

District of: Ontario  
Division No. 09 - Toronto  
Court No. 31-2372959  
Estate No. 31-2372959

**IN THE MATTER OF THE BANKRUPTCY OF  
7636156 CANADA INC.  
OF THE CITY OF VAUGHAN,  
IN THE PROVINCE OF ONTARIO**

**TRUSTEE'S PRELIMINARY REPORT**

Trustee: The Fuller Landau Group Inc.

**PURPOSE OF MEETING**

Section 102(5) of the *Bankruptcy and Insolvency Act* (“**BIA**”) sets out specifically the functions of the creditors at the first meeting of creditors:

- (a) to consider the affairs of the bankrupt;
- (b) to affirm the appointment of the Trustee or substitute another in place thereof;
- (c) to appoint inspectors; and
- (d) to give such directions to the Trustee as the creditors may see fit with reference to the administration of the estate.

**SECTION A – BACKGROUND**

7636156 Canada Inc. (“**763**” or the “**Bankrupt**”), was incorporated on August 30, 2010 under the Canada Business Corporations Act (the “**CBCA**”). On January 9, 2012, an amendment was filed pursuant to the CBCA changing 763’s name to RM2 Canada, Inc., and on February 15, 2017 a further amendment was filed changing the name from RM2 Canada, Inc. to 7636156 Canada Inc.

763 was a manufacturer of plastic skids for sale and lease by affiliates of the RM2 group of companies (the “**RM2 Group**”) from a leased facility located at 71 Royal Group Crescent, Vaughan, Ontario (the “**Leased Premises**”). However, during the past few years, management of 763 concluded that the costs of manufacturing 763’s products in Canada have become prohibitively expensive and it was necessary for the RM2 Group to outsource its manufacturing operations. As a result, 763 began an orderly shutdown of its operations, including significant employee layoffs.

Without any hope of future viability, 763 terminated all of its employees and filed an assignment into bankruptcy, which was accepted by the Official Receiver on May 1, 2018 and The Fuller Landau Group Inc. (the “**Trustee**”) was appointed as the licensed insolvency trustee.

## **SECTION B - ASSETS**

The Bankrupt's Statement of Affairs (the "SOA") discloses the following assets:

### **Cash on Deposit - \$14,914**

The Trustee contacted the Bank of Nova Scotia ("BNS") and requested BNS to freeze the accounts of 763 to remit the remaining proceeds to the Trustee. The representative of BNS advised that the account is frozen, and recently advised the Trustee that BNS will be sending the funds on deposit to the Trustee.

### **Account Receivable - Book Value \$219,000 Estimated Realizable Value - \$185,000**

The accounts receivable consists of accounts due from two customers of 763. The Trustee has requested details of the supporting documents from management of 763 for these outstanding accounts.

### **Manufacturing Equipment – Net Book Value of \$9,600,000 Estimated Realizable Value - \$500,000**

The Trustee invited three well-known equipment liquidators to attend at the Leased Premises to inspect the equipment and provide liquidation proposals to the Trustee for review with the Inspectors of the estate, when appointed.

### **Other Assets – Cash Collateral - \$2,555,092**

These funds are held in a deposit account at BNS as collateral security for a letter of credit issued on May 1, 2015 by BNS to Omers Realty Corporation, the landlord of the Leased Premises (the "Landlord") as required by the lease. The Trustee has advised the Landlord that it has no objection to the Landlord making partial draws against the letter of credit for occupation rent payable.

## **SECTION C – SECURED AND PRIORITY CLAIMS**

A search of the Personal Property Security Registration System shows secured claims registered by BNS and G.N. Johnston Equipment Co. Ltd. against the Bankrupt. The Trustee is unaware of any source deduction or other priority claims against the Bankrupt. The Trustee will be requesting Canada Revenue Agency to complete a trust audit.

## **SECTION D – CONSERVATORY AND PROTECTIVE MEASURES**

The Trustee and the RM2 Group are negotiating an occupation agreement whereby the RM2 Group will be responsible for all expenses relating to the Leased Premises until vacated by the Trustee. The Trustee has advised 763's insurer to add the Trustee as an additional insured and loss payee.

**SECTION E - PROVABLE CLAIMS**

The Trustee is aware of the following provable claims:

	<u>Declared Per SOA</u>	<u>Filed to Date</u>
	\$	\$
Secured	2,500,000.00	-
Preferred	-	-
Unsecured	<u>1,991,698.73</u>	<u>658,130.61</u>
<b>Total</b>	<b><u>4,491,700.73</u></b>	<b><u>658,130.61</u></b>

The Trustee has received a proxy(s) totaling \$658,130.61.

**SECTION F - LEGAL PROCEEDINGS, PREFERENCES AND TRANSACTIONS AT UNDERVALUE**

No legal proceedings have been commenced by the Trustee. The Trustee has requested copies of the bank statements of the Bankrupt, and upon receipt the Trustee will be completing a cursory review to identify any potential preference payments or unusual transactions. Any investigations regarding preferences and transfers at under value will be subject to approval of the creditors/inspectors and subject to appropriate and sufficient funding.

**SECTION G - ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION**

The Trustee has plans to sell the equipment and vacate the Leased Premises as soon as possible. The actual recovery from the Bankrupt's assets is uncertain and the Trustee is therefore unable to provide any estimates of anticipated realizations that may be available for distribution to creditors at this time.

**SECTION H - THIRD PARTY GUARANTEE**

The Trustee has received a deposit totaling \$15,000 from RM2 Group to fund the costs of the Trustee to carry out its minimum statutory duties, should the estate funds be insufficient.

Dated at Toronto, Ontario, this 18<sup>th</sup> day of May 2018.

**The Fuller Landau Group Inc.**  
Licensed Insolvency Trustee of the Estate of  
7636156 Canada Inc., a bankrupt  
Per:



Ken Pearl  
Senior Vice President