BACKGROUND

1. 2305992 Ontario Inc. ("**230**" or the "**Company**") was the registered owner of real property municipally known as 9740, 9750 and 9760 Yonge Street in Richmond Hill, Ontario (the "**Property**"). The Company was headquartered in Woodbridge, Ontario.
2. The Property was vacant land that the Company intended to develop into a mixed use condominium consisting of residential, office and commercial space.

Causes of Insolvency

3. Prior to the appointment of the Receiver, the Company attempted to market and sell the Property. No offers were accepted, or if accepted by the Company, no transaction was concluded.
4. As 230 was in default of its payment obligations pursuant to a commitment letter dated August 11, 2014 and a general security agreement dated September 26, 2014, both entered into by 230 and MarshallZehr Group Inc. ("**MZ**"), MZ issued a Notice of Intention to Enforce its Security on September 10, 2019, pursuant to S. 244 of the *Bankruptcy and Insolvency Act*.
5. On October 8, 2019, MZ made an application for the appointment of a receiver over 230.
6. On November 28, 2019, by Order of the Ontario Superior Court of Justice (Commercial List) ("**Court**"), RSM Canada Limited ("**RSM**") was appointed as the Receiver and Manager (the "**Receiver**") without security, of all of the assets, undertakings and properties of 230. Subsequent to its appointment, the Receiver took possession and control of the assets of the Company.
7. The Receiver conducted a sale process, resulting in the sale of the Property, effective April 15, 2020.
8. Pursuant to the Distribution and Discharge Order of the Court dated July 3, 2020, the Receiver was authorized and directed to file an assignment in bankruptcy on behalf of the Company, and did so on July 4, 2020. RSM was appointed as the Trustee of the Estate of 230 (the "**Trustee**"), subject to affirmation at the first meeting of creditors.

9. Details of the Receiver's activities are set out in the Receiver's reports to the Court, which are available on the Receiver's website at:

<http://www.rsmcanada.com/2305992-ontario-inc>

SECTION A: PRELIMINARY EVALUATION OF ASSETS

10. All of the Company's assets were realized upon by the Receiver, prior to the date of bankruptcy. Therefore, and consistent with the Statement of Affairs, there are no assets in the bankrupt estate.

SECTION B: CONSERVATORY AND PROTECTIVE MEASURES

11. The Trustee has not taken any conservatory or protective measures, as the company has no assets.

SECTION C: LEGAL PROCEEDINGS

12. The Trustee is not involved in any legal proceedings at this time.

SECTION D: PROVABLE CLAIMS

13. The claims filed by creditors as of 10:00 a.m. on July 24, 2020, are as follows:

	Per Statement of Affairs	Filed as at July 24, 2020
Secured	\$NIL	\$NIL
Unsecured	1,172,116.88	5,410,868.80
Preferred	NIL	NIL
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	\$1,172,116.88	\$5,410,868.80
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SECTION E: SECURED CREDITORS

14. As of the date of the Appointment Order, the following parties had registered security interests against the assets of the Company:

- i. MarshallZehr Group Inc.; and
- ii. 2704553 Ontario Inc. ("270")

15. The Receiver obtained independent legal opinions from Fogler Rubinoff LLP and Miller Thomson LLP regarding the security held by MZ and 270 (the "**Secured Creditors**"), respectively, that, subject to the qualifications and assumptions contained in the respective opinions, the security held by the Secured Creditors is enforceable and valid.

The Secured Creditors' secured claims were addressed in the receivership, and the proceeds from the sale of the encumbered assets were distributed, *inter alia*, to the Secured Creditors in accordance with the terms of the Interim Distribution Order and the Distribution and Discharge Order of the Court. The balance of the Secured Creditors' claims were set out as unsecured amounts owing by 230 on the Statement of Affairs.

SECTION F: ANTICIPATED REALIZATIONS AND PROJECTED DISTRIBUTION

16. Based on the information provided to date, there will be no funds available for distribution to the Company's unsecured creditors.

SECTION G: TRANSFERS AT UNDERVALUE AND PREFERENCE PAYMENTS

17. The Trustee does not have knowledge of any transfers at undervalue or preference payments. Should there be any significant change, the Trustee will review this matter with the Inspector(s) to be elected at the First Meeting of Creditors.

SECTION H: OTHER MATTERS

18. The Trustee has nothing further to report at this time.

Dated at Toronto, Ontario, this 24th day of July, 2020.

RSM CANADA LIMITED in its capacity as
Trustee of the Estate of 2305992 Ontario Inc., a bankrupt
and not in its personal or corporate capacity



Per: Bryan A. Tannenbaum, FCPA, FCA, FCIRP, LIT
President