

CANADA
District of Ontario
Division No. 09 - Toronto
Court No. 31-2636073
Estate No. 31-2636073

TRUSTEE'S PRELIMINARY REPORT

IN THE MATTER OF THE BANKRUPTCY OF 545918 ONTARIO INC. OF THE CITY OF PICKERING, IN THE PROVINCE OF ONTARIO

Licensed Insolvency Trustee (“Trustee”): MNP Ltd.

The information contained in this Preliminary Report has been prepared from the available books and records of the Company (as such term is later defined). These books and records have not been reviewed or otherwise audited by the Trustee and, consequently, the Trustee expresses no opinion whatsoever with respect to the validity, the exactness or the reliability of the information taken from those records contained herein.

SECTION A - BACKGROUND

545918 Ontario Inc. (“**545918**” or the “**Company**”), previously known as Ferrex Engineering Ltd. (“**Ferrex**”) is a provincially incorporated company, previously carrying on business out of its leased premises in Ajax, Ontario (the “**Premises**”). The Company was a multi-disciplinary professional services company that delivered an array of technical and strategic services, including engineering, automation systems and process control, information technology, project management and commissioning to the manufacturing industry.

The Company attributed its financial difficulties primarily to the continuing litigation with Micro Fines Recycling Oswego, LLC (“**Micro Fines**”), which culminated in a judgment in favour of Micro Fines in the amount of USD \$538,874.39. Pursuant to an agreement between Ferrex and Micro Fines, Ferrex had supplied an industrial dryer to Micro Fines, who allege that the dryer installed was faulty and have asserted claims for breach of warranty before the US Court. Subsequently, on March 10, 2020, Micro Fines also filed a motion before the US Court seeking an order to bring funds from the Company’s Canadian bank account to the State of New York for the purpose of attaching such funds. Such an order would have forced the Company to cease operations.

Proposal Proceedings

On April 2, 2020 (“**NOI Filing Date**”), the Company filed a NOI pursuant to section 50.4 of the Bankruptcy and Insolvency Act (the “**BIA**”), wherein MNP Ltd. (“**MNP**”) was named as proposal trustee (the “**Proposal Trustee**”).

The Company received an extension of time from the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) within which to file a Proposal with the Official Receiver, with the extension expiring on June 18, 2020 (the “**NOI Deadline**”).

During the NOI proceedings, the Company disclaimed its commercial lease in respect of the Premises, with effect from May 14, 2020.

On May 4, 2020, the Court approved a sale process to sell the Company's assets and business. Offers were due on June 8, 2020 (the “**Bid Deadline**”). Despite diligent efforts by the Proposal Trustee and the Company to find a buyer of its assets and operations on a going-concern basis, no offers were received by the Bid Deadline except an Asset Purchase Agreement, dated June 8, 2020 (the “**APA**”) presented to the Company by 119954 Ontario Inc. (“**1199541**”), its secured creditor.

1199541 assigned its rights and obligations under the APA to MSC Manufacturing Solutions Corp., (“**MSC**”). The transaction (the “**Transaction**”) contemplated under the APA was granted Court approval on June 17, 2020 and was completed on June 18, 2020. Save and except for payment of a \$25,000 deposit (the “**Deposit**”), the balance of the Purchase Price was satisfied by a credit bid.

Ferrex filed Articles of Amendment to change its name from Ferrex Engineering Ltd. to 545918 Ontario Inc.

Bankruptcy

As a result of Company's failure to file a proposal by the NOI Deadline, 545918 was deemed to have made an assignment in bankruptcy on June 19, 2020 (the "**Bankruptcy Date**"). MNP was appointed the Trustee of the estate, subject to affirmation by creditors.

On June 26, 2020, the Notice to Creditors advising of the bankruptcy and the First Meeting of Creditors, a list of creditors and a proof of claim form, along with a proxy, were sent to all known creditors of the Company. Pursuant to subsection 102(4) of the BIA, the Notice of Bankruptcy was published in the July 2, 2020 edition of the *National Post* newspaper.

The various public documents related to 545918's NOI and bankruptcy proceedings are posted at Trustee's case website at: <https://mnpdebt.ca/en/corporate/Engagements/ferrex-engineering-ltd>.

SECTION B – PRELIMINARY EVALUATION OF ASSETS AND SECURITY INTERESTS

The Transaction was completed prior to the Bankruptcy Date and involved a sale of substantially all of 545918's assets.

SECTION C – BOOKS AND RECORDS

The Trustee has taken possession and control of the Company's available books and records necessary for the administration of these proceedings.

SECTION D - CONSERVATORY AND PROTECTIVE MEASURES

As the Company had no physical assets on the Bankruptcy Date, no conservatory or protective measures were necessary.

SECTION E - PROVABLE CLAIMS

The claims of creditors as per the Company's Statement of Affairs ("**SOA**") and the claims filed as at 3:00 pm on July 9, 2020 are summarized below:

	<u>SOA</u>	<u>Claims As Filed</u>
Secured/Deemed Trust	Nil	Nil
Preferred	Nil	Nil
Unsecured	\$1,842,343.75	Nil
	<u>\$1,842,343.75</u>	<u>Nil</u>

SECTION F - LEGAL PROCEEDINGS, TRANSFERS AT UNDER-VALUE AND PREFERENCE PAYMENTS

Legal Proceedings

To date, the Trustee has not commenced any legal proceedings.

Transfers at Under-Value and Preference Payments

The Trustee is still in the process of completing its review of the Company's books and records generally in order to identify any potential transfers at undervalue or preference payments. The scope of the review will be limited to a review of certain disbursements made in the 12 months preceding the NOI Filing Date and inquiries with management.

Based on the information provided by the Company, the Company maintained its bank accounts at RBC Royal Bank. The Trustee has conducted a preliminary review of the Company's bank statements in respect of the following bank accounts for the periods referenced below. The Trustee has also requested the Company to provide their corporate credit card statements for the same period:

- CAD Chequing Account: 12-month period preceding the NOI Filing Date
- USD Chequing Account: 12-month period preceding the NOI Filing Date

The Trustee will discuss any matters which require attention of the creditors and any findings with the Inspector(s), if elected at the First Meeting of Creditors.

SECTION G - ANTICIPATED REALIZATIONS AND PROJECTED DISTRIBUTION

Given the foregoing and the SOA, the Trustee does not anticipate any realizations in the estate, and therefore no distributions to Company's creditors in this proceeding.

SECTION H - OTHER MATTERS

Indemnity Agreement

Prior to the NOI Filing Date, MNP received a retainer of \$14,000 from 545918, which has been held in trust to be applied against the professional fees and costs associated with the bankruptcy and proposal.

Funds Held in Trust

As part of the Transaction, MSC directed the Deposit to the Proposal Trustee for the purpose of paying certain priority payables, including certain wages and/or vacation pay and source deductions (if any) to CRA. The Proposal Trustee will determine the portion of the Deposit it requires to satisfy the Priority Payables and distribute the remainder to 1199541 prior to its discharge.

Dated at Toronto, Ontario this 9th day of July 2020.

MNP LTD.

***Trustee of the Estate of
545918 Ontario Inc., a Bankrupt***

Per:



Sheldon Title

License Insolvency Trustee