

District of: Ontario
Division No. London
Court No. 32-2872402
Estate No. 32-2872402

TRUSTEE'S PRELIMINARY REPORT

IN THE MATTER OF THE BANKRUPTCY OF CNS IRON FABRICATION LTD. (hereafter referred to as "CNS" or the "Company")

Trustee: MNP Ltd.

SECTION A - Background

CNS Iron Fabrication Ltd. ("CNS" or the "Company") was incorporated in 2005 and carried on business as a manufacturer of custom fabricated and pre-cast metal forms used in formwork and shoring application for highway and bridge construction, as well as industrial, commercial, and residential construction. In addition to its core fabrication business, the Company sold pre-fabricated and pre-assembled parts used in the forming and shoring industry and performed repair and recondition service work on material handling equipment and formwork panels.

The Company operated from leased premises at 38 Simpson Road, Bolton, Ontario (the "Premises").

Mr. Robert 'Bob' Claeys is the sole registered director of the Company.

On May 13, 2022, MNP Ltd. was appointed receiver over CNS and its parent Company, Claeys Family Holdings Inc. ("Claeys") on application of CNS' senior secured creditor, Royal Bank of Canada (the "Bank").

The Receiver operated CNS' business while marketing the sale of its assets comprised of accounts receivable, machinery, equipment, inventory, and various trade agreements (the "Assets"). The Receiver finalized a Court approved sale of the Assets that closed July 27, 2022. Court reports detailing the Receiver's activities since its appointment can be found here: <https://mnpdebt.ca/en/corporate/corporate-engagements/cns-iron-fabrication-ltd>

Net realizations are insufficient to pay secured claims and MNP anticipates a significant shortfall to the Bank and other secured creditors. As such, there will be no assets available for distribution to unsecured creditors through the bankruptcy.

At a motion brought by the Bank on October 3, 2022, the Honourable Justice Kimmel issued an Order granting MNP Ltd. the authority, but not the obligation, to file an assignment in bankruptcy on behalf of CNS.

On October 6, 2022 MNP Ltd. in its capacity as Court Appointed Receiver assigned the Company into bankruptcy and MNP Ltd. was appointed Trustee for CNS' bankrupt estate (the "Trustee")

CLASS I - Stocks of merchandise

None.

CLASS II - Plant, machinery, equipment and office

None.

CLASS III - Buildings and real estate

None.

CLASS IV - Books and records

The Receiver is in possession of the Company's books and records. At the time of its appointment, the Receiver retained an IT specialist to image the Company's computers and worked with cloud-based data storage providers to extract CNS' electronic records.

The majority of the Company's hard copy books and records were acquired by the purchaser through the sale of Assets. Pursuant to the terms of the Asset sale, the purchaser is required to safeguard and provide MNP Ltd. unfettered access to any books and records in its possession.

CLASS V - Other assets

None.

Property of Bankruptcy not divisible amongst creditors by virtue of Section 67(b), of the Bankruptcy and Insolvency Act

None.

Property placed under the guardianship of the Company

None.

SECTION B

1. Conservatory and protective measures

The Receiver took possession of the Assets on May 13, 2022 and maintained control until their sale July 27, 2022.

2. Carrying on business

The Receiver managed and operated CNS' businesses from May 13, 2022 to July 27, 2022.

SECTION C - Legal proceedings

None.

SECTION D - Provable claims

	As per DRAFT Statement of Affairs at July 12, 2021	Claims Received to Date
Unsecured	\$6,145,550	\$472,885
Preferred	nil	nil
Secured	\$219,000	63,649
Deemed trust	nil	nil
Total	\$6,364,550	\$472,885

SECTION E - Secured creditors

The RBC debt is comprised of CNS bank indebtedness as well as CNS' contingent claim in respect of Claeys as guarantor for CNS' debt. RBC holds personal property security over the Assets and Claeys (although the Receiver understands Claeys has no personal property).

RBC is expected to suffer a shortfall in the realization of its security over CNS.

SECTION F - Anticipated realizations and projected distribution

At the time of this report, the Receiver held cash in hand of \$246,420 ("Cash"). Cash represents net realizations to date (comprised of Asset sale proceeds net of operating losses and professional fees). Cash will be distributed in accordance with Court order following the Receiver's final distribution motion.

No distribution to creditors is expected in the bankruptcy.

SECTION G - Reviewable transactions and preferential payment

The Receiver reviewed the Company's bank records for the period May 2021 through May 2022 and identified multiple transaction that took place in the weeks preceding the Receiver's appointment and which remain unaccounted for. The following is a summary of the transactions the Receiver is continuing to investigate:

Description	Effective Date	Debits (\$)	Credits (\$)
BR to BR	May 3, 2022	5,000	
BR to BR	May 3, 2022	62,417	
BR to BR	May 4, 2022	10,026	
BR to BR	May 4, 2022	18,808	
BR to BR	May 5, 2022		25,000
Cash withdrawal at branch	May 6, 2022	19,260	
		115,511	25,000

The Receiver has requested information in respect of the transactions from CNS' management group, however, managers state they have no information about the transactions and have suggested Claeys was the only person with knowledge as he was the individual who authorized same. The Receiver contacted Claeys to obtain information about the unallocated transactions; however, Claeys has not provided any information or explanation about the payments and deposits. These funds were removed from the Company's RBC accounts so the result will only increase the bank's indebtedness. Accordingly, the Trustee has no interest in recovering proceeds of potentially reviewable transactions.

SECTION H - Other matters

The Royal Bank of Canada has guaranteed the fees of the Trustee to a maximum of \$10,000 + HST.

Dated at London, Ontario this 26th day of October 2022.

MNP Ltd.

Licensed Insolvency Trustee of
CNS Iron Fabrication Ltd.

A handwritten signature in black ink, appearing to read "Brendan H.", written over the printed name and title.

Per: Brendan T. Hinton, CIRP, LIT
Vice-President

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IN THE MATTER OF THE BANKRUPTCY OF
CNS IRON FABRICATION LTD.

Carrying on business in the Village of Bolton, in the
Municipality of Peel in the Province of Ontario

TRUSTEE'S PRELIMINARY REPORT

MNP Ltd.
201-507 Southdale Road East
London ON N6E 1A2