

Division of: Ontario
Division No.: 09-Mississauga
Estate Number: 32-2515871
Court Number: 32-2515871

**IN THE MATTER OF THE BANKRUPTCY OF
SKYMARK HEALTH AND FITNESS INC.
OF THE CITY OF MISSISSAUGA,
IN THE PROVINCE OF ONTARIO**

**REPORT OF THE TRUSTEE'S PRELIMINARY ADMINISTRATION
OF THE ESTATE OF
SKYMARK HEALTH & FITNESS INC.**

Company Background

1. Skymark Health & Fitness Inc. (the “**Company**”) provided chiropractic treatment to individuals injured in motor vehicle accidents and operated an exercise facility for the general public (the “**Fitness Club**”). The Company’s chiropractic clients were referrals from law firms specializing in personal injury claims.
2. The Company operated from leased premises at 2595 Skymark Avenue, suite 200, Mississauga, Ontario (the “**Premises**”).

Insolvency Proceedings

3. According to Dr. David Rick (the “**Director**”) the financial difficulties of the Company were caused primarily by the following two factors:
 - a. The chiropractic side of the business had not had a new client in the six months leading up to the bankruptcy and as a result no new income was being generated. Accordingly, the chiropractic side of the business was only receiving cash flow from existing accounts receivable collections.
 - b. The membership of the Fitness Club had declined by approximately 33% on account of competition from two new gyms which had opened in close proximity to the Premises in recent months.
4. As a result of the declining cash flow, the Company was unable to meet its obligations as they were coming due. In order to mitigate this lost revenue the Company attempted to negotiate a reduction in its rent from its landlord but this negotiation was unsuccessful. The Director also attempted to sell the Fitness Club by listing it on MLS with a broker but no interested party was identified.

5. On May 28, 2019, the Company, seeing no other viable alternative, filed an assignment in Bankruptcy and Dodick Landau Inc. was appointed as Trustee in Bankruptcy of the Estate (the “Trustee”).
6. Following its appointment, the Trustee distributed to all known creditors a Notice of Bankruptcy, a copy of the Statement of Affairs and a Proof of Claim form with instructions as well as placed a Notice of Bankruptcy advertisement in the Toronto Sun.

Assets

7. The Statement of Affairs lists accounts receivable and equipment valued at \$70,000 as the only assets of the Company. The equipment from the Fitness Club was estimated to have a net realizable value of \$5,000. The Trustee engaged two liquidators to review the Fitness Club equipment and both advised that there is little, if any, net realizable value in these assets as the cost of dismantling and removal is high due to the nature of the assets. The Trustee also spoke to the Toronto Dominion Bank (“TD”) the only secured creditor with an economic interest in the Company’s assets who decided not to pursue realizing on the Fitness Club’s equipment. The Trustee did not take possession of the Premises, however, it continues to explore other, less expensive, options to realize on the assets of the Fitness Club in cooperation with the landlord of the Premises.

Books and Records

8. The Trustee has received the corporate books and records and is still in the process of reviewing them.
9. Dr. David Rick took possession of all patient records, and removed these records from the Premises, prior to the commencement of the bankruptcy proceedings. Dr. Rick advised that he will administer the patient records in accordance with his professional obligations to do so while maintaining privacy and confidentiality of the patients’ information.

Conservatory and Protective Measures

10. The Trustee has taken the following conservatory measures since its appointment:
 - i. Redirected all Company mail to the Trustee’s office;
 - ii. Corresponded with GBLV directing the law firm to forward any receivables collected on behalf of the Company to the Trustee’s office going forward;
 - iii. Explored options for the sale of the equipment; and
 - iv. Obtained the Company’s corporate books and records.

Legal Proceedings

11. There are no known legal proceedings against the Company.

Provable Claims

12. At the date of this report, no proofs of claim have been filed with the Trustee.
13. The Statement of Affairs includes 12 unsecured creditors with potential provable claims totalling \$253,914.50.

Secured Creditors

14. The Statement of Affairs includes two secured creditors. TD is owed approximately \$88,000 on account of a line of credit which is secured by the Company's assets and there is a nominal amount listed for CRA. At this time, it is unknown what, if any, will be owed to CRA.

Anticipated Realizations and Projected Distribution

15. At this time, it is unknown what, if any, will be the net realizations from the assets available for distribution to creditors, after costs of administration.

Transfers at Undervalue and Preferential Payments

16. To date, the Trustee has not commenced a review of the Company's records in the Trustee's possession to determine if there are any potential transfers at undervalue or preferential transactions. The Trustee will discuss these matters in more detail with any inspectors appointed at the meeting of creditors.

Third-Party Deposit

17. Prior to the commencement of the Bankruptcy proceeding, the Trustee obtained a third-party deposit of \$15,000 from Dr. David Rick. as security for the costs of the Bankruptcy administration.

Dated at Toronto, Ontario, this 7th day of June 2019.

DODICK LANDAU INC.

Trustee of the Estate of
Skymark Health and Fitness Inc.
and not in its personal or corporate capacity.

Per:



Rahn Dodick CPA, CA, CIRP, LIT
President