

**IN THE COURT OF KING'S BENCH OF ALBERTA  
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE BANKRUPTCY OF  
AXE FIRE PROTECTION AND CONTRACTING INC.**

**TRUSTEE'S REPORT TO CREDITORS  
AUGUST 9, 2023**

**BACKGROUND AND INSOLVENCY EVENTS**

This report has been prepared by MNP Ltd., in its capacity as Licensed Insolvency Trustee (the "Trustee") of the bankrupt estate of Axe Fire Protection and Contracting Inc. (the "Company" or "Axe") to provide preliminary information to the creditors as at the date of this report.

The Company was Federally incorporated in Canada on January 8, 2015, and the Company's director as of the date of bankruptcy is Mr. Al-Amyr Champsy ("A. Champsy"). The Company owned and operated a fire protection consulting, installation, and services company. Operations were conducted from a leased facility in Edmonton, Alberta.

We understand the Company ran into financial difficulties as a result of a shareholder dispute and was not able to meet its financial obligations as they generally became due.

The Company made an assignment into bankruptcy on July 20, 2023. MNP Ltd. consented to act as the Licensed Insolvency Trustee.

All bankruptcy documents, creditor information, and regular updates can be found on the case website:

<https://mnpdebt.ca/en/corporate/corporate-engagements/axe-fire-protection-and-contracting-inc>

## **FINANCIAL SITUATION**

Table 1 summarizes the statement of operations for the fiscal years ending, October 31, 2021, and October 31, 2022. The financial statements are notice to reader statements compiled by an independent, external accountant.

	<b>Year Ended Oct. 31, 2021</b>	<b>Year Ended Oct. 31, 2022</b>
Revenue	2,138,194	2,955,191
Cost of sales	(1,077,696)	(1,608,622)
Gross profit	1,060,498	1,346,569
Operating and admin expenses	(1,015,719)	(1,303,083)
<b>Net Income (loss)</b>	<b>44,779</b>	<b>43,486</b>

The Company had a net income of \$44,779 for the fiscal year ended October 31, 2021, and a net income of \$43,486 for the fiscal year ended October 31, 2022. The Company generally ceased operations on July 19, 2023, and as a result of the insolvency, no financial statements were prepared for fiscal 2023.

Table 2 summarizes the balance sheet for the fiscal year ending October 31, 2021, and October 31, 2022. These financial statements are notice to reader statements compiled by an independent, external accountant.

Table 2

	As at Oct. 31, 2021	As at Oct. 31, 2022
<b>Assets</b>		
Cash and cash equivalent	2,368	4,908
Accounts receivable	835,624	988,114
Inventory	225,107	296,503
Prepaid expenses	91,032	59,335
	<b>1,154,131</b>	<b>1,348,860</b>
Equipment	442,642	461,962
Motor Vehicles	299,649	299,649
Leasehold improvements	144,987	164,908
Information Technology	61,983	71,877
	<b>949,261</b>	<b>998,396</b>
Less: Accumulated depreciation	(638,571)	(698,907)
	<b>310,690</b>	<b>299,489</b>
Goodwill	767,725	767,725
	<b>2,232,546</b>	<b>2,416,074</b>
<b>Liabilities and Shareholders' Deficiency</b>		
Bank indebtedness	510,000	545,000
Accounts payable	141,746	295,835
Income taxes payable	6,106	6,962
Goods and services tax payable	12,648	29,177
Loan payable	214,602	148,171
	<b>885,102</b>	<b>1,025,145</b>
Advances from shareholders	467,077	467,077
	<b>1,352,179</b>	<b>1,492,222</b>
Shareholder's equity (deficit)	880,367	923,852
	<b>2,232,546</b>	<b>2,416,074</b>

Bank indebtedness represents a secured line of credit with TD Canada Trust ("TD"). Loan payable includes an unsecured loan from Business Development Bank of Canada ("BDC") and a secured loan from TD.

## **CONSERVATORY AND PROTECTIVE MEASURES**

The Company leased space municipally described as 17207–108 Avenue NW, Edmonton, Alberta (the “**Leased Premises**”). On July 19, 2023, the Trustee attended, took possession, and secured all assets of Axe, including inventory, equipment and machinery, and vehicles, located at the Leased Premises.

The Trustee has terminated all the employees as of the date of bankruptcy and is assisting with the preparation of Wage Earner Protection Program (“**WEPP**”) claims. The Trustee has engaged Desjardins, the Company’s payroll provider, to prepare the 2023 T4s and ROEs. The Trustee has provided copies to the employees.

The Trustee sent correspondence to TD requesting the Company’s bank accounts be frozen and any funds remaining be forwarded to the Trustee. We understand the Company’s bank account held a balance of approximately \$3,200. TD confirmed the account has been frozen and funds held in the account will be applied to the Company’s loan balance.

## **BOOKS AND RECORDS**

The Trustee has taken possession of certain books and records of the Company, including financial statements, bank statements, payroll records, and general ledgers.

The Trustee is in the process of obtaining access to the tax records of the Company through the authorized representative process of the CRA.

## **SECURED CREDITORS**

The Trustee has reviewed the Company’s books and records and the Personal Property Registry and confirms there is a security registration in favor of TD. However, we note that TD has not filed a proof of claim as of the date of this report. We understand that TD is owed approximately \$700,000.

The Company’s books and records indicate there are amounts owing to CRA for source deductions and GST. Any amounts owing to CRA related to unpaid source deductions may constitute a deemed trust property claim with priority over all other secured claims. CRA has not filed a proof of claim as of the date of this report.

## **UNSECURED CREDITORS**

Based on the Company's books and records, the Trustee is aware of 47 unsecured creditors owed approximately \$1,405,080. Table 3 outlines the major unsecured creditors.

	<b>Table 3</b> <b>Estimated</b> <b>Claim (000's)</b>
<b>Creditor</b>	
Salim Champs	659
Rotaflow Controls Inc	147
Karim Champs	144
Powerlink Electrical Ltd.	111
Aly-Amyr Champs	81
BDC	67

## **IDENTIFICATION AND VALUATION OF ASSETS**

As at the date of bankruptcy, the Company's assets consist of cash, accounts receivable, inventory, vehicles, and equipment and machinery. Table 4 provides a preliminary estimate of the realizable value of the assets of the Company.

Table 4

	Per Statement of Affairs as at July 19, 2023 (000's)	Estimated Realization	
		Low	High
		(000's)	
Cash	3	3	3
Receivables	565	200	250
Inventory, equipment, vehicles	511	250	300
	1,079	453	553
Property claim (CRA)		20	40
Recovery costs - rent, commissions, utilities etc.		75	50
Professional fees		80	60
		175	150
Recovery to secured creditor		278	403
<i>Total secured creditors</i>		700	700
Recovery to unsecured creditors		(422)	(297)
<i>Total unsecured creditors</i>		1,405	1,405
Estimated recovery per \$1 of unsecured claim		-	-

As at the date of bankruptcy, the Company had \$565,000 of accounts receivable. The Company has estimated approximately \$285,000 is doubtful. The Trustee estimates collections between \$200,000 to \$250,000 due to the bankruptcy. The Trustee will send demand letters and take further actions as required to collect outstanding accounts receivable.

As at the date of bankruptcy, the Company had significant inventory, equipment, machinery, and vehicles. The Trustee is in the process of obtaining proposals for the auction of the assets of the Company and will seek further instruction from the Inspector regarding the liquidation of the Company's assets. The Trustee anticipates the auction will be held the first week of September.

## **LEGAL ACTIONS**

The Company has been named in a lawsuit filed by Morguard Corporation related to a flood at a building where the Company had installed fire protection systems. The claim is being handled by the Company's insurer. The action is stayed as a result of the bankruptcy and the claimant may prove a claim in the bankruptcy.

The Trustee is not aware of any additional ongoing litigation against or by the Company.

## **REVIEW OF RECORDS & CONDUCT OF THE DEBTOR**

The Trustee has reviewed the books and records of the Company that were made available, including bank statements for the period of January 1, 2023, to July 20, 2023, and externally compiled notice to reader financial statements as at October 31, 2022.

The Trustee did not identify any transactions that could be regarded as preference payments in accordance with the Bankruptcy and Insolvency Act.

## **CONFLICT OF INTEREST**

Pursuant to Section 13.4 of the *Bankruptcy and Insolvency Act*, MNP Ltd. has consented to act as agent to TD in respect of their security. The Trustee is in the process of obtaining a legal opinion to confirm the security held by TD is valid and enforceable.

## **CONCLUSION**

Based on the review of the books and records of the Company and discussions with management and auctioneers we estimate the recoveries will be insufficient to repay secured claims in full. As such, we do not anticipate a recovery to unsecured creditors.

### **MNP Ltd.**

Licensed Insolvency Trustee of Axe Fire Protection and Contracting Inc.

Per: \_\_\_\_\_

  
Kristin Gray, CPA, CA, CIRP, LIT  
Senior Vice President