

CANADA
Province of Ontario
Division No.: 09- Toronto
Court No: 32-3120376
Estate No: 32-3120376

TRUSTEE'S PRELIMINARY REPORT

IN THE MATTER OF THE BANKRUPTCY OF AMMA CUSTOM FABRICATION & RAILING INC. IN THE CITY OF BRAMPTON, IN THE PROVINCE OF ONTARIO

Licensed Insolvency 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) and discussions with the Management. 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

Incorporated in October 2016, Amma Custom Fabrication & Railing Inc. ("**Amma**" or the "**Company**") operated a steel fabrication business out of a rented premises (the "**Premises**") at 2084 Steeles Ave E., Unit 1, Brampton, Ontario.

Management has advised that over the past 12 months, Amma encountered financial challenges due to shrinking margins driven by increased raw material costs and heightened competition. The Company also experienced declining revenues, largely attributed to reduced consumer spending resulting from rising inflation and interest rates. Ongoing medical issues, coupled with the death of a close family member who was also involved in the business operations, further prompted Mr. Dhari (as defined below) to move forward with the bankruptcy filing.

On August 21, 2024, the sole director of the Company, Dwarka Dhari ("**Mr. Dhari**"), resolved that Amma take steps to make an assignment in bankruptcy and that Mr. Dhari be authorized to execute the documents and perform all such acts in relation to the bankruptcy proceedings of the Company as considered necessary.

Amma filed an assignment in bankruptcy on August 23, 2024, which was accepted by the Office of the Superintendent of Bankruptcy Canada on August 26, 2024 ("**Date of Bankruptcy**"), and MNP Ltd. ("**MNP**") was appointed as Licensed Insolvency Trustee (the "**Trustee**") of the bankrupt estate (the "**Estate**"), subject to affirmation by the creditors at the first meeting of creditors (the "**FMOC**") to be held on September 12, 2024.

On August 27, 2024, the notice to creditors advising of the bankruptcy and the FMOC, a list of creditors and a proof of claim form, along with a proxy (the "**Bankruptcy Notice Package**"), were sent to all known

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creditors of the Company. Pursuant to subsection 102(4) of the *Bankruptcy and Insolvency Act* (the “**BIA**”), the Notice of Bankruptcy was published in the *Financial Post* newspaper on August 30, 2024.

The various public documents related to the Company and its bankruptcy proceedings are posted at the Trustee’s Case Website at: <https://mnpdebt.ca/en/corporate/corporate-engagements/amma-custom-fabrication-and-railing-inc>

SECTION B – PRELIMINARY EVALUATION OF ASSETS AND SECURITY INTERESTS/PRIORITY CLAIMS

Priority Claims

The Company has advised the Trustee that it has an unremitted employee source deductions liability totalling \$22,097.43 related to the financial years 2023 and 2024. The employee withholdings portion of the unremitted employee source deductions represents a deemed trust in favour of Canada Revenue Agency (“**CRA**”) pursuant to the *Income Tax Act* and related legislation. The Trustee has yet to verify the deemed trust portion and the amounts are subject to a possible trust examination to be conducted by CRA.

Security Interests

An Ontario *Personal Property Security Act* (the “**PPSA**”) registry search conducted on June 17, 2024, shows registration in favour Toyota Credit Canada Inc. (“**Toyota Canada**”), Mercedes-Benz Financial Services Canada Corporation (“**Mercedes Canada**”), MAC Funding Corporation (“**MAC**”), C&S Associates (“**C&S**”) and the Toronto-Dominion Bank (“**TD**”).

The Trustee understands that the PPSA registrations in favor of Toyota Canada and Mercedes Canada pertain to the respective vehicles (the “**Vehicles**” as explained below), while the registration in favor of MAC is related to equipment (the “**Equipment**”) financing. It has been clarified that C&S registered only as a representative. The Company has also informed the Trustee that TD has been paid in full, and no amounts are currently owed to them.

The Trustee has sent a letter to MAC requesting proof of security for any claims they hold on the Equipment. The Trustee is also in the process of communicating with the other secured creditors.

Assets – Summary

Amma’s assets and their estimated realizable values, according to its sworn Statement of Affairs (“**SOA**”) are summarized as follows:

Asset Description	Estimated Realizable Value (\$)
Deposits in Financial Institution	\$ 6,839.45
Equipment	176,009
Vehicles	81,900
Funds provided to MNP	14,965
Total	\$ 279,713.45

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Deposits in Financial Institutions

The figure shown on the SOA represents the balance of monies (the "**Account Funds**") held in the bank account (the "**Bank Account**") at Royal Bank of Canada ("**RBC**") on the Date of Bankruptcy. The Trustee has written to RBC to request the Account Funds and is waiting for their response.

Equipment

The figure listed in the SOA represents the estimated value of the steel fabrication Equipment located at the Premises. The Trustee has engaged Canam-Appraiz Inc. ("**Canam**" or the "**Appraiser**") to conduct an appraisal (the "**Appraisal**") of the Equipment based on its liquidation value. The Appraisal shows that the liquidation values are significantly lower than those reflected in the SOA. Some of the Equipment is owned by the Company, while other pieces are financed through MAC. The Trustee is currently performing a cost-benefit analysis to determine the net equity available to the Estate in the Equipment, after factoring in potential occupancy, selling, moving costs and the amount owed to MAC.

Vehicles

The figure listed in the SOA represents the estimated value of Amma's Vehicles – a 2023 Toyota Tundra 4X4 (the "**Toyota**") and a 2020 Mercedes Benz ("**Mercedes**"). The Trustee has taken possession of both Vehicles, which are now parked in the Appraiser's secure yard. The Appraisal reveals that the liquidation values are slightly lower than those indicated in the SOA. It is estimated that there is equity available in the Toyota, while no equity exists in the Mercedes.

Funds available with MNP

Before the bankruptcy filing, the Company collected certain accounts receivable and transferred the proceeds to MNP. These funds are now held in the Estate's trust account (the "**Trust Account**").

SECTION C – BOOKS AND RECORDS

As of the date of this Report, the Trustee has only obtained some records of the Company and is limited to bank statements and security documents. The Trustee is endeavouring to collect additional books and records required for administering the proceedings. The Trustee has also reached out to the Company's accountant, On Time Accounting Solutions Ltd., in connection with gathering the other books and records.

SECTION D – CONSERVATORY AND PROTECTIVE MEASURES

The Trustee has sent notice to RBC to freeze the Bank Account and to remit the Account Funds to the Trustee.

On August 26, 2024, the Trustee arranged for the Vehicles to be picked up and stored in at the Appraiser's secure yard.

On August 27, 2024, the Trustee attend at the Premises with the intention of taking possession and control of same and the Equipment located therein. However, the Trustee was unable to access the Premises as the landlord had commenced distraint proceedings and had changed the locks. The Trustee sent a letter to the Bailiff, as per section 73(4) of the BIA, requesting access to the Premises to inventory and assess it.

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Access was granted on August 30, 2024, and the Trustee and the Appraiser completed the inventory and Appraisal of the Equipment on that day.

The Trustee has not yet taken possession or control of the Premises and the assets located therein. The Trustee is in the process of determining whether it will abandon the Company's Equipment at the Premises.

The Trustee has reached out to the insurance company and received details of the outstanding monthly premiums for the Equipment and Vehicle policies. The Trustee will assess whether it is necessary to pay the insurance premium, as necessary.

SECTION E – PROVABLE CLAIMS AND CREDITOR GROUPS

The claims of creditors as per the SOA and the proof of claims filed and admitted for voting purposes only, if appropriate, as of 12 PM Eastern Standard Time ("EST") on September 12, 2024, are summarized below:

Creditor Group	As per SOA	Claims as Filed
Secured	\$218,206.43	Nil
Unsecured	\$129,082.92	Nil
Total	\$ 347,289.35	Nil

Secured Creditors – The secured creditors included in the SOA comprise the following:

- i) CRA deemed trust of \$22,097.43 for unremitted employee source deductions.p
- ii) Indebtedness owing to MAC of \$84,514 and \$48,595 relates to a financed Mitsubishi 2D laser machine with attachments, and a financed Diamond BH press brake machine, respectively.
- iii) Indebtedness owing to Toyota Canada and Mercedes Canada of \$35,000 and \$28,000, respectively, relate to their respective registered security interests on the Toyota and Mercedes vehicles.

The Trustee has not yet received a proof of claim or a payout statement from any of the Secured Creditors.

Unsecured Creditors – The unsecured creditors reflected on the SOA includes i) CRA for unremitted HST payments of \$16,929.42; ii) CEBA loan of \$40,000; iii) shareholder loans; and iv) other suppliers and trade creditors. The landlord was missed on the SOA but was sent the Bankruptcy Notice Package on the Trustee's learning of the omission. As per of the notice of distraint, the landlord is owed \$12,709.88 plus interest and costs associated with the distress.

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

Legal Proceedings

As at the time this Report was issued, the Trustee has not commenced, continued or taken steps to defend any legal proceedings. Any actions to be taken in the future will be subject to creditor, inspector and/or court approval.

As at the time this Report was issued, the Trustee has not had the need to retain independent legal counsel.

Transfers at Under-Value and Preference Payments

The Trustee has completed its review of potential transfers at undervalue or preference payments. The scope of the review is limited to a review of certain disbursements made in the twelve (12) months preceding the Date of Bankruptcy through the Bank Account and inquiries with management. If anything comes to the Trustee's notice, the Trustee will bring it to the attention of creditors or inspectors, if appointed.

SECTION G - ANTICIPATED REALIZATIONS AND PROJECTED DISTRIBUTION

As discussed earlier in the report, majority of the assets in the Estate are subject to potential deemed trust claims and security interests.

The anticipated realizations will be directly affected by whether the Trustee abandons the Equipment at the Premises or not.

The Trustee is currently unable to estimate the amount of funds that may be available for distribution. However, it is anticipated that the distribution to the unsecured creditors will at best be minimal, and likely zero.

SECTION H – OTHER MATTERS

None.

Dated in Toronto, Ontario, this 12th day of September 2024.

MNP LTD.

Trustee of the Estate of Amma Custom Fabrication & Railing Inc., a Bankrupt
and not in its personal or corporate capacity

Per:



Akhil Kapoor, CIRP, LIT, CFA
Manager