

District of: Ontario
Division No. 05 - London
Court No. 35-2647164
Estate No. 35-2647164

TRUSTEE'S PRELIMINARY REPORT
IN THE MATTER OF THE BANKRUPTCY OF
2344335 ONTARIO LTD.
o/a Midas Auto Service and Tires

Trustee: MNP Ltd.

SECTION A

2344335 Ontario Ltd. operating as Midas Auto Service and Tires ("Midas" or the "Company") operated two Midas franchises from leased locations at 803 Erie Street in Stratford, Ontario and 20 University Avenue East, Waterloo, Ontario. The owners and registered directors are Kevin and Sherrie Gibson.

Both locations had been struggling for several years. Management believes the location in Waterloo was not ideal and sales were declining. Stratford historically performed better; however, this location was covering losses in Waterloo, and recent road construction in front of the business had a significant impact on sales here. Due to cashflow constraints the Company fell behind on HST payments to CRA and rent payments for the leased premises. Management tried numerous times to sell the business, but in every case the sale fell through late in the process. Most recently a sale was arranged in March, 2020 but the purchaser backed out when the covid virus hit.

Management closed the Waterloo location in late March as it was not able to fund payroll. All assets were removed by Syl-Mar Property Management to be auctioned, which auction has not yet happened.

The assets in the Stratford location were sold in an arms-length sale effective May 8, 2020. Most of the proceeds of sale, which were significantly less than what had been contemplated in the previous, unconsummated sales were paid to the landlord to settle lease arrears (as required to complete the sale) and the balance was paid to the secured creditor, Libro Credit Union ("Libro").

On May 25, 2020 the Company made an assignment in bankruptcy and MNP Ltd. was appointed as trustee (the "Trustee").

CLASS I - Stocks of Merchandise

There was no inventory on hand at the date of bankruptcy.

CLASS II - Plant, Machinery and Equipment and Office Equipment

As previously stated, the equipment at the Waterloo location is in the possession of Syl-Mar Management to be auctioned. The equipment at the Stratford location was sold prior to the bankruptcy.

CLASS III - Buildings and Real Estate

There are no buildings or real estate owned by the Company.

CLASS IV - Books and Records

The Receiver is in possession of certain books and records of the Company required to administer the receivership.

CLASS V - Other Assets

There are no other assets the trustee is aware of.

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 Debtor

None to date

SECTION B

1. Conservatory and Protective Measures

None to be taken.

2. Carrying on Business

The Company ceased operations prior to the bankruptcy.

SECTION C - LEGAL PROCEEDINGS

None known.

SECTION D - PROVABLE CLAIMS

	As per Statement of Affairs	Claims Received to Date
Unsecured	\$275,724	\$45,782
Preferred	\$0	\$0
Secured	\$501,000	\$0
Deemed Trust	\$0	\$0
Total	\$776,724	\$45,782

SECTION E - SECURED CREDITORS

Libro has registered a general security against the assets of the Company and is owed approximately \$401,000, plus \$100,000 for a letter of credit. Libro has agreed to allow a portion of the equipment proceeds to be used to fund the fees and expenses of the Trustee.

SECTION F - ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

The Trustee expects there will be a significant shortfall to Libro and as such, there will be no distribution to unsecured creditors in this bankruptcy.

SECTION G - REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

The Trustee is undertaking a review the bank statements for 12 months preceding bankruptcy.

SECTION H - OTHER MATTERS

The Receiver has initiated claims under the Wage Earner Protection Program for all employees owed wages, vacation and termination pay.

The Trustee received a retainer of \$6,000 from Sherrie Gibson.

Dated at London, Ontario this 12th day of June, 2020.

MNP Ltd.
Trustee in Bankruptcy of
2344335 Ontario Ltd.

A handwritten signature in black ink, appearing to read 'R. Smith', written over a horizontal line.

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

London
Registry #35-2647164

IN THE MATTER OF THE BANKRUPTCY OF
2344335 ONTARIO LTD.
o/a Midas Auto Service and Tires

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

TRUSTEE'S PRELIMINARY REPORT

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