

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

**IN THE MATTER OF THE BANKRUPTCY OF
ELMWOOD CAR SALES LTD.**

TRUSTEE'S REPORT TO CREDITORS

November 27, 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 Elmwood Car Sales Ltd. (the "Company" or "Elmwood") to provide preliminary information to the creditors as at the date of this report.

The Company was incorporated in Alberta on July 4, 1972, and the Company's directors as at the date of bankruptcy are Mr. Leo Brouwer ("Brouwer"), and Mr. Aaron Syrenne ("Syrenne"). The Company is a fully owned subsidiary of 2141080 Alberta Ltd. The Company was in the business of used car sales, financing and service. Operations were conducted from two leased facilities in Edmonton, Alberta.

We understand the Company ran into financial difficulties as a result of low used vehicle inventory, ongoing employee issues and a lack of sufficient working capital. As a result, management made the decision to do an orderly winddown and liquidation of the Company. The Company generally ceased all operations in October 2023.

The Company made an assignment into bankruptcy on November 9, 2023. MNP Ltd. consented to act as the Licensed Insolvency Trustee.

FINANCIAL SITUATION

Table 1 summarizes the statement of operations for the fiscal year ending December 31, 2022. These financial statements were compiled by an independent, external accountant. The stub period ending October 31, 2023, is a management prepared draft profit and loss statement.

	Year Ended Dec. 31, 2022 (\$000's)	Period Ended Oct. 31, 2023 (\$000's)
Sales	11,590	6,173
Cost of sales	10,806	5,784
Gross profit	<u>784</u>	<u>389</u>
Wages	891	357
Subcontracts	596	415
Other expenses	1,117	723
Loss from operations	<u>(1,820)</u>	<u>(1,106)</u>
Gain on sale of assets	435	-
Net income (loss)	<u>(1,385)</u>	<u>(1,106)</u>

The Company had a net loss of \$1,385,000 for the fiscal year ended December 31, 2022, and a net loss of \$1,106,000 for the period ended October 31, 2023. The Company has confirmed current period losses were funded via cash injections from Syrenne and Brouwer.

Table 2 summarizes the balance sheet for the fiscal year ending December 31, 2022. These financial statements were compiled by an independent, external accountant. The Company has not posted the journal entries from the prior period or closed out the previous year end. Accordingly, the management prepared balance sheet is not presented as it does not balance and is inaccurate.

Table 2	
	As at Dec. 31, 2022 (\$000's)
Accounts receivable	39
Inventory	982
	<u>1,021</u>
Capital assets	22
	<u>1,043</u>
Bank indebtedness	54
Accounts payable	133
	<u>187</u>
Due to related parties	131
Long-term debt	2,195
	<u>2,513</u>
Shareholder's equity (deficit)	(1,470)
	<u>1,043</u>

CONSERVATORY AND PROTECTIVE MEASURES

The Company leased premises municipally described as 11825 Wayne Gretzky Drive and #305, 8170 – 50 Street both in Edmonton, Alberta. The Company vacated both premises prior to the date of bankruptcy.

We understand that a nominal amount of computer equipment and furniture was abandoned by the Company in the leased premises. The Trustee did not take possession of either of the leased premises or the assets located on the premises as the cost of doing so would have exceeded the recoverable value of the assets. The Trustee has disclaimed its interest in both leases.

The Trustee understands the Company generally ceased operations in October 2023 and all employees were terminated prior to the date of Bankruptcy. There are no outstanding salaries, wages, vacation pay, or severance amounts owed to employees. Prior to the date of bankruptcy, the Company prepared the 2023 T4's and ROE's and provided copies to all employees.

The Trustee sent correspondence to ATB Financial ("ATB") 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 negative balance of \$161 based on October 2023 bank statements provided by the Company.

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

Table 3 provides a listing of the secured claims, according to the books and records of the Company and the Personal Property Registry, that may have a priority over the claims of unsecured creditors.

Creditor	Description of Claim	Table 3 Estimated Claim (\$000's)
Canada Revenue Agency	Deemed Trust - all present and after-acquired property	16
Workers's Compensation Board - Alberta	Deemed Trust - all present and after-acquired property	1
ATB Financial	Secured - GSA, all present and after-acquired property	832
Nextgear Capital Corporation	Secured - all present and after acquired property Specific serial numbered vehicles	1
292514 Alberta Ltd.	Secured - all present and after acquired property	1
Automotive Finance Canada Inc.	Secured - all present and after acquired property	1
iCapital Financial Services Corp	Secured - all present and after acquired property	1
Merchant Opportunities Fund Limited Partnership	Secured - all present and after acquired property	1

The Company's books and records indicate an amount owing to the Canada Revenue Agency ("CRA") for employee source deductions in the approximate amount of \$16,000. Any amounts owing to CRA related to unpaid source deductions may constitute a deemed trust claim with priority over all other secured claims. CRA has not filed a proof of claim as of the date of this report.

ATB has a secured claim for a HASCAP term loan extended to the Company. The loan is secured by a general security agreement over all present and after-acquired property. The balance owing as at the date of bankruptcy was approximately \$832,000.

Upon review of the Personal Property Registry, the Trustee noted registrations by 292514 Alberta Ltd., Automotive Finance Canada Inc., iCapital Financial Services Corp, Nextgear Capital Corporation, and Merchant Opportunities Fund Limited Partnership. No secured claims have been filed by any of these parties as at the date of this report.

UNSECURED CREDITORS

Based on the Company's books and records, the Trustee is aware of 35 unsecured creditors owed approximately \$118,379. Table 4 outlines the major unsecured creditors.

Creditor	Table 4 Estimated Claim (000's)
Canada Revenue Agency - GST	28
Trader Corporation	13
North Country Tire	10
National Tire Distributors	7

IDENTIFICATION AND VALUATION OF ASSETS

Based on discussions with management and a review of the books and records, the Company has no assets available for realization by the Trustee. Accordingly, we estimate there will be no recovery to the unsecured creditors.

LEGAL ACTIONS

Danny the Car Guy Ltd. has filed a Civil Claim against the Company for unpaid wages and commissions as result of services provided by the Plaintiff's principle. The action is stayed by the Bankruptcy.

Elmwood had filed a Statement of Claim against Brian Douglas Radmacher, Car Corner 2004 Inc., Marwan Ahmed Saleh, Bilal Zahr, and Nicole Landry for breach of contract and related damages. The Trustee has requested additional details regarding the claim and will seek further direction from the Inspector(s).

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 bank statements for the period January 1, 2023 to October 31, 2023, and has identified the following transactions that could be regarded as preference payments in accordance with the *Bankruptcy and Insolvency Act* (the "BIA").

Date	Description	Payment Amount \$	Nature of transaction
03-Jan-23	Interac e-Transfer	5,925	Payment to Syrenne
01-May-23	Interac e-Transfer	5,000	Payment to Brouwer
01-May-23	Interac e-Transfer	5,069	Payment to Brouwer
01-May-23	Interac e-Transfer	5,000	Payment to Syrenne
31-May-23	Interac e-Transfer	5,000	Payment to Syrenne
14-Jun-23	Interac e-Transfer	5,000	Payment to Syrenne
30-Jun-23	Interac e-Transfer	5,000	Payment to Syrenne
30-Jun-23	Interac e-Transfer	5,000	Payment to Brouwer
01-Aug-23	Interac e-Transfer	6,000	Payment to Syrenne
01-Aug-23	Interac e-Transfer	6,000	Payment to Brouwer
02-Oct-23	Interac e-Transfer	5,000	Payment to Brouwer
12-Oct-23	EFT	5,000	Payment to Syrenne
30-Oct-23	Bank Draft	28,010	Payment to 2141080 Alberta Ltd.

We note that throughout the year Syreene and Brouwer took no compensation for management services provided. Further, we confirm that from January 1, 2023, to the date of bankruptcy Syreene and Brower each contributed \$540,000 to the Company to cover working capital shortfalls.

The Trustee will seek instructions from the Inspector(s) and or creditors of the bankrupt estate regarding these transactions and any next steps. If the estate does not have sufficient funding, or if the Trustee refuses to act or take a proceeding, any creditor may consider taking on the proceeding under s.38 of the BIA.

The Trustee has reviewed prior period financial statements and financial records. Specifically, the Trustee has performed a detailed review of any sale transactions between October 1, 2023, to the date of bankruptcy. A summary of these transactions is attached as Appendix A. All vehicles, except three, were subject to registrations by various financiers and the related financed amount

was paid out upon sale. Proceeds from the sale of the three unencumbered vehicles were deposited into the Company's bank account. The Trustee has not identified any transactions that could be regarded as transfers undervalue.


A retainer in the amount of \$15,000 was provided to the Trustee by Syrenne and is considered a shareholder distribution.

CONCLUSION

The Trustee estimates there will be no recovery to the unsecured creditors.

MNP Ltd.

Licensed Insolvency Trustee of Elmwood Car Sales Ltd.

Per: 

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

Appendix A

Contract Date	Vehicle Description	Vehicle Cost	Sold Price	Financed Amount	Profit (Loss)	Financier
10/01/2023	2015 DODGE JOURNEY	14,931	13,570	11,515	2,055	Quantifi
10/01/2023	2017 JEEP CHEROKEE KLTL74	20,868	20,115	24,694	(4,579)	Santander
10/01/2023	2017 FORD TRANSIT CARGO VAN W2Y	31,000	31,640	28,853	2,787	TD Auto Finance
10/02/2023	2020 TOYOTA COROLLA BPRBLC	26,863	34,580	38,097	(3,517)	Edan Park Finance
10/02/2023	2015 CHEVROLET SILVERADO 2500HD CK25753	25,900	25,900	28,602	(2,702)	TD Auto Finance
10/03/2023	2020 MAZDA MAZDA3 SPORT SVTN80	29,566	33,988	35,964	(1,976)	TD Auto Finance
10/04/2023	2017 NISSAN PATHFINDER 5XEG17	21,172	22,988	15,861	7,127	TD Auto Finance
10/06/2023	2021 JEEP GRAND CHEROKEE WKJH74	39,900	33,320	-	(6,580)	
10/10/2023	2016 ACURA TLX UB3F7GKN	23,500	23,500	25,739	(2,239)	Santander
10/12/2023	2020 TOYOTA RAV4	43,804	45,000	38,172	6,828	TD Auto Finance
10/18/2023	2016 KIA SPORTAGE SLW5L5G1GGGJP5	24,795	26,495	30,209	(3,714)	Auto Capital Canada
10/18/2023	2017 GMC TERRAIN TLK26	20,990	24,988	32,251	(7,263)	TD Auto Finance
10/19/2023	2012 TOYOTA TUNDRA Tundra	13,500	14,000	-	500	
10/24/2023	2014 JEEP WRANGLER JKJP72	20,365	21,700	-	1,335	
10/24/2023	2021 TOYOTA CAMRY G11AKT	26,800	28,999	28,377	622	TD Auto Finance
11/01/2023	2018 KIA OPTIMA D5S4L6A1FDD100	15,000	9,000	9,450	(450)	Nextgear Capital
11/01/2023	2019 CHEVROLET MALIBU 1ZD69	22,750	16,500	17,325	(825)	Nextgear Capital
11/01/2023	2021 GMC SIERRA 1500 TK10543	36,635	33,000	34,650	(1,650)	Nextgear Capital
11/01/2023	2022 HYUNDAI KONA KO1SAA20A268	30,414	25,000	26,250	(1,250)	Nextgear Capital
11/01/2023	2022 CHEVROLET EQUINOX	35,800	32,500	31,436	1,064	Nextgear Capital
11/01/2023	2021 NISSAN VERSA B4SG11	24,670	20,000	21,000	(1,000)	Nextgear Capital
11/01/2023	2022 HYUNDAI KONA KO1SAA20A268	28,614	25,000	26,250	(1,250)	Nextgear Capital
11/01/2023	2021 HYUNDAI ELANTRA EL74IF20A283	25,976	23,000	24,150	(1,150)	Nextgear Capital
11/01/2023	2017 RAM 1500 DS6L98	11,500	9,000	9,450	(450)	Nextgear Capital
11/01/2023	2017 NISSAN MURANO SV	24,885	16,100	16,905	(805)	Nextgear Capital