

District of: Ontario  
Division Number: 12-Ottawa  
Court Number: 33-2462490  
Estate Number: 33-2462490

In the Matter of the Bankruptcy of  
2433552 Ontario Inc. (operating as GreenTerra Homes)  
of the City of Trenton, in the Province of Ontario

**Trustee's Report to the Creditors on Preliminary Administration**  
Dated January 22, 2019

Trustee: Albert Gelman Inc. ("**Trustee**")

Date of Bankruptcy: January 11, 2019

First Meeting of Creditors: January 30, 2019 at 10:30 am

Location: Office of the Superintendent in Bankruptcy  
151 Yonge Street, 4th Floor, Toronto, Ontario

**Section A: Background and Causes of Insolvency**

2433552 Ontario Inc., carrying on business as GreenTerra Homes (the "Company") filed an assignment in bankruptcy on January 11, 2019 naming Albert Gelman Inc. as Trustee.

The Company commenced business in 2017 as a custom builder of steel frame modular homes, metal buildings, sheds and related prefab kits. The Company operated from a 110,000 square foot plant located in Trenton, Ontario, which is owned by a related corporation.

The Company's accounting records indicate that during 2017 it had total revenues of approximately \$1.5 Million and gross profit of \$450,000. Expenses for the year totalled approximately \$3.0 Million, of which payroll represented approximately one half. Accordingly, the Company incurred a loss of approximately \$2.5 Million in 2017. The loss was generally funded by shareholder advances/equity of approximately \$2.0 million and an increase in accounts payables.

The accounting records indicate that during 2018 it had total revenues of \$1.2 Million and gross profit of \$800,000. Expenses for the year totalled approximately \$1.5 Million, of which payroll represented approximately \$1 Million. Accordingly, the Company incurred a loss of approximately \$700,000 for 2018. The loss was generally funded by additional shareholder advances (including advances from persons related to a shareholder) of approximately \$500,000 and a further increase in accounts payables.<sup>1</sup>

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<sup>1</sup> The accounting records are unaudited and the Trustee has not confirmed nor audited the records. The Trustee makes no representation or warranty as to the accuracy this financial information.

Amidst a shareholders dispute and litigation that started in about February, 2018, the Company was unable to raise additional outside capital or loans as anticipated and the Company then ceased manufacturing operations in about December, 2018.

As at the date of bankruptcy a significant number of customers had made payments towards jobs in progress which had not yet been completed. These customers are included as creditors on the Company's Statement of Affairs.

## **Section B: Trustee's Preliminary Evaluation of Assets & Details of Security Interest**

Pursuant to the Company's Statement of Affairs ("**SOA**"), the Company's assets, as of the date of bankruptcy, consisted generally of inventory and machinery and equipment.

### Inventory

The majority of the inventory consists of raw steel coils having a cost value of approximately \$40,000 pursuant to the SOA. In addition, the Company has assembled inventory, mostly for customer jobs. The assembled inventory for customer jobs is specifically identified within the plant for each customer.

Subject to the advice of legal counsel, it is the Trustee's expectation that the assembled inventory is property of the respective customers.

The Trustee is in the process of having an appraisal conducted on the realizable value of the inventory.

### Machinery and Equipment

The major components of machinery and equipment consist of roll formers/frame makers, as well as general manufacturing equipment and tools.

The Trustee is in the process of having an appraisal conducted on the realizable value of the machinery and equipment.

### Secured Creditors Having Priority Claims over the Assets

#### a) Canada Revenue Agency ("CRA"):

CRA has assessed the Company for unremitted payroll deductions totalling \$688,116, including penalties and interest. The amount is subject to audit by CRA and may change materially after such audit.

The Company has filed for HST refunds totalling \$376,943. The refund application is currently under review by CRA. If the refund is accepted and assessed by CRA, it will likely be applied against and reduce the amount owing to CRA for unpaid unremitted payroll source deductions.

CRA's final claim for payroll deductions will be considered a statutory "deemed trust" and will rank in priority to all creditors of the Company, including secured creditors, in respect of all of the assets of the Company in accordance with subsection 67(3) of the BIA.

b) Business Development Bank of Canada (“**BDC**”)

BDC’s has registered a security interest against all of the personal property of the Company. Their claim will rank in priority to all other creditors, subject only to the statutory “deemed trust” afforded to the CRA for unremitted payroll deductions.

BDC has advised the Trustee that it is owed approximately \$145,000 as at January 14, 2019.

**Section C: Books and Records of the Bankrupt**

The Trustee has obtained an electronic copy of the Company’s QuickBooks accounting records as needed for the administration of the bankruptcy.

Certain of the Company’s books and records are currently held by the Company’s external accountants, who were in the process of completing audited financial statements prior to the bankruptcy. The Trustee has advised the Company’s external accountant of the bankruptcy and has request access to the company’s books and records if and when needed.

The remainder of the Company’s records remain at the premises located at 260 West Street, Trenton, Ontario.

**Section D: Conservatory and Protective Measures**

The Trustee has not taken formal possession of the plant located at 260 West Street, Trenton, Ontario as at the date of this report.

The Trustee attended at the Company’s premises on January 12, 2019 and undertook the following activities:

- a) Inspected and photographed the premises, machinery and equipment and inventory;
- b) Identified the assembled inventory within the plant by customer order;
- c) Identified property in the plant belonging to customers; and
- d) Relocated certain banking records of the Company required for the administration of the bankruptcy to the Trustee’s office.

The Trustee has engaged a former employee of the Company to conduct regular site and security checks and to report to the Trustee on same.

The Trustee has confirmed with the Company’s insurance broker that insurance, which is currently in place over the Company’s assets, will be cancelled for non-payment by the insurance company on February 8, 2019.

The Trustee will discuss with the creditors at the meeting of creditors if it should attempt to place alternative coverage over the assets of the Company.

**Section E: Provable Claims**

The Trustee will table at the meeting of creditors all claims filed with the Trustee.

**Section F: Legal Proceedings, Reviewable Transactions and Preference Payments**

a) Legal proceedings

The Trustee has not commenced any legal proceedings as at the date of this report.

b) Reviewable Transactions and Preference Payments

The Trustee will discuss with the attendees at the meeting of creditors and/or with the appointed inspectors the scope of work the creditors and/or inspectors would like the Trustee to undertake in relation to a review of the Company's records.

**Section G: Third-Party Deposit & Guarantee of Trustee's Fees**

The Trustee received a third party cash retainer of \$7,500 from one of the shareholders of the Company as a partial guarantee of the fees and costs of the administration of the bankruptcy.

**Section H: Trustee's Intention to Act for the Secured Creditors**

The Trustee has sought an "Administrative Agreement" with Canada Revenue Agency for the purpose of authorizing the Trustee to proceed to realize upon the assets of the Company, along with CRA's consent to allow the Trustee to claim reasonable administrative fees and costs out of the net proceeds of realization.

**Section I: Projected Distribution and Anticipated Asset Realization**

Due to the claims of CRA and BDC which will rank in priority over the assets, no realization is expected for unsecured creditors.

**Section K: Other matters regarding the administration of the estate**

There are no other matters to report.

DATED at Toronto this 22nd day of January, 2019

**ALBERT GELMAN INC., solely in its  
capacity as Trustee of the Bankruptcy  
Estate of 2433552 Ontario Inc. and not  
in its personal capacity**

Per:



Joe Albert, CPA  
*Licensed Insolvency Trustee*