

District of: Ontario
Division No. 05 - London
Court No. 35-2755346
Estate No. 35-2755346

TRUSTEE'S PRELIMINARY REPORT

IN THE MATTER OF THE BANKRUPTCY OF INDUSTRIAL AUTOMATON COMPONENTS CORPORATION (hereafter referred to as "IACC" or the "Company")

Trustee: MNP Ltd.

SECTION A - Background

IACC was incorporated August 8, 1985. The Company operated as a nationwide electrical equipment and supply wholesaler. IACC's operations were managed from a private residence at 493 Melcrest Road, London Ontario. John R. Weiler ("Weiler") is the Company's sole registered director.

Weiler states the Company was undercapitalized since inception. As a result, the Company came to rely on high interest credit facilities as a primary source of working capital. Furthermore, since 1991 Weiler states Company profitably has been on the decline as result of narrowing product margins in response to rapid industry wide changes eliminating third-party suppliers.

More recently, sales in key industries including Canadian pulp, mining, and petrochemical have been on the decline and worsened following the 2020 global pandemic.

Lacking sufficient working capital to maintain normal operations or to fund a restructuring of the business, in July 2021 the Company decided to stop operating and on July 28, 2021 the Company made an assignment in bankruptcy and MNP Ltd. was appointed trustee (the "Trustee") on July 29, 2021.

CLASS I - Stocks of merchandise

The Company did not own any inventory at the time of bankruptcy.

CLASS II - Plant, machinery, equipment, and office

Weiler states operations were 'bare bone' and the Company did not own any plant, machinery, or equipment. Minimal office equipment including a computer was owned personally and used by the Company.

The Company leased a 2020 Chevrolet Suburban from Ray Cullen Chevrolet and Buick ("Cullen"). The results of a recent PPSA registry search show a secured registration dated January 31, 2020 in favor of Cullen. The Trustee has requested Cullen to submit a proof of claim with details of its security.

CLASS III - Buildings and real estate

The Company did not own any land or buildings.

CLASS IV - Books and records

The Trustee is in possession of certain of the Company's books and records and has access to the Company's cloud accounting software, Quickbooks. The majority of historical hard copy books and records remain in Weiler's possession. Weiler has undertaken to provide the Trustee with unfettered access to the Company's records upon written request.

CLASS V - Other assets

At the time of bankruptcy, the Company had cash on hand of \$48,981 ("Cash"). Cash represents total net deposits in the Company's bank account at July 29. Cash has been deposited in the estate trust account.

To date the Trustee has collected \$21,620 in accounts receivable. Management estimates of the \$11,085 in total outstanding receivables, \$7,850 is collectible.

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 Company's only vehicle (discussed above) was dropped off and is possession of Cullen. The Trustee has notified Cullen of its interest in the vehicle and subject to Cullen's security the Trustee may either i) release its interest in the vehicle or ii) redeem Cullen's security and sell the vehicle.

2. Carrying on business

The Company ceased operating prior to its assignment on July 28, 2021.

SECTION C - Legal proceedings

In February 2021, one of the Company's largest vendors, Quantum First Automation Inc. ("Quantum") initiated a legal proceeding against the Company in an effort to recover \$179 thousand owing to it for unpaid invoices dating back to July 2020 (the "Quantum Proceeding").

The Quantum Proceeding is stayed against the Company by operation of section 69.3 of the Bankruptcy and Insolvency Act (the "Act").

Quantum will be permitted to prove its claim against IACC in accordance with the Act.

SECTION D - Provable claims

	As per Statement of Affairs	Claims Received to Date
Unsecured	\$508,770	\$34,644
Preferred	nil	nil
Secured	\$79,259	nil
Deemed trust	nil	nil
Total	\$588,029	\$34,644

SECTION E - Secured creditors

As discussed earlier in this report, its expected Cullen is secured over the 2020 Chevrolet Suburban.

SECTION F - Anticipated realizations and projected distribution

While a dividend is expected to unsecured creditors, it is too early in the process to determine the quantum of any anticipated distribution.

SECTION G - Reviewable transactions and preferential payment

The Trustee reviewed the Company's bank and credit card records for the period July 2020 to July 2021. Through its review the Trustee identified several expenditures which were paid by the Company but appear to be personal in nature. Weiler and his wife (who was also employed by the Company) drew nominal salaries from the Company in the year preceding bankruptcy. Based on the size of the Company, the Weiler's annual salaries do not appear egregious so it is possible non-qualifying business expenditures were eventually treated as income for personal tax purposes.

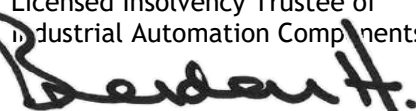
Apart from certain personal expenses discussed above, payments made to multiple vendors in the months preceding bankruptcy appear consistent with the Company's operations during the 12 months preceding bankruptcy. Accordingly, the Trustee did not identify any reviewable transactions or preferential payments requiring any further investigation.

SECTION H - Other matters

None.

Dated at London, Ontario this 17th day of August 2021.

MNP Ltd.
Licensed Insolvency Trustee of
Industrial Automation Components Corporation



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

Windsor
Court No. **35-2755346**
Estate No. **35-2755346**

IN THE MATTER OF THE BANKRUPTCY OF
INDUSTRIAL AUTOMATION COMPONENTS CORPORATION

Carrying on business in the City of London,
in the Province of Ontario

TRUSTEE'S PRELIMINARY REPORT

MNP Ltd.
1002 - 148 Fullarton Street
London, ON N6A 5P3