

Division of: Ontario
Division No.: 09 - Mississauga
Estate Number: 32-3029454
Court Number: 32-3029454

**IN THE MATTER OF THE BANKRUPTCY OF
1665356 ONTARIO LTD. (o/a ELITE AIR SYSTEMS)
OF THE CITY OF TORONTO
IN THE PROVINCE OF ONTARIO**

REPORT OF THE TRUSTEE'S PRELIMINARY ADMINISTRATION

Introduction

1. 1665356 Ontario Ltd., operating as Elite Air Systems, (“**Elite Air**” or the “**Company**”) specialized in providing custom and turn-key finishing systems. The Company fabricated a complete line of commercial and industrial finishing systems including: make up air units, various spray booths, painting mixing rooms as well as other finishing enclosures. The Company’s services included the initial engineering and design stage, fabrication and installation.
2. On January 11, 2024, Elite Air filed with the Official Receiver a notice of intention (“**NOI**”) to make a proposal to its creditors and named Dodick Landau Inc. (“**DLI**”) as Proposal Trustee. Subsequent to the filing of its NOI, the Company failed to file a cash-flow statement within the 10-day period required by the *Bankruptcy and Insolvency Act* and was therefore deemed to have made an assignment in bankruptcy on January 22, 2024 (“**Date of Bankruptcy**”). The Company ceased its operations on the Date of Bankruptcy and DLI became Trustee in Bankruptcy of the estate of Elite Air (the “**Trustee**”).

Causes of Financial Difficulties

3. Elite Air operated out of leased premises located at 1235 Aerowood Drive in Mississauga, Ontario (the “**Premises**”).
4. According to Management, the Company experienced significant cash flow challenges commencing in fiscal 2021 as its revenue decreased by more than 50% as compared to its prior year. The Company attributed this decline to the impact of the COVID-19 pandemic on its customers. As lockdowns eased and normal work routines began to resume the Company experienced a modest rebound in its revenues. However, this recovery proved to be short lived. Revenues in 2023 declined by more than 30% as compared to the prior year which the Company attributed to the economic challenges being faced by its customers on account of rising interest rates and escalating inflation. Rising operational costs, including the monthly rent for the Premises, further compounded Elite Air’s cash flow challenges.

5. As Management saw no feasible path forward, it filed an NOI in order to be able to complete certain remaining customer contracts and to wind down its affairs in an orderly fashion. Recognizing that it would be unable to present a viable proposal to its unsecured creditors or pay down its deemed trust debt to the Canada Revenue Agency (“**CRA**”), Management elected to not file a cash flow forecast and in turn allow the business to be deemed bankrupt.

Insolvency Proceeding

6. Following its appointment as Trustee, DLI distributed a Notice of Bankruptcy, a copy of the Statement of Affairs and a Proof of Claim form with instructions to all known creditors as well as placed a Notice of Bankruptcy ad in the Toronto Sun.

Assets

7. Elite Air’s assets as summarized in the Statement of Affairs are comprised of cash on hand of \$32,056.22, inventory and fixed assets (“**Tangible Assets**”) with an estimated value of \$51,000 net of selling costs and accounts receivable with an estimated value of approximately \$16,000.
8. The Trustee has engaged Danbury Global Limited (“**Danbury**”) to liquidate the Tangible Assets by way of a public auction (“**Auction**”). The Auction will take place online on February 14, 2024. At this time, the Estate estimates it will realize for the Tangible Assets more than \$51,000, the estimated realizable value for the Tangible Assets in the statement of affairs.

Books and Records

9. The Trustee has received the books and records but has not yet had an opportunity to review all of them.

Conservatory and Protective Measures

10. The Trustee has entered into an occupation agreement with the landlord of the Premises to enable Danbury to prepare for and complete the Auction.

Provable Claims

11. At the date of this report, the Trustee has received 14 proofs of claim totalling \$183,209.21.
12. The Statement of Affairs lists one secured creditor, CRA, with a potential provable claim in respect of unpaid payroll taxes totaling approximately \$1.5 million and approximately one hundred unsecured creditors with potential provable claims totalling \$978,425.14.

Anticipated Realizations and Projected Distribution

13. Any realizations will be payable to CRA in respect of its secured claim. Accordingly, there are no anticipated realizations for Elite Air's unsecured creditors.
14. The Trustee has contacted CRA about entering into an Administrative Agreement and is awaiting a response.

Transfers at Undervalue and Preferential Payments

15. To date, the Trustee has not commenced a review of Elite Air's records in the Trustee's possession to determine if there are any potential transfers at undervalue or preferential transactions.

Third-Party Deposit

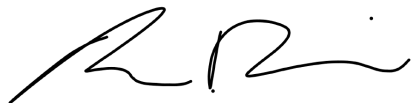
16. Prior to the commencement of the NOI proceeding, the Trustee obtained a retainer deposit totalling \$15,000 from Chris Regalado as security for a portion of the costs of NOI administration ("**Deposit**"). No additional Deposit was received for the Bankruptcy administration.

Dated at Toronto, Ontario, this 12th day of February 2024.

DODICK LANDAU INC.

Acting solely as Trustee in Bankruptcy
of the Estate of 1665353 Ontario Limited.
and not in its personal or corporate capacity.

Per:



Rahn Dodick CPA, CA, CIRP, LIT
President