

District of: Ontario  
Division No.: 06 - Windsor  
Court No.: 35-1688343  
Estate No.: 35-1688343

In the matter of the Bankruptcy of  
Ontario Insurance Brokers Ltd.  
of the City of Windsor, in the Province of Ontario

## **Trustee's Report to the Creditors on Preliminary Administration**

Trustee: Albert Gelman Inc.

Debtor: Ontario Insurance Brokers Ltd. ("Company" or "OIB")

Date of Bankruptcy: November 20, 2012

Date of First Meeting of Creditors: December 7, 2012 at 10:00 AM

Location: Albert Gelman Inc., 100 Simcoe Street, Suite 125, Toronto, Ontario

### **Section A: Background**

OIB operated an insurance brokerage, providing primarily commercial insurance products to its customers, mostly located in Southwestern Ontario.

Pursuant to a Loan Agreement dated February 28, 2007 between OIB and Gore Mutual Insurance Company ("**Gore**"), Gore made loans of various amounts to OIB, and OIB granted to Gore a security interest over the assets of OIB.

After certain defaults under the Loan Agreement, on March 30, 2012 Gore issued a series of demand letters to OIB demanding repayment of the loan amounts then outstanding. On May 10, 2012, Gore issued a further demand letter and a notice under section 244 of the Bankruptcy and Insolvency Act ("**BIA**"). OIB subsequently consented to immediate enforcement by Gore of its security pursuant to the Security Agreements under Subsection 244(2) of the BIA.

On August 31, 2012, Gore issued a Notice of Proposal to Accept Collateral ("**Notice**") dated August 31, 2012 pursuant to Subsection 65(2) of the PPSA, electing to retain the Collateral in satisfaction of the secured obligations totalling \$5,072,005.

Pursuant to the Notice, as at September 26, 2012, the assets of OIB became the property of Gore, free and clear of the interests of persons with interests subordinate to Gore's.

On the same day, Gore and OIB entered into an Access and Use Agreement, whereby OIB was granted a right of access to and use of the assets, for the purpose of carrying on the business of OIB, subject to the terms of this Agreement. The stated reason for entering into this agreement was to preserve the value of the assets and to ensure continued stability for customers of the business.

On November 19, 2012 Gore terminated the term of the Access and Use Agreement effective 9:00am on November 20, 2012 for reason of the occurrence of an "insolvency event" by virtue of a notice of garnishment delivered by WFT Corporate Finance & Valuations Ltd.

On the same day, OIB filed an Assignment in Bankruptcy naming Albert Gelman Inc. as Trustee.

### **Section B: Trustee's preliminary evaluation of assets**

The realizable assets of OIB as at the date of bankruptcy consist of the cash on hand and accounts receivable derived from the carrying on of the business pursuant to the Access and Use Agreement from September 26, 2012 to November 20, 2012.

The following is a summary of the estimated realizable value of OIB's assets as set out in the sworn Statement of Affairs:

<b>Description</b>	<b>Estimated Realizable Value</b>
Cash in Financial Institutions	\$25,675
Commissions receivable	<u>66,500</u>
<b>Total</b>	<b><u>\$92.175</u></b>

In addition to the above, the Trustee was provided with a retainer from OIB prior to the bankruptcy filing, in the amount of \$20,000. This amount is disclosed on List "H" to the Statement of Affairs.

### **Section C: Books and Records of the Company**

The majority of the books and records of OIB are under the possession and control of Gore. AGI has reviewed or otherwise taken possession of the books and records required for the administration of the bankruptcy.

#### **Section D: Conservatory and protective measures**

The Trustee has continued OIB's fidelity insurance policy. OIB had terminated its Errors and Omissions insurance policy ("O & E") as of the date of bankruptcy. The Trustee is investigating options to arrange ongoing O & E insurance for the period of the bankruptcy.

#### **Section E: Relevant information relating to provable claims**

The Trustee will provide the creditors with a summary of the claims filed to date at the meeting of creditors.

#### **Secured Creditors**

The Company's secured creditors are Michael Burke and Shillington Insurance Brokers Inc. These creditors are related and have filed secured claims of \$1,193,757 and \$159,547 respectively.

AGI recommends that an independent legal opinion be obtained to confirm the validity and enforceability of the security prior to making any distribution pursuant to their secured claims.

#### **Section F: Legal proceedings, reviewable transactions and preference payments**

Pursuant to the BIA, parties are stayed from commencing or continuing legal proceedings against the estate. The Trustee has not commenced any legal proceedings prior to the first meeting of creditors.

The Trustee has not yet completed the review of the records of the Company to identify potential preference payments, transfers at undervalue and other potential reviewable transactions.

The Trustee will review the outcome of its investigation with the appointed inspectors upon completion.

#### **Section G: Projected distribution and anticipated asset realization**

The Trustee anticipates a shortfall on the claims of secured creditors. Accordingly, no distribution is expected for the unsecured creditors.

#### **Section H: Other matters regarding the administration of the estate**

There are no other matters to report.

DATED at Toronto, this 6<sup>th</sup> of December, 2012

**ALBERT GELMAN INC.,**  
Trustee in Bankruptcy of Ontario Insurance Brokers Ltd.  
Per:

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

Joe Albert, *CA, CIRP, Trustee in Bankruptcy*