

CANADA
Province of Ontario
Division No.: 09- Toronto
Court No: 31-2882882
Estate No: 31-2882882

TRUSTEE'S PRELIMINARY REPORT

IN THE MATTER OF THE BANKRUPTCY OF HAMON CUSTODIS-COTTRELL (CANADA) INC. OF THE CITY OF RICHMOND HILL, 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) 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

Hamon Custodis-Cottrell (Canada) Inc. (“**HCCC**” or the “**Company**”) operated an industrial chimney design, construction and maintenance business from leased premises at 23 West Beaver Creek Road, Unit # 2, Richmond Hill, Ontario (the “**Premises**”). HCCC was incorporated in July 1998 and was a wholly owned subsidiary of Hamon Custodis Inc. Hamon Custodis Inc. is part of a US based group of Hamon Companies (the “**US Hamon Group**”) with headquarters in New Jersey, United States. On April 24, 2022, the US Hamon Group filed for Chapter 11 bankruptcy pursuant to the US Bankruptcy Code that included the sale of substantially all its assets other than its interest in HCCC. Further, the US Hamon Group’s ultimate parent, Hamon & Cie., a Belgium based Société Anonyme, filed for bankruptcy on April 11, 2022, in Belgium before the Enterprise Court of Walloon Brabant. As a result, the Company no longer had the support of the US Hamon Group and the decision was made to wind-up HCCC which is insolvent, through a bankruptcy pursuant to the *Bankruptcy and Insolvency Act* (“**BIA**”).

On 8th day of November 2022, HCCC filed an assignment in bankruptcy, which was accepted by the Office of the Superintendent of Bankruptcy Canada and became effective on November 9, 2022 (“**Date of Bankruptcy**”), MNP Ltd. (“**MNP**” or the “**Trustee**”) was appointed as the Licensed Insolvency Trustee of HCCC’s bankruptcy estate, subject to affirmation by the creditors at the first meeting of creditors (“**FMOC**”).

On November 10, 2022, 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, 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 *Toronto Sun* newspaper on November 15, 2022.

SECTION B – PRELIMINARY EVALUATION OF ASSETS AND SECURITY INTERESTS

Security Interests

A search of the *Personal Property Security Act* conducted on August 6, 2022 (the “PPSA”) revealed that there security interest registered against the Company in favour of ATCO Structures and Logistics Ltd. and Xerox Canada Ltd related to equipment leases from these parties.

Cash at bank

As set out on the Company's Statement of Affairs (the “SOA”), its primary asset represents the cash remaining on deposit of approximately \$280,000.00 at the Date of Bankruptcy. The Trustee has taken steps to obtain these funds from the Company's bank.

Accounts Receivable

Prior to the Date of Bankruptcy substantially all of the Company's accounts receivable were collected other than approximately CAD \$210,000 expected to be recovered in the near future. The amounts due totalling approximately CAD \$12.5 million the US Hamon Group are not considered recoverable in light of its chapter 11 proceedings.

Office Furniture and Equipment

As set out below, substantially all of the Company's office furniture and equipment was abandoned at its Premises as the likely realization costs would exceed proceeds.

Construction Equipment and Supplies

Shortly before the Date of Bankruptcy, the Company's released a certain of its construction equipment and supplies to an auctioneer. These items were considered to be the most easily saleable. Once completed, the net auction proceeds will be remitted to the Trustee.

The balance of the construction equipment and supplies due to their specialized nature and condition, were considered of limited value and abandoned at its Premises as the likely realization costs would exceed proceeds.

SECTION C – BOOKS AND RECORDS

MNP is in the process of taking possession and control of available books and records of the Company which are necessary for the administration of these proceedings.

SECTION D – CONSERVATORY AND PROTECTIVE MEASURES

As noted above, the Trustee has taken steps to convert HCCC's bank account to deposit only and is awaiting remittance of the balance on hand.

Prior to the Date of Bankruptcy, an appraisal of the forced liquidation value (the "FLV") of the Company's remaining assets as the Premises. Based on indicated FLV, the likely occupation and clean up costs to be incurred, it was determined that these remaining assets would be abandoned.

SECTION E – PROVABLE CLAIMS

The claims of creditors as per the SOA and the claims filed as at 5:00 p.m. on November 25, 2022 are summarized below:

	<u>SOA</u>	<u>Claims as Filed</u>
Secured	\$ 3.00	Nil
Preferred	Nil	\$ 55,619.89
Unsecured	\$ 5,745,715.72	\$ 351,241.30
Contingent	\$ 1.00	Nil
	<hr/> \$ 5,745,719.72	<hr/> \$ 406,861.19

The Trustee has not determined the admissibility of the above-noted claim for dividend purposes.

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

Legal Proceedings

N/A

Transfers at Under-Value and Preference Payments

The Trustee is still in the process of obtaining the Company's books and records 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 Date of Bankruptcy and inquiries with management.

The Trustee will discuss any matters which require attention of the creditors and any findings with the Inspector(s), if appointed at the FMOC.

SECTION G - ANTICIPATED REALIZATIONS AND PROJECTED DISTRIBUTION

Upon completion of the realization process, the Trustee issue notices to all creditors to prove their claims. The quantum of the likely dividend to unsecured creditors is not known at this time.

SECTION H – OTHER MATTERS

N/A

**Hamon Custodis-Cottrell (Canada) Inc.
Estate No: 31-2882882
Trustee's Preliminary Report**

Dated at Toronto, Ontario, this 28th day of November 2022.

MNP LTD.

***Trustee of the Bankrupt Estate of
Hamon Custodis-Cottrell (Canada) Inc.
and not in its personal or corporate capacity***

Per:



Jerry Henechowicz, CIRP, LIT, CPA, CA
SENIOR VICE-PRESIDENT