

District of: Ontario  
Division No. 05-London  
Court No. 35-2861330  
Estate No. 35-2861330

## TRUSTEE'S PRELIMINARY REPORT

### IN THE MATTER OF THE BANKRUPTCY OF CLYDESDALE CAPITAL GROUP INC.

Trustee: MNP Ltd.

#### SECTION A - Background

Clydesdale Capital Group Inc. (“**Clydesdale**” or the “**Company**”) was incorporated November 27, 2020 in the Province of Ontario. There are two registered directors, Fayaz Gulamani (“**Gulamani**”) and Alexander Solga (“**Solga**”). We are advised that Mr. Gulamani resigned as director on August 31, 2022.

Clydesdale operated as a residential real estate investor. The Company would purchase homes to be wholesaled or renovated and flipped at a profit, build new homes. Clydesdale engaged third party builders and trades for the majority of construction work. The business activity was financed through secured mortgages and unsecured promissory notes.

The Company’s internal income statements for the year ended December 31, 2021 show a negative gross profit of approximately \$2.4 million and total gross loss of \$3.2 million. Management advises this loss is materially overstated and the actual loss was \$200,000 to \$400,000. The year-to-date statements to October 2022 show a positive gross margin of \$388,000 and net income of \$2,000.

Management advises the Company was struggling with cash constraints due to:

1. cost overruns on both new build and renovation projects, mainly in 2022; and,
2. high interest payments on mortgages and notes payable, amounting to approximately \$600,000 per year.

The financial problems worsened in the Spring/Summer of 2022 with declining property values in the Clydesdale real estate markets. On August 31, 2022, being unable to pay the upcoming interest due to promissory note holders, Clydesdale filed a Notice of Intention to File a Proposal (the “NOI”) under the *Bankruptcy and Insolvency Act*. Clydesdale used the 30-day stay period granted by the NOI to meet with mortgagees, the builder and renovation companies to discuss options to finalize all ongoing projects with the expectation that additional equity could be earned by Clydesdale and paid towards the unsecured creditor claims. However, these discussions were not successful and Clydesdale was deemed bankrupt on September 30, 2022. MNP was appointed Licensed Insolvency Trustee.

## Class I - Stocks of merchandise

None.

## Class II - Plant, machinery, equipment, and office

The Company owned nominal machinery and equipment comprised of some new and used appliances and computers. The Company estimates the value of its machinery at \$1,250. The Trustee understands machinery and equipment are in Solga and Gulmani's possession. The Trustee will seek to settle on the value with both parties as the cost to seize and sell the equipment will exceed the realizable value of same.

## Class III - Buildings and real estate

Below is a summary of Clydesdale's real estate holdings at the time it was deemed bankrupt on September 30, 2022:

Clydesdale Capital Group Inc. Summary of Real Estate Holdings at September 30, 2022	Condition	Sale status (\$)	(1) List price (\$)	(2) Secured claims (\$)	(3) Potential equity
884 Stewart 12th Line, Cavan L0A 1C0	Renovated resale	For sale	769,000	(739,500)	No
93 Bayview Drive, Barrie L4N 3P3	Renovated resale	For sale	729,000	(647,700)	No
980 Main Street West, Hamilton L8S 1B2	Renovated resale	Pending sale	-	(688,000)	Yes
148 Broadway Ave., Hamilton L8S 2C4	Renovated resale	Pending sale	-	(604,000)	No
36 Estate Drive, Port Carling NOB 1J0	New build (unfinished)	For sale	900,000	(800,000)	No
146 Stahls, Huntsville PIH 2J4	New build (unfinished)	For sale	600,000	(577,693)	No
8-1134 Premier Road, North Bay P1A 2J1	New build (unfinished)	For sale	300,000	(302,465)	No
Block 7, parcel 7773 Belize (est. 25% interest)	Vacant land	Unknown	-	-	-
Building 27 Greenbrooke Dr. E Brooks, Alberta 29 unit (est. 15% interest)	Rental	Rental	-	-	-

**Notes and assumptions:**

1) List price is current or recent listing price.

2) Secured claims are i) as filed or ii) based on Company records.

3) Net potential equity is based on: professional opinion of value or recent appraisal value (values not disclosed in summary to protect asset values), less selling costs as follows: i) real estate commission of 5%+HST, ii) legal fees of \$2,000, iii) and holdings costs as follows: \$1,500 to winterize, \$1,000 per month for ongoing site inspections, utilities and insurance for 3 months.

Based on the information available at the time of this report including i) professional opinions of value, ii) secured claims, and iii) estimated selling and holdings costs, the Trustee has determined Clydesdale holds a negative equity position in all but one of its properties. The property, 980 Main Street Hamilton ("Main Street"), is subject to a binding sale agreement that is scheduled to close over the coming days. The Trustee is working with secured lenders and Clydesdale's former legal representatives to ensure surplus proceeds from the pending sale of Main Street are paid into the estate.

The Trustee will seek inspector approval to release its interest in the balance of Clydesdale's properties. Upon releasing the Trustee's interest, mortgagees will be permitted to enforce and realize on their security.

## Class IV - Books and records

The Trustee has obtained its own login credentials for Clydesdale's cloud based internal QuickBooks accounting software and has taken possession of some books and records required to administer the bankruptcy.

## Class V - Other assets

Other assets are comprised of funds held in trust for Clydesdale as follows:

Clydesdale Capital Group Inc. Summary of Other Property - Funds in Trust	Notes	In Trust With	Est. Value (\$)	Recoverable	Status
Proceeds of sale of 1066 Parson Street, Sarnia	1	Unknown	10,000	Unknown	Unknown
Proceeds of sale of 366 Simcoe Street, Peterborough	2	\$40k with Cram and Associates, \$30k TBD	70,000	Unknown	Real estate dispute
Mortgage interest overpayment on 'Santas Village')	3	The Findlay Mortgage Team	10,842	Unknown	Unknown
Proceeds of lein dispute	4	Court/Advocates LLP	43,994	Yes	Appx. \$40k to be recovered
			<u>134,836</u>		
<b>Notes and assumptions:</b> 1) Awaiting information from Alex Solga of Clydesdale Capital Group. 2) Confirmed with Cram and awaiting information from Alex Solga of Clydesdale Capital Group. 3) Awaiting information from Josh Findlay. 4) Confirmed with Advocates. Awaiting accounting and settlement.					

Clydesdale's management states approximately \$135,000 in respect of prior real estate transactions is being held in trust by former legal and finance representatives. Based on information obtained from these parties to date, the Trustee understands approximately \$90,000 of funds held in trust are subject to dispute. The Trustee has requested details about the purported disputes from trustee's and Clydesdale's management team to determine the merit of same.

The Trustee was advised by Advocates LLP ("**Advocates**"), one of Clydesdale's former legal representatives, the balance of funds of approximately \$44,000 was paid into court pending settlement of a dispute that arose from a real estate transaction unrelated to the one discussed above. According to Advocates, the dispute has now been settled and the subject proceeds are expected to be released in the coming weeks. Net of Advocates fees, the Trustee anticipates recovering approximately \$40,000 of these funds.

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**

### Conservatory and protective measures

The Trustee has not taken possession or control of Clydesdale's real estate; however, the Trustee contacted Clydesdale's insurer to confirm ongoing insurance coverage, and where policies lapsed, the Trustee contacted its insurance carrier to confirm 30-day automatic coverage terms apply. Furthermore, uncertain if it would eventually assume control of the properties, the Trustee contacted plumbers and property managers in the locale of each property to obtain quotes to winterize and inspect the premises regularly.

As discussed earlier in this report, subject to inspector approval, the Trustee intends to release its interest in properties so does not anticipate the need for conservatory measures over same.

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**

Summary of claim filed to date

Below is a summary of creditor claims that have been filed with the Trustee to date:

<b>Creditor Class</b>	<b>Per Statement of Affairs</b>	<b>Proven</b>
Deemed Trust	\$nil	\$nil
Secured	\$4,399,200	\$3,067,359
Preferred	\$nil	\$nil
Unsecured	\$4,218,404	\$1,992,595
<b>Total</b>	<b>\$8,617,604</b>	<b>\$5,059,954</b>

*SECTION D – PROVABLE CLAIMS CONTINUES ON NEXT PAGE*

## SECTION D - Provable claims (continued)

### Secured creditors

Below is a summary of secured creditors and their respective collateral:

Mortgagee	Note	Collateral (property address)	Per Statement of Affairs (\$)	POC Filed (\$)
Calvert Mortgage	Admitted.	884 Stewart 12th Line, Cavan	739,500	750,593
Calvert Mortgage	Admitted.	93 Bayview Dr., Barrie	647,700	659,428
1221058 Ontario Inc.		980 Main St., Hamilton	688,000	
Hanover Realty Corporation		148 Broadway Ave, Hamilton	350,000	
1221058 Ontario Inc.		148 Broadway Ave, Hamilton	149,000	
1966705 Ontario Ltd.		148 Broadway Ave, Hamilton	125,000	
Kenneth & Grace Priddle		146 Stahls Rd., Huntsville	100,000	
Brian Heath		146 Stahls Rd., Huntsville	100,000	
Beth Gucciardi		146 Stahls Rd., Huntsville	75,000	
Marie Chantal Pethick		146 Stahls Rd., Huntsville	50,000	
Gavin & Cindy Lawrence	1	146 Stahls Rd., Huntsville	50,000	577,693
Lisa Howard		146 Stahls Rd., Huntsville	50,000	
Lok Si Chan		146 Stahls Rd., Huntsville	40,000	
1643196 Ontario Inc.		146 Stahls Rd., Huntsville	135,000	
13375463 Canada Inc.		146 Stahls Rd., Huntsville	50,000	
Wong & Lin Group Ltd.		146 Stahls Rd., Huntsville	50,000	
Michael McFarlane		1135-8 Premier Road, North Bay	230,000	
John and Lesia Crocker	1	1135-8 Premier Road, North Bay	220,000	302,466
Esperance Investment Inc.		1135-8 Premier Road, North Bay	50,000	
Christopher Prong & Kirstie Hendry		36 Estate Drive, Bracebridge	100,000	
Leemab Inc. (Olasunkanmi Mabifa)		36 Estate Drive, Bracebridge	100,000	
Jasmine Srnicek		36 Estate Drive, Bracebridge	100,000	
Chukwuemeka Okoli		36 Estate Drive, Bracebridge	100,000	
Andrew G. Brockway Medicine Prof. Corp		36 Estate Drive, Bracebridge	75,000	
2364096 Ontario Ltd.	1	36 Estate Drive, Bracebridge	75,000	804,384
Derek Wormsbecker		36 Estate Drive, Bracebridge	50,000	
Waterford Homes (Peter Culotta)		36 Estate Drive, Bracebridge	50,000	
Stefan Morrone		36 Estate Drive, Bracebridge	50,000	
Future Real Estate Investments Inc.		36 Estate Drive, Bracebridge	50,000	
Raymond & Shelly Gauthier		36 Estate Drive, Bracebridge	50,000	
<b>Total</b>			<b>4,699,200</b>	<b>3,094,564</b>

**Notes and assumptions:**  
1) Admitted by Harrison Pensa LLP on behalf of all mortgagees.

## **SECTION F - Anticipated realizations and projected distribution**

The Trustee has seized approximately \$9,990 of cash on hand which has been deposited into the estate trust account. A further \$60,250 representing funds on deposit with Desjardin were remitted by ordinary cheque this morning and are pending deposit.

The Trustee's investigation into the Company's affairs is still early. Its continuing to gather information to substantiate asset values, creditor claims and stakeholder interests. It's working tirelessly with Clydesdale's management to obtain details of various transactions so it can determine an appropriate realization strategy to deal with specific assets including disputed trust funds and Clydesdale's out of province property interests in Alberta and Belize. Additionally, while the Trustee has identified several payments that appear preferential in nature that could be void against the estate, the Trustee is still gathering information to confirm its preliminary findings. Based on the foregoing it's difficult to anticipate, with any degree of certainty, total potential realizations and as such, the Trustee can't estimate what, if any, distribution will be made to unsecured creditors.

## **SECTION G - Reviewable transactions and preferential payment**

The Trustee has reviewed bank statements for the last twelve months and has identified multiple transaction that appear preferential in nature. The Trustee is still gathering information to confirm its preliminary findings; however, in the event the payments are proven to be preferential, the Trustee will pursue beneficiaries to recover the payments. Any amounts deemed preferential in the Trustee's opinion and options to resolve same will be reviewed and with inspectors appointed in this estate.

## **SECTION H - Other matters**

There are no other matters the Trustee is aware of.

Dated at London, Ontario this 21<sup>st</sup> day of October 2022.

MNP Ltd.  
Licensed Insolvency Trustee of  
Clydesdale Capital Group Inc.



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

Division No. 05-London  
Court No. 35-2861330  
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IN THE MATTER OF THE BANKRUPTCY OF  
CLYDESDALE CAPITAL GROUP INC.

Carrying on business in the Township of Dorchester,  
in the Province of Ontario

TRUSTEE'S PRELIMINARY REPORT

MNP Ltd.  
557 Southdale Road East, Suite 201  
London, ON N6E 1A2