

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

**IN THE MATTER OF THE BANKRUPTCY OF
MULTI-TASK INDUSTRIAL LTD.**

TRUSTEE'S REPORT TO CREDITORS

March 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 Multi-Task Industrial Ltd. (the "**Company**" or "**MTI**") to provide preliminary information to the creditors as at the date of this report.

The Company was incorporated in Alberta on October 23, 2018, and the Company's directors as at the date of bankruptcy are Ms. Juliana Kipper ("**J. Kipper**"), Terry Kipper ("**T. Kipper**"), and Mr. Aaron Nield. The Company was in the business of welding and industrial maintenance services, primarily serving the oil and gas industry throughout Alberta. Operations were conducted from a leased facility in Fort Saskatchewan, Alberta.

We understand the Company ran into financial difficulties as a result of a lack of skilled labour to fill roles required to perform the services offered to their customers. Labour shortages led to difficulty fulfilling contracts and managing current obligations to customers. As a result, management made the decision to do an orderly winddown and liquidation of the Company.

The Company made an assignment into bankruptcy on March 8, 2023. MNP Ltd. consented to act as the Licensed Insolvency Trustee.

FINANCIAL SITUATION

Table 1 summarizes the statement of operations for the fiscal years ending September 30, 2021, and September 30, 2022. These financial statements were reviewed by an independent, external accountant. The stub period ending March 7, 2023, is a management prepared draft profit and loss statement.

	Year Ended Sep. 30, 2021 (\$000's)	Year Ended Sep. 30, 2022 (\$000's)	Period Ended Mar. 7, 2023 (\$000's)
Sales	17,932	13,068	3,553
Cost of sales	(12,851)	(10,667)	(2,306)
Gross profit	5,081	2,401	1,247
Operating and admin expenses	(4,851)	(5,270)	(1,337)
Other income	205	68	-
Net Income (loss)	435	(2,801)	(90)

The Company had a net income of \$435,000 for the fiscal year ended September 30, 2021, and subsequently incurred net losses of \$2,801,000 for the fiscal year ended September 30, 2022, and a net loss of \$90,000 for the period ended March 7, 2023. The Company generally ceased all operations in February 2023.

The Trustee understands that other income earned in 2021 and 2022 relates to government subsidies provided by the Canada Revenue Agency (“**CRA**”) in response to the Covid-19 global pandemic and gains on the sale of equipment and vehicles.

Table 2 summarizes the balance sheet for the fiscal years ending September 30, 2021, and September 30, 2022. These financial statements were reviewed by an independent, external accountant. The period ending March 7, 2023, is a management prepared draft balance sheet.

Table 2

	As at Sep. 30, 2021 (000's)	As at Sep. 30, 2022 (000's)	As at Mar. 7, 2023 (000's)
Cash and cash equivalent	-	-	28
Accounts receivable	4,258	2,212	903
Other current assets	452	424	380
Advances to related parties	1,107	898	838
	5,817	3,534	2,149
Property and equipment	834	1,359	1,369
Goodwill	81	81	81
	6,732	4,974	3,599
Bank indebtedness	2,326	2,228	1,009
Accounts payable	1,646	2,336	2,308
Income taxes payable	40	-	-
Current portion of capital lease	73	78	153
Current portion of long term debt	38	38	-
	4,123	4,680	3,470
Advances from shareholders	1,571	1,887	1,887
Non-current liabilities	75	245	170
	5,769	6,812	5,527
Shareholder's equity (deficit)	963	(1,838)	(1,928)
	6,732	4,974	3,599

CONSERVATORY AND PROTECTIVE MEASURES

The Company leased space municipally described as 11301 – 100 Avenue in Fort Saskatchewan, Alberta. On March 9, 2023, the Trustee attended, took possession, and secured the property. The Trustee confirmed property and liability insurance necessary to protect the assets and ensured the continuation of all utilities. The Trustee anticipates vacating the leased premises on or before March 31, 2023.

The Trustee understands the Company generally ceased operations in February 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 T4s and ROEs and provided copies to all employees.

The Trustee sent correspondence to the Royal Bank of Canada (“**RBC**”) 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 \$3,500. RBC confirmed the account has been frozen and the funds applied to the secured indebtedness owed by MTI to RBC.

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)
Royal Bank of Canada	Secured - GSA, all present and after-acquired property	989
Koch Ford Lincoln Sales (2003) Ltd.	Secured - leased vehicles	80

RBC has a secured claim for an operating line of credit extended to the Company. The line of credit 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 \$989,000. Given the estimated realizable value of MTI’s assets compared to RBC’s indebtedness the Trustee intends to redeem RBC’s security.

Koch Ford Lincoln Sales (2003) Ltd. (“**Koch**”) has security over two vehicles leased by the Company. The Trustee has assessed the value of the leased vehicles and does not believe there is any equity available to the estate. Accordingly, the Trustee has released the vehicles to Koch on the condition that any surplus will be surrendered to the Trustee upon realization of the assets.

Upon review of the Personal Property Registry, the Trustee noted registrations by 2198144 Alberta Ltd. (“**219**”), 2216301 Alberta Ltd. (“**221**”), T. Kipper and J. Kipper. Management has confirmed there are no amounts owing to 219 or 221. Amounts owing T. Kipper and J. Kipper relate to shareholder loans. No secured claims have been filed by any of these parties as at the date of this report.

The Company’s books and records indicate all amounts owing to CRA for source deductions have been paid in full. 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.

UNSECURED CREDITORS

Based on the Company’s books and records, the Trustee is aware of 57 unsecured creditors owed approximately \$2,527,357. Table 4 outlines the major unsecured creditors.

Creditor	Table 4 Estimated Claim (000's)
Catalyst Changers Inc.	1,185
Altex Field Services	341
Koch Ford Lincoln Sales (2003) Ltd.	210
Geopolymer Solutions LLC	158
Steel Bull Construction Ltd.	117

IDENTIFICATION AND VALUATION OF ASSETS

The Company's assets consist of cash, accounts receivable, equipment and machinery, and related Company receivables. Table 5 provides a preliminary estimate of the realizable value of the assets of the Company.

	Per Statement of Affairs as at March 8, 2023	Estimated Realization	
		Low	High
	(000's)	(000's)	
Cash	4	4	4
Receivables	892	800	842
Equipment and machinery	675	600	800
Related party receivables	-	-	150
	1,571	1,404	1,796
Payment to secured creditor (RBC)		989	989
Recovery costs - commissions, utilities etc.		125	100
Professional fees		75	60
Recovery to unsecured creditors		215	647
Total unsecured creditors		2,527	2,527
Estimated recovery per \$1 of unsecured claim		0.08	0.26

As at the date of bankruptcy, the Company had \$3,572 in its deposit account held at RBC. RBC has applied the cash balance against their secured indebtedness.

Prior to the date of bankruptcy, the Company entered into an auction agreement with GD Auctions and Appraisals to auction the Company's equipment and machinery. The appraised value of MTI's equipment and machinery as at the date of bankruptcy was approximately \$595,000. The auction was completed on March 15, 2023. The Trustee is awaiting the final reporting of total auction proceeds; however, initial reports suggest gross proceeds were approximately \$795,000.

MTI had approximately \$892,000 of accounts receivables as at March 8, 2023. Since the date of bankruptcy approximately \$810,000 of this balance has been collected. The Trustee will send

demand letters regarding the remaining amounts and seek instructions from the Inspector regarding any additional collection efforts.

As at the date of bankruptcy, the Company had amounts owing from related parties of approximately \$838,000. This balance includes \$612,000 owing from Task-Master Inspections Ltd. ("Task-Master"). Management has advised that Task-Master is no longer operational and does not have any assets. Accordingly, no recovery is expected from Task-Master. The balance also includes \$226,000 owing from Modern Refractory Inc. ("MRI"). Management has advised they are in the process of negotiating the sale of MRI which would see payment of a portion of the related company receivable to MTI. The Trustee will seek instructions from the Inspector of the estate regarding the next steps if necessary.

Recovery costs included in our realization analysis above include auction commissions, utility costs up to March 31, 2023, and various costs to secure and safeguard the assets.

Based on our review of the Company's assets and liabilities we estimate the recovery to the unsecured creditors will be approximately \$0.08 to \$0.26 per \$1 of unsecured claim.

LEGAL ACTIONS

In early March the Company was served with a Statement of Claim by Geopolymer Solutions, LLC, for an action commenced in Florida. The Company's counsel has noted this is not a reciprocating jurisdiction and the filing is generally inconsequential on the Company. The action is stayed by 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 and financial statements for the period of January 1, 2022, to March 8, 2023.

The Company sold the following assets in the three months prior to bankruptcy;

	Appraised Liquidation Value	Sale Value
	(000's)	
Leased vehicles	572*	660
Leak sealing equipment	20	54
Grit blasting, camera and torquing equipment	85	157
Misc. PPE	10	21
Laptops	2	4

*notes the cost or buyout of the lease

In all instances, proceeds exceeded the approximate appraised liquidation value and the Trustee takes no issue with the sales.


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

CONCLUSION

The Trustee estimates there will be a recovery to the unsecured creditors between \$215,000 and \$647,000 or \$0.08 to \$0.26 per \$1 of unsecured claim.

MNP Ltd.

Licensed Insolvency Trustee of Multi-Task Industrial Ltd.

Per: 

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Senior Vice President