

District of: Ontario
Division No. 05 - London
Court No. 35-2824610
Estate No. 35-2824610

TRUSTEE'S PRELIMINARY REPORT

IN THE MATTER OF THE BANKRUPTCY OF 1551875 Ontario Inc o/a Brosco Excavation.

Trustee: MNP Ltd.

SECTION A - Background

1551875 Ontario Inc. operated under the trade name Brosco Excavation (“Brosco” or the “Company”). Brosco was incorporated in March 2003 and operated from leased premises on Clarke Road in London, Ontario. Patrick Brosnan was the sole director.

Historically Brosco worked with both commercial and residential customers, specializing in concrete levelling, concrete finishing, drainage and waterproofing. Brosco has struggled financially for a number of years. The 2019 financial statements show a loss of \$555,000 and negative retained earnings of \$786,000. In 2020 Brosco gave up its residential customer base, which represented about 40% of revenue, focusing in commercial clientele with the hope of earning higher margins. At the time Brosco hired a new estimator who underestimated costs on several projects. The financial statements for 2020 show a 39% drop in sales (consistent with dropping the residential customers) and a net loss of \$250,000. There were many job delays at the ousted of the Covid-19 pandemic which put further strain on cashflow. Brosco fell behind on supplier payments and remittances to CRA for HST and source deductions. In November 2021, with ongoing financial hardship, the Company shut down operations.

Between November 2021 and March 2022 the Company ran a controlled liquidation of its equipment. The majority of equipment was financed. Where there was no equity the equipment was returned to the financing company. Where there was equity the equipment was sold and proceeds used to pay down the secured operating lender, Libro Credit Union (“Libro”) and the source deduction arrears.

On April 26, 2022 the Company made an assignment in bankruptcy and MNP Ltd. was appointed Licensed Insolvency Trustee (the “Trustee”).

CLASS I - Stocks of merchandise

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

CLASS II - Plant, machinery, equipment, and office

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

CLASS III - Buildings and real estate

The Company did not own real estate.

CLASS IV - Books and records

The Trustee has taken possession of the books and records required to administer the bankruptcy.

CLASS V - Other assets

Accounts receivable at the date of bankruptcy had a book value of \$436,900. These accounts were outstanding since Brosco shut down operations in November 2021. After the shut down many customers stopped paying amounts due to Brosco claiming concerns of potential lien or trust claims under the *Construction Act* from Brosco's unpaid suppliers. The Trustee has learned of an additional \$425,000 due for holdbacks that were not invoiced prior to the bankruptcy. The Trustee will attempt to collect all amounts due to Brosco and has written letters to the customers advising of the bankruptcy and requiring payment or an accounting of any amounts paid directly by them to Brosco suppliers.

Property of Bankruptcy not divisible amongst creditors by virtue of Section 67(b), of the Bankruptcy and Insolvency Act

None known.

Property placed under the guardianship of the Company

None known.

SECTION B

1. Conservatory and protective measures

The business was shut down prior to bankruptcy. The Trustee has frozen the account at Libro Credit Union and sent receivable demand letters to all former customers advising that all amounts due to Brosco must now be paid to the Trustee.

2. Carrying on business

The Company's operations ceased prior to bankruptcy.

SECTION C - Legal proceedings

There are no legal proceedings the Trustee is aware of.

SECTION D - Provable claims

	As per Statement of Affairs	Claims Received to Date
Unsecured	\$1,505,632	\$83,896
Preferred	Nil	Nil
Secured	Nil	\$4,879
Deemed trust	\$3,000	Nil
Total	\$1,508,632	\$88,774

SECTION E - Secured creditors

Libro has registered a general security agreement against the Company's assets. We understand the amount due to Libro was paid in full prior to the bankruptcy. Several equipment lenders have

registered security related to their financed equipment. As stated previously, all equipment was liquidated prior to the bankruptcy and we understand the proceeds of same were paid to the equipment lenders to the extent of their charge.

SECTION F - Anticipated realizations and projected distribution

Trust claims for unpaid trade supplier under the *Construction Act* survive the bankruptcy. As such, any creditor with such a trust claim will be entitled to the proceeds of receivables collected on jobs they supplied product or services to. Based on the records of the Company, there are receivables of \$277,000 (including the unbilled holdbacks) after exposure for *Construction Act* trust claims and setoffs. This is before considering any customer complaints of incomplete projects, warranty claims or deficient work. A potential distribution to unsecured creditors is conceivable; however, cannot be estimated at this time.

SECTION G - Reviewable transactions and preferential payment

The Trustee has begun a review bank statements for twelve months preceding bankruptcy to identify any reviewable transactions or preference payments.

SECTION H - Other matters

The Trustee has received a deposit of \$5,816 from Pat Brosnan to cover the fees and disbursements of the bankruptcy.

Dated at London, Ontario this 12th day of May 2022.

MNP Ltd.
Licensed Insolvency Trustee of
1551875 Ontario Inc.

A handwritten signature in black ink, appearing to read 'Rob Smith', is written over the company name.

Per: Rob Smith CPA, CA, CIRP, LIT
Senior Vice-President

London
Court No. **35-2824610**
Estate No. **35-2824610**

IN THE MATTER OF THE BANKRUPTCY OF
1551875 Ontario Inc.

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