

Court File No. CV-23-00701809-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

BETWEEN:

THE TORONTO-DOMINION BANK

Applicant

- and -

2668438 ONTARIO INC.

Respondent

APPLICATION UNDER SUBSECTION 243(1) OF THE BANKRUPTCY AND
INSOLVENCY ACT, R.S.C. 1985, C. B-3, AS AMENDED, AND SECTION 101 OF THE
COURTS OF JUSTICE ACT, R.S.O 1990 C. C.43, AS AMENDED

**REPORT TO THE COURT SUBMITTED BY MNP LTD.,
IN ITS CAPACITY AS PROPOSED COURT-APPOINTED
RECEIVER OF 2668438 ONTARIO INC.**

July 12, 2023

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- Appendix “A” A screenshot of the home page of 2668438 Ontario Inc. c.o.b. as Frontec Metal Fab (website: <http://frontecmetalfab.ca/>)
- Appendix “B” Photograph of the exterior of 287 Deerhurst Drive, Unit A, Brampton, Ontario, taken May 26, 2023
- Appendix “C” Photographs of the interior of 287 Deerhurst Drive, Unit A, Brampton, Ontario, taken May 26, 2023

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INTRODUCTION

1. MNP Ltd. (“MNP” or the “**Proposed Receiver**”) understands that The Toronto-Dominion Bank (the “**Applicant**” or the “**Bank**”),”) intends to bring an application before the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) seeking certain relief (the “Appointment Order”) under Subsection 243(1) of the *Bankruptcy And Insolvency Act*, R.S.C. 1985, C. B-3, as Amended (the “**BIA**”), and Section 101 of the *Courts Of Justice Act* (the “**CJA**”) including, among other things, the appointment of

MNP as receiver of all of the assets, undertakings and properties of 2668438 Ontario Inc. (the “**Respondent**” or the “**Debtor**”). The proceedings to be commenced by the Applicant under the BIA and CJA will be referred to hereinafter as the “**Receivership Proceedings**”.

2. This report (the “**Report**”) has been prepared by the Proposed Receiver prior to and in contemplation of its appointment as receiver in the Receivership Proceedings.

BACKGROUND

3. The Debtor carries on business as Frontec Metal Fab (formerly known as Frontec Engineering) and, as per its website (www.frontecmetalfab.ca), is a “mobile industrial service company” that provides the following services:

- custom metal fabrication;
- production metal products;
- structural steel fabrication;
- all pipe welding;
- mobile welding
- installation;
- MIG (metal inert gas), TIG (tungsten inert gas), and stick welding repairs;
- stainless steel, aluminum, and all metals welding; and
- platform, safety guards, ladders, stairs, racks and railings etc.

4. As per the Bank’s records and the Debtor’s website, the Debtor’s premises is located at 287 Deerhurst Drive, Unit A, Brampton, Ontario (the “**Premises**”). A screenshot of the Debtor’s website which indicates the company’s address as being that of the Premises is attached hereto as **Appendix “A”**.

5. The Bank is the Debtor's primary lender, providing an operating line facility and equipment leases. The Debtor is indebted to the Bank in the amount of approximately \$1.78 million, plus the costs of enforcement, including legal and professional costs, as of May 19, 2023. The Bank holds, *inter alia*, a General Security Agreement dated October 29, 2020 and title reservations and security pursuant to a Master Equipment Lease dated April 6, 2021, (collectively, the "**Bank's Security**") as security for the monies advanced and the equipment financed.
6. Based on the Information (as such term is later defined), the assets of the Debtor that are subject to the Bank's Security include but is not limited to two (2) hydraulic press brakes, a laser cutting machine and a Bobcat skid steer (collectively, the "**Equipment**").
7. With the exception of the Bobcat skid steer, the Equipment is not mobile in nature.

PURPOSE OF THIS REPORT

8. The purpose of this Report is to:
 - (a) provide information to the Court for its consideration in connection with the Bank's application and the relief being sought; and
 - (b) set out MNP's qualifications to act as receiver (if appointed).

TERMS OF REFERENCE

9. In preparing this Report, and making the comments herein, the Proposed Receiver has been provided with, and has relied upon, information (the "**Information**") contained in or obtained, including:

- (a) the materials filed with the Court by the Bank in connection with these proceedings and particularly, the affidavit of Kathryn Furfaro (the “**Furfaro Affidavit**”) sworn June 9, 2023;
 - (b) information obtained from the Bank; and,
 - (c) other publicly available information sources.
10. Except as described in this Report, the Proposed Receiver has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards of the Chartered Professional Accountants of Canada Handbook.
11. All currency references contained herein are in Canadian Dollars, unless otherwise specified.
12. All capitalized terms not otherwise defined herein shall have the meanings as defined in the proposed Appointment Order, unless otherwise specified.

ATTENDANCE AT THE DEBTOR’S PREMISES

13. At the Bank’s request, on May 26, 2023, the Proposed Receiver attended at the Premises, without any advance notice to the Debtor, in order to assess the state of the Debtor’s business operations, view the Debtor’s assets subject to the Bank’s Security, and to speak with the principal/owner of the Debtor, Mr. Michael Gonsalves.
14. On the Proposed Receiver’s attendance at the Premises, which is at the side and near the rear of the building, it noted that the signage on the Premises did not reflect the name of the Debtor, but rather showed names “Caledon Event Rentals” and “Caledon Couriers”. A photograph of the entrance to the Premises is attached hereto as **Appendix “B”**.

15. Upon entering the Premises, the Proposed Receiver observed various event rental items (stacked chairs, tables, party supplies, etc.) in one front section and stacks of pallets in the rear section. When asked about the Debtor, the representative of the businesses operating from the location advised that it is no longer at this location and that we should speak to the owner of the building, who runs a kitchen and bath business at the front of the building. Photographs of the interior of the Premises are attached hereto as **Appendix “C”**.
16. The Proposed Receiver proceeded to the front of the building where “Woodbridge Kitchen and Bath” operated from and asked to speak to the owner of the building. An individual, who did not disclose her name, identified herself as the owner of the building. When the Proposed Receiver inquired about the Debtor and where we could now find the Debtor, she remarked that she thought it had gone bankrupt and advised that the Debtor had left around November 2022, did not pay rent for three (3) months, totaling approximately \$50,000, and that she had no forwarding address.
17. On June 7, 2023 the Proposed Receiver conducted a search of the Office of the Superintendent of Bankruptcy’s bankruptcy filing database and determined that the Debtor does not appear to have been adjudged a bankrupt.
18. The Proposed Receiver’s understands from the Bank that the Debtor did not disclose that it had vacated the Premises and has not been cooperative. Accordingly, and given that the location of the Equipment is currently unknown, it will be necessary that steps be taken to locate, preserve and protect the Debtor’s assets for the benefit of its stakeholders.

MNP'S QUALIFICATION TO ACT AS RECEIVER

19. The proposed Appointment Order contemplates that MNP will be appointed as receiver over the Property of the Debtor.
20. MNP is a trustee within the meaning of Subsection 2(1) of the BIA.
21. MNP is not subject to any of the restrictions on who may be appointed as receiver, which are set out in subsection 13.3(1) of the BIA. Those restrictions stipulate that, without the permission of the Court and on any conditions that the Court may impose, no trustee may be appointed in relation to a company if, among other things, the trustee is or, at any time during the two (2) preceding years, was the auditor or accountant of the company. MNP has not acted as the auditor or accountant of the Debtor.
22. MNP's involvement with the Debtor and the Bank on this matter has effectively been limited the activities described earlier in this Report and the writing of this Report.
23. MNP is an independent national professional services firm providing, among other things, bankruptcy, insolvency and restructuring services. The senior MNP professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees in Canada, all of whom have acted in BIA and CJA matters of a similar nature, business type and scale.
24. MNP has consented to act as receiver should the Court grant the Bank's request to appoint a receiver.

25. The Proposed Receiver has retained Mr. Eric Golden of Blaney McMurtry LLP to act as its independent legal counsel.

All of which is respectfully submitted this 12th day of July, 2023

MNP LTD.,
in its capacity as Proposed Court-appointed
Receiver of 2668438 Ontario Inc. and
not in its personal or corporate capacities
Per:



Matthew Lem, CIRP
Licensed Insolvency Trustee

APPENDIX “A”



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APPENDIX “C”





