

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE BANKRUPTCY OF
HALO METRICS INC.**

**TRUSTEE'S REPORT TO CREDITORS
October 27, 2021**

BACKGROUND

This report has been prepared by The Bowra Group Inc., in its capacity as Licensed Insolvency Trustee of the bankrupt estate of Halo Metrics Inc. (the "**Trustee**") to provide preliminary information to creditors as at October 27, 2021.

Halo Metrics Inc. ("**Halo**" or the "**Company**") was incorporated on July 20, 1988.

The Company was a reseller of technology, products, and services for retail security and merchandising. Prior to the date of the bankruptcy, the Company had 18 employees.

Management advised the Trustee that their financial difficulties were the result of:

- Decline in retail sales due to:
 - (1) customers going direct to the manufacturer for products, and
 - (2) the global pandemic
- Recurring financial losses due to increased operating and payroll costs despite government wage and rent subsidy assistance.

The Company made an assignment into bankruptcy on October 8, 2021. The Bowra Group Inc. was appointed Licensed Insolvency Trustee of the Company.

FINANCIAL SITUATION

The table below summarizes the management prepared draft income statement for the 8-month period from January 1, 2021 to August 31, 2021. Comparative income statement figures for the fiscal year ended December 31, 2020, are shown in the table below based on the Company's externally prepared financials statements.

	Year Ended December 31, 2020 (\$000's)	Period Ended August 31, 2021 (\$000's)
Revenue	3,705	2,629
Cost of sales	2,204	1,442
Operating and admin expenses	2,007	1,299
	4,211	2,741
Net loss	(506)	(112)

The Company incurred a net loss of \$112,000 for the 8-month period ended August 31, 2021, and \$506,000 for the fiscal year ended December 31, 2020. After removing the positive impact of government wage and rent subsidies, the Company's net loss for the same periods was \$377,000 and \$949,000, respectively.

CONSERVATORY AND PROTECTIVE MEASURES

The Trustee has taken possession of the Company's location in Mississauga and secured the assets of the Company. In addition, the Trustee has:

- Obtained the necessary insurance to protect the assets;
- Terminated all employees;
- Facilitated the preparation and filing of ROEs for all employees;
- Contacted the landlord and made arrangements to occupy the space;

- Frozen all bank accounts and obtained funds in the TD Canada Trust bank accounts. The Trustee is waiting for the funds held by Manulife to be transferred to the Trustee; and,
- Reviewed the work in process inventory and specific inventory available for open orders;

The Trustee has also received several 30-day goods claims from various suppliers and they are currently in the process of reviewing and assessing the validity of those claims.

BOOKS AND RECORDS

The Trustee has taken possession of the books and records of the Company and is in the process of reviewing financial records available and obtaining additional financial information.

PRELIMINARY EVALUATION OF ASSETS

A preliminary estimate of the realizable value of the assets of the Company and the costs associated with their realization are summarized below:

	Book Value	Estimated Realization	
	(\$000's)	Low (\$000's)	High (\$000's)
Cash	755	755	755
Inventory	657	150	400
Accounts receivable	403	125	300
Machinery and Equipment	6	-	-
	<u>1,821</u>	<u>1,030</u>	<u>1,455</u>
Preferred Claims to WEPP		(30)	(30)
Secured Claim		(515)	(515)
Operating costs		(90)	(60)
Professional fees		(175)	(125)
Funds available for distribution to unsecured creditors		<u>220</u>	<u>725</u>
Total unsecured creditors		806	806
Estimated recovery per \$1 of unsecured claim		<u>\$ 0.27</u>	<u>\$ 0.90</u>

Inventory relates to various retail security products and their related components. Currently the Trustee is in discussions with customers to determine the maximum value that can be recovered from the Company's inventory. The Trustee has also obtained a liquidation estimate from an auctioneer.

Accounts receivable have a book value of \$403,000 before deducting any allowance for doubtful accounts. The Trustee estimates the recovery from accounts receivable to be approximately \$125,000 to \$300,000.

Machinery and equipment of the Company is believed to have a negligible value.

Secured claims relate to estimated amounts for Divisa Enterprises Inc. and TD Canada Trust Bank, these amounts will have to be proven by the secured creditors.

Operating costs relate to estimated amounts for occupation rent, subcontractors, and utilities expenses necessary to realize on the assets of the estate.

SECURED CREDITORS AND PRIORITY CREDITORS

The Trustee is aware of the following parties that may have priority over the claims of unsecured creditors:

Creditor	Assets Secured	Estimated Claim (\$000's)
Employees - WEPP	All Property	30
Ari Financial Services Inc.	Equipment	unknown
Cheryl Gillott	All Property	unknown
Divisa Enterprises Inc.	All Property	500
TD Bank	All Property	15

Divisa Enterprises Inc. and Cheryl Gillott are related parties.

The Trustee has provided all employees with individual calculations of their entitlement under the Wage Earner Protection Program (“**WEPP**”). Under the WEPP each employee may qualify for a maximum of seven weeks of insurable earnings of \$7,578.83.

Any amounts owing to the Canada Revenue Agency (“**CRA**”), if any, for payroll source deductions, would be a deemed trust claim which ranks ahead of all creditors. The Company has indicated there are no amounts owing, however, this will be confirmed by a trust audit by CRA.

UNSECURED CREDITORS

The Company’s records indicate unsecured creditors of approximately \$806,000 at the date of filing for bankruptcy.

LEGAL ACTIONS

The Trustee is not aware of any ongoing litigation. The Trustee has not commenced or continued any actions on behalf of the Company.

REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

The Trustee has taken possession of certain books and records of the Company and is in the process of obtaining additional records and gathering additional information.

The Trustee has conducted a preliminary review of the information available and has not identified any transactions which could be regarded as preference transactions or transfers at undervalue to date. Further investigations may be conducted which could reveal such transactions.

TRUSTEE’S REMUNERATION

The Trustee has been provided with a \$25,000 retainer from the Company to act as Trustee.

CONCLUSION

The Trustee is holding discussions with customers regarding inventories and accounts receivable to determine the options available in order to maximize the recovery for the creditors of the estate.

We believe that the estimated total funds available to the unsecured creditors will be between \$220,000 and \$725,000, which is a recovery of \$0.27 to \$0.90 per dollar to unsecured creditors.

The Bowra Group Inc.

In its capacity as the Licensed Insolvency Trustee of the bankrupt estate of Halo Metrics Inc., and not in its personal capacity.



Per:

Douglas Chivers, CPA, CA, CIRP, LIT