

IN THE MATTER OF THE BANKRUPTCY OF
HIGHLINE APPAREL INC.
OF THE CITY OF TORONTO
IN THE PROVINCE OF ONTARIO

TRUSTEE'S PRELIMINARY REPORT TO THE CREDITORS

SECTION A: BACKGROUND

1. Highline Apparel Inc. ("**Highline**" or the "**Company**") was incorporated in August 2015 and commenced operating in or about November 2015. Highline was both a manufacturer and reseller of apparel such as t-shirts, long sleeve shirts, hoodies, zip-ups, leggings and sweatpants. The Company's products were often silk screened as per the Company's customers' instructions. Highline's customer base was primarily comprised of corporate clients. The Trustee understands that Highline ceased operations in or about March 2018.
2. Based on the Trustee's discussions with Mr. Oliver Madison, the President of the Company, the causes of Highline's financial difficulties that resulted in the cessation of its operations in 2018 were: (i) the Company was never able to generate enough revenue consistently to cover its overhead costs; (ii) available capital ran out before the Company was able to operate at a profitable level; (iii) shortly after operations commenced, costs began to increase and these additional costs could not be passed on to customers; and (iv) issues were encountered with suppliers in respect of production timing and quality control, which contributed to the loss of existing customers and Highline's ability to attract new clients.
3. On March 27, 2018, Oratex Inc. ("Oratex") issued a statement of claim against Highline, amongst other parties, in respect of the non-payment of invoices issued by Oratex to Highline and other parties. On July 19, 2018, Oratex obtained a judgement against Highline.
4. On May 20, 2022, Highline filed an Assignment in Bankruptcy and RSM Canada Limited was appointed as trustee (the "**Trustee**") of the bankrupt estate by the Official Receiver, subject to affirmation of that appointment at the first meeting of creditors.
5. Copies of the documents relating to the bankruptcy proceedings are being posted on the Trustee's website as they become available, which can be found at:

<http://www.rsmcanada.com/highline-apparel>

SECTION B: PRELIMINARY EVALUATION OF ASSETS

6. According to the Company's Statement of Affairs, the only asset of the Company as at the date of bankruptcy was cash of \$217.00. The Trustee has received from Highline's bank \$214.66 representing the funds in Highline's bank account.

SECTION C: BOOKS AND RECORDS

7. The Trustee has reviewed Highline's bank statements for the period from March 12, 2021 to April 12, 2022 that were provided to the Trustee. The Trustee has been advised by Mr. Madison that since Highline has been inactive since about March 2018, there are no additional current books and records of the Company.

SECTION D: CONSERVATORY AND PROTECTIVE MEASURES

8. As set out above, the Trustee has taken possession of the Company's cash on hand. The Trustee has also requested that Highline's bank close the Company's bank account.
9. As the Trustee is not aware of any other assets of the Company, or the existence of any Company records that will assist the Trustee with carrying out its mandate, the Trustee has not taken any other conservatory or protective measures in respect of the Company's assets or its books and records.

SECTION E: LEGAL PROCEEDINGS

10. The Trustee is not involved in any legal proceedings at this time.
11. Oratex is aware of the Company's bankruptcy proceedings.

SECTION F: PROVABLE CLAIMS

12. The claims filed by creditors as of 6:00 p.m. on June 6, 2022, are as follows:

Per Statement of Affairs Filed as at June 6, 2022

Secured	\$149,783.00	\$NIL
Unsecured	615,246.51	NIL
Preferred	NIL	NIL
Total	\$765,029.51	\$NIL

13. Should there be funds available for distribution to the Company's unsecured creditors, the Trustee will review the differences between the amounts set out in the proofs of claim filed and the amounts included in the Statement of Affairs.

SECTION G: SECURED CREDITORS

14. According to the Company's Statement of Affairs, the Company's secured creditors are:

Secured Creditor	Claim per Statement of Affairs
2109497 Ontario Inc.	\$ 75,000.00
Oliver Madison	74,783.00
Total	\$149,783.00

15. According to a Personal Property Security Registration System search dated May 12, 2022, the above parties registered security interests in respect of the Company's indebtedness to them. However, due to the de minimis assets in the Trustee's possession, the Trustee does not intend on obtaining an independent legal opinion on the validity and enforceability of the secured creditors' security.

SECTION H: ANTICIPATED REALIZATIONS AND PROJECTED DISTRIBUTION

16. Based on the information set out on the Statement of Affairs and in this report, the Trustee is of the view that there will not be any funds available for distribution to Highline's unsecured creditors.

SECTION I: TRANSFERS AT UNDERVALUE AND PREFERENCE PAYMENTS

17. The Trustee has conducted a review of the Company's bank statements for the period from March 12, 2021 to April 12, 2022. The only withdrawals from Highline's bank account during this period consisted of bank charges. The Trustee does not intend on taking any further action in connection with the review of transfers at undervalue and/or preference payments. The Trustee will discuss this further with the Inspector(s) to be elected at the first meeting of creditors.

SECTION J: OTHER MATTERS

18. The Trustee has received a deposit of \$16,950.00 from 2109497 Ontario Inc. in respect of the Trustee's fees and disbursements.

Dated at Toronto, Ontario, this 6th day of June, 2022.

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



Per: Arif Dhanani, CPA, CA, CIRP, LIT
Vice-President