

IN THE MATTER OF THE PROPOSAL OF
AYACON LIMITED
OF THE CITY OF TORONTO
IN THE PROVINCE OF ONTARIO

REPORT OF TRUSTEE ON PROPOSAL

March 31, 2025

INTRODUCTION

1. On March 26, 2025 (the **"Date of Filing"**), pursuant to section 62(1) of the Bankruptcy and Insolvency Act (the **"BIA"** or the **"Act"**) Ayacon Limited (**"Ayacon"** or the **"Company"**) filed with the Official Receiver a proposal (**"Proposal"**) to its creditors and named Dodick Landau Inc. as Proposal Trustee (the **"Proposal Trustee"**).
2. The purpose of this report (**"Report"**) is to provide information to the creditors of Ayacon (the **"Creditors"**) to assist in their evaluation of the Proposal.
3. The Proposal has been developed to affect a restructuring of the indebtedness of the Company in the manner contemplated herein and as permitted by the Act in the expectation that all Creditors will derive a greater benefit from the restructuring, than would result from a bankruptcy, of the Company.
4. **The Meeting of the Creditors to consider the Proposal will be held via videoconference, on April 23, 2025, at 11:00 a.m. Details relating to the filing of claims, and other documents, prior to the meetings of the creditors, are outlined in this report and will be mailed to each known creditor of Ayacon, or their duly appointed representative.**

DISCLAIMER

5. In preparing this Report, the Proposal Trustee has relied upon certain unaudited, draft and/or internal financial information, the Company's books and records, discussions with the Company's management (**"Management"**), Creditors and information from other third-party sources (collectively, the **"Information"**). Except as described in this Report:

- i) the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance in respect of the Information;
 - ii) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants handbook, has not been performed; and
 - iii) the Proposal Trustee has prepared this Report in its capacity as a Court appointed officer. Parties using this Report, other than for the purpose of evaluating the Proposal, are cautioned that it may not be appropriate for their purposes.
6. Future oriented financial information referred to in this Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
7. The capitalized terms not defined in this report are defined in the Proposal and this Report should only be read in conjunction with the Proposal. While this Report summarizes key aspects of the Proposal, Creditors are advised to carefully read the Proposal in full. Should there be any discrepancy between the summary contained in this Report and the Proposal, the Proposal shall govern.
8. Unless otherwise stated, all monetary amounts contained herein are in Canadian dollars.

BACKGROUND

Operations

9. Ayacon is a third-party contractor retained by IKEA to instal IKEA kitchens in customers' homes. Ayacon completes 1 to 2 kitchens per week.

Financial Results

10. Ayacon's tax return for its year end ending July 2024 and 2023 indicate that the Company had a net income for tax purposes of \$8,907 and \$105 respectively.

CAUSES OF FINANCIAL DIFFICULTIES

11. Challenges faced by the Company include an economic dependence on IKEA and an inability to expand its business resulting in an unstable flow of work. Specifically, the Company experienced a significant demand for its services during COVID but demand for its service has declined by nearly 50% since its peak during the pandemic. The Company now realizes only a nominal profit and cannot meet its obligations as they are coming due. As a result, the Company had no other readily available option but to file its Proposal on the Date of Filing to prevent irreparable harm to its business.

CREDITORS

Crown Claims

12. At the Date of Filing, the Company was indebted to the Canada Revenue Agency ("**CRA**") in respect of unremitted employee source deductions for \$5,917. As of the date of this Report, the Company is current in remitting post-filing employee source deductions.

Employee Preferred Claims

13. As of the Date of Filing, the Company is not aware of any potential Employee Preferred Claim.

Unsecured Creditors

14. Unsecured claims for the purpose of the Company's Proposal are the value of any claim in respect of which no Security is held.
15. According to Management, the Company's third-party unsecured debt totaled approximately \$142,000 at the Date of Filing. This unsecured third-party indebtedness is owed to two known unsecured creditors: i) CRA in respect of HST and corporate tax for approximately \$63,000 and \$17,000, respectively; and ii) Service Canada with respect to an unpaid CEBA loan for approximately \$62,000 assigned from Royal Bank of Canada.

THE PROPOSAL

Classes

16. In the Proposal the Creditors of the Company are grouped into a single class, consisting of Creditors having Proven Preferred and Unsecured Claims.
17. The Proposal provides that the Creditors entitled to vote in the Unsecured Class consist of unsecured trade creditors (i.e., creditors holding claims without priority under the BIA), Preferred Creditors pursuant to the BIA and claims of Her Majesty in right of Canada and any province for all amounts other than Crown Priority Claims.

Treatment of Claims

18. Crown Priority Claims are all proven pre-filing claims of CRA, or any province, contemplated by section 60(1.1) of the BIA, consisting of unremitted source deductions. Crown Priority Claims will be paid in full and shall be paid by the Company from funds paid to the Proposal Trustee in addition to the Funded Proposal Payments (defined below) and remitted by the Proposal Trustee to CRA, or the province, as applicable, within six (6) months of the Court Approval Date (“**Additional Funds**”). As described above, at the Date of Filing, the Company was indebted to CRA in respect of \$5,916 of Crown Priority Claim.
19. Employee Preferred Claims, if any, shall be paid in full, without interest, in priority to Unsecured Claims out of Additional Funds to be delivered by the Company to the Proposal Trustee and shall be remitted by the Proposal Trustee to the entitled claimants immediately after the Effective Date.
20. Proven Preferred Claims, other than Employee Preferred Claims, shall be paid up to the full proven amount, without interest, out of the Funded Proposal Payment, in priority to Unsecured Claims.
21. Proven Unsecured Claims shall, after satisfaction of any priority claims, be paid *pro rata* out of the Funded Proposal Payments as set out below.

Funding the Proposal

22. The Company will cause to be paid to the Trustee a one-time lump sum payment of \$35,000 by the later of: i) ten calendar days following the Court Approval Date; and (ii) August 31, 2025 (“**Funded Proposal Payments**”).

Reporting

23. During the Proposal Period, the Company shall provide to the Proposal Trustee every three months a report containing the following: (i) a cash flow statement for the Company's business and affairs for the prior three months; and (ii) evidence of Company's filing and remittance of source deductions and HST.

Distribution

24. All distributions are subject to the Superintendent's Levy in accordance with the BIA.
25. The Funded Proposal Payments will be distributed by the Proposal Trustee in the following order of priority:
- i) *Administrative Fees and Expenses* - To fund all administrative fees and expenses of the Proposal Trustee, including the legal fees of the Proposal Trustee and the Company.
 - ii) *Bankruptcy Reserve* - To establish a reserve of \$15,000 to be held in trust by the Proposal Trustee, which amount shall be used to fund the administrative costs of the bankruptcy of the Company if the Proposal is annulled, and the Company becomes bankrupt, failing which such amount shall be distributed to the Creditors.
 - iii) *Proven Preferred Claims, other than Employee Preferred Claims* – To fund all such claims up to the full proven amount, without interest.
 - iv) *Proven Claims of Unsecured Creditors* – The remainder will be distributed among the Unsecured Creditors, who will share *pro rata* out of the funds available after payment of the foregoing.

OVERVIEW OF AYACON'S WEEKLY CASH FLOW FORECAST

26. Ayacon, with the assistance of the Proposal Trustee, prepared a consolidated cash flow forecast for the period from March 24, 2025, to June 16, 2025, ("**Cash Flow Forecast**"). A copy of the Cash Flow Forecast is attached hereto as **Appendix "A"** to this Report. The Cash Flow Forecast has been prepared by Management in support of its insolvency proceedings, using probable and hypothetical assumptions set out in notes 1 to 7 attached to the Cash Flow Forecast. The Cash Flow Forecast reflects receipts and disbursements to be received or paid over the 12-

week forecast period in Canadian dollars.

27. The Cash Flow Forecast projects that Ayacon will have sufficient liquidity to fund its operations and restructuring costs throughout the Proposal proceeding.
28. The Proposal Trustee's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussion related to information supplied to the Proposal Trustee by Management. Since hypothetical assumptions need not be supported, the Proposal Trustee's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposal Trustee has also reviewed the support provided by Management of Ayacon for the probable assumptions, and the preparation and presentation of the Cash Flow Forecast.
29. Based on the Proposal Trustee's review, nothing has come to its attention to cause it to believe that, in all material respects:
 - i) the hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;
 - ii) as at the date of this Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of Ayacon or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions; or
 - iii) the Cash Flow Forecast does not reflect the probable and hypothetical Assumptions.
30. As described in the Disclaimer above, since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented, even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Proposal Trustee expresses no assurance as to whether the Cash Flow Forecast will be achieved. In addition, the Proposal Trustee expresses no opinion or other form of assurance with respect to the accuracy of financial information presented in the Cash Flow Forecast.
31. The Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

LIQUIDATION ANALYSIS / ESTIMATED RECOVERY IN BANKRUPTCY

Liquidation Analysis

32. In the event that the Proposal is not accepted by the Creditors and Ayacon is deemed bankrupt, the following liquidation analysis represents the estimated liquidated value of Ayacon's assets.
33. The Proposal Trustee has relied on representations of the Company in determining the estimated liquidation value of the assets. The liquidation analysis was prepared at a point in time, being the date of filing of the Proposal. Accordingly, if the Company were to become bankrupt, the realizable value of the assets at that time may be different than presented herein.

Summary of Estimated Liquidation Value
As at March 26, 2025
(000's)

	Notes	Total
Assets		
Tools of the Trade	1	100
Vehicle	2	25,000
Net Cash Flow from Liquidation		\$ 25,100

Notes:

1. *The Company's certain tools used in kitchen assembly which are expected to realize nominal value.*
2. *The Company's primary asset is a vehicle used in its operations, a 2019 Mercedes Benz Sprinter, which is expected to realize \$25,000.*

Estimated Recovery – Bankruptcy vs. Proposal Scenario

34. The following chart (which is rounded to the nearest thousand dollars) sets out the expected recovery to the Creditors under a Bankruptcy/Liquidation scenario and the Proposal scenario. As can be seen below, the net estimated recovery to Unsecured Creditors in a bankruptcy scenario will be **3%** while in the Proposal scenario they will recover approximately **20%**.

000'S Omitted - \$CDN			
Estimated Recovery in a Liquidation Scenario		Estimated Recovery in a Proposal Scenario	
Liquidation Value of Assets (based on a liquidation as calculated above)	25	Funded Proposal Payments (note 1)	35
Less: Crown Priority Claims (note 2)	(6)	Less: Crown Priority Claims (note 2)	n/a
Less: Estimated professional fees and expenses (note 3)	(15)	Less: Estimated professional fees and expenses (note 3)	(5)
Less: Superintendent's Levy (note 4)	(0.2)	Less: Superintendent's Levy (note 4)	(2)
Net amount available for Creditors	4	Net amount available for Creditors	29
Estimated Claims of Unsecured Creditors	142	Estimated Claims of Unsecured Creditors	142
Shortfall to Unsecured Creditors	(138)	Shortfall to Unsecured Creditors	(114)
Estimated Recovery to Crown Claims	100%	Estimated Recovery to Crown Claims	100%
Estimated Recovery to Unsecured Creditors	3%	Estimated Recovery to Unsecured Creditors	20%

Notes:

1. According to the Proposal, the Funded Proposal Payments total \$35,000.
2. In a bankruptcy scenario the balance owing to CRA in respect of the Crown Priority Claim will be paid in priority to any payment to unsecured creditors. In a proposal scenario, the Crown Priority Claim will be funded from Additional Funds generated from operations.
3. This amount represents a provision for the estimated professional fees in the case of a Bankruptcy/liquidation or Proposal. In the case of a Proposal, the estimated professional fees include administering the Proposal before and after Court approval and are the estimated fees payable in excess of the deposit received on filing by the Proposal Trustee.
4. The Superintendent's Levy is applicable to all distributions made to creditors and is calculated as 5% of each payment.

CREDITOR'S MEETINGS/VOTING PROCEDURE

Creditor's Meetings/Voting Procedure

35. The primary purpose of the Creditor's Meeting (the "**Meeting**") is to permit Creditors to consider the acceptance or rejection of the Proposal. For the Proposal to be accepted, at least two-thirds (66.67%) of the creditors by dollar value, and more than 50% of the creditors by number, must vote in favour of the Proposal at the Meeting either in person, by proxy or by mailing a voting letter to the Proposal Trustee in advance of the Meeting. Only Creditors who vote are counted for the

purpose of determining whether the necessary thresholds have been reached. Creditors related to Ayacon may not vote at the Meeting.

36. **To be eligible to vote on the Proposal, Creditors must have filed with the Proposal Trustee, before the Meeting, an unsecured proof of claim form, as applicable, signed and witnessed as required and accompanied by a statement of account or affidavit in support of the claim. Those Creditors who do not intend to have a personal representative at the Meeting, to be held on April 23, 2025, may complete and submit the voting letter, which is enclosed in the creditor package, prior to the Meeting indicating their vote for or against the acceptance of the Proposal. The Proposal Trustee has also enclosed a form of proxy should a Creditor wish to appoint a proxy to represent them at the Meeting. If the Proposal is not accepted by the required majorities of Unsecured Creditors, the Company will be deemed bankrupt.**
37. If the Proposal is accepted by the required statutory majorities referenced above, the Proposal Trustee will then make an application to the Court for approval of the Proposal. If the Court provides such approval, the Proposal will be binding on all Creditors and such Creditors, and their respective heirs, executors, administrators, successors, and assigns, shall have no further Claim against the Company other than for the distributions provided in the Proposal.

Class of Creditors

38. For purposes of considering, and voting on, the Proposal, and receiving a distribution pursuant to the Proposal, the Creditors are grouped into one class.
39. The Proposal does not compromise or otherwise affect certain creditor claims, specifically:
- i) claims for goods and/or services delivered to the Company on or after the Date of Filing, March 26, 2025 including Administrative Fees and Expenses;
 - ii) Secured Claims, if any; and
 - iii) Employee Preferred Creditors, if any.
40. Distributions to Creditors will be made as described in the "Distribution" section of this Report.

ALTERNATIVES TO THE PROPOSAL

41. At the Meeting, the Creditors are being asked by the Proposal Trustee to choose between two alternatives, namely accepting the Proposal, or rejecting the Proposal, which would result in Ayacon being deemed bankrupt.
42. For the reasons described above, the Proposal Trustee is of the view that the Proposal Scenario will produce a more favourable and certain result for the Creditors of Ayacon than would a liquidation in a bankruptcy.

CONDUCT OF AYACON

Preference Transactions and Transfers at Undervalue

43. The Proposal contemplates that Sections 95-101 of the BIA shall not apply in connection with this Proposal and, as a result, the Proposal Trustee shall have no responsibility, liability or authority whatsoever in connection herewith. Accordingly, the Proposal Trustee has not undertaken a detailed review for possible preference transactions or transfers at undervalue.
44. If the Company was to become bankrupt, and either preference transactions or transfers at undervalue did exist, it is possible that some of these transactions could be found to be void through Court proceedings. The Proposal Trustee is not aware of any such transactions existing.

Conduct Post-Filing

45. Pursuant to Section 50(10) of the BIA, the Proposal Trustee is required to monitor the affairs of the Company until the Proposal is approved by the Court.
46. Ayacon is working diligently to complete the Proposal. Ayacon continues to meet its liquidity needs in order to be able to successfully implement the Proposal.

CREDITORS' CLAIMS

47. To date, no proofs of claim in the Proposal have been received by the Proposal Trustee.

PREVIOUS BUSINESS DEALINGS WITH AYACON

48. The Proposal Trustee has not had any business dealings with Ayacon prior to its appointment as Proposal Trustee and is not in a conflict of interest.

SUMMARY COMMENTS/RECOMMENDATION

49. For the reasons set out in this Report it is the Proposal Trustee's opinion that:

- i) the Proposal will allow for a greater recovery to the Unsecured Creditors of the Company than they would receive in a liquidation of the Company's assets in a bankruptcy proceeding; and
- ii) acceptance of the Proposal is in the best interest of the Unsecured Creditors. If the Proposal is rejected by the Unsecured Creditors, the Company will be deemed automatically bankrupt and while it is uncertain what the actual realizable values of the assets will ultimately be in a bankruptcy, it is anticipated to be less than what is contemplated in the Proposal. Accordingly, the Proposal Trustee recommends that the Unsecured Creditors vote in favour of the Proposal.

Yours very truly,

DODICK LANDAU INC.

Proposal Trustee *re* the Proposal of Ayacon Limited.
and not in its personal or corporate capacity.

Per:



Rahn Dodick, CPA, CA, CIRP, LIT


APPENDIX “A”

Ayacon Limited
Weekly Cash Flow Forecast
For the period from March 24, 2025 to June 16, 2025
SCdn

Week Ending	Notes	Week 1 31-Mar-25	Week 2 07-Apr-25	Week 3 14-Apr-25	Week 4 21-Apr-25	Week 5 28-Apr-25	Week 6 05-May-25	Week 7 12-May-25	Week 8 19-May-25	Week 9 26-May-25	Week 10 02-Jun-25	Week 11 09-Jun-25	Week 12 16-Jun-25	TOTAL
Receipts	2	600	-	1,972	2,152	4,233	2,434	3,077	3,947	2,240	1,920	1,500	1,500	25,575
Disbursements														
Materials	3	493	538	1,058	609	769	987	560	480	375	375	375	375	6,994
Independent Contractors	4	-	-	-	1,535	3,464	948	1,572	3,350	1,865	1,045	725	463	14,967
Professional fees	5	-	-	400	-	-	-	400	-	-	-	400	-	1,200
Occupancy Costs	6	-	-	545	117	-	500	545	117	-	500	-	662	2,986
G&A Expenses		-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements		493	538	2,004	2,260	4,233	2,434	3,077	3,947	2,240	1,920	1,500	1,500	26,147
Net Cash Flow		107	-	32	108	-	-	-	-	-	-	-	-	571
Bank Balance														
Opening Bank Balance	7	584	692	154	122	13	13	13	13	13	13	13	13	584
Add: Net Cash Flow		107	-	32	108	-	-	-	-	-	-	-	-	571
Closing Bank Balance		692	154	122	13	13	13	13	13	13	13	13	13	13

This statement of forecast cash flow of Ayacon Limited is prepared in accordance with section 50.4 (2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the accompanying notes and Trustee's report on cash flow statement dated this 25th day of March, 2025.

Dodick Landau Inc.

Per: 
Mr. Rahn Dodick, CPA, CA, CIRP, LIT

Ayacon Limited

Per: 
Mr. Gustavo Ayala

AYACON LIMITED ("AYACON")
MAJOR ASSUMPTIONS
CASH FLOW STATEMENT
FOR THE PERIOD MARCH 24, 2025 TO JUNE 16, 2025 (THE "PERIOD")

1. Ayacon Limited ("Ayacon") financial projections have been prepared for the purpose of meeting the requirements of the Bankruptcy and Insolvency Act. The projection is based on the hypotheses that:
 - (1) Ayacon will continue operations in the normal course and complete a successful restructuring.
 - (2) Ayacon's revenue is intrinsically tied to the volume of subcontracting work allocated by IKEA. Starting April 2025, Ayacon anticipates a proportional increase in both revenue and operational expenditures as a direct consequence of IKEA's scheduled kitchen installation projects.

Receipts:

2. As a subcontractor of IKEA, Ayacon issues invoices to IKEA for sixty percent (60%) of the total project revenue. Pursuant to the agreed-upon terms, Ayacon's payment terms for IKEA's projects are fourteen (14) days from the installation completion date.

Disbursements:

3. Installation costs represent payments for purchases of direct & indirect materials, and vehicle gas consumed during the job. Disbursements for installation cost are forecast to be made on cash basis.
4. The work is done by the owner and independent contractors. There are no employees and, therefore, no payroll source deduction remittances. WSIB payments are paid on a quarterly basis.
5. Professional fees are paid at the end of the month for bookkeeping and tax filing services.
6. These amounts are comprised of monthly insurance premiums, vehicle lease payments and telephone/internet costs.
7. As of March 24, 2025, the opening cash balance stands at \$584. Any cash flow deficit will be covered by the owner to ensure the successful completion of ongoing projects. During the forecast period, the overdraft facility is not expected to be utilized.






Aaycon Limited Base Cash Flow - FINAL

Final Audit Report

2025-03-25

Created:	2025-03-25
By:	Rahn Dodick (rahn.dodick@dodick.ca)
Status:	Signed
Transaction ID:	CBJCHBCAABAAeZA2gYo1TDilNmYN3BOUMUs-2ir8oO5

"Aaycon Limited Base Cash Flow - FINAL" History

-  Document created by Rahn Dodick (rahn.dodick@dodick.ca)
2025-03-25 - 7:37:27 PM GMT
-  Document emailed to Gustavo Ayala (gusaya45@hotmail.com) for signature
2025-03-25 - 7:37:32 PM GMT
-  Email viewed by Gustavo Ayala (gusaya45@hotmail.com)
2025-03-25 - 7:56:43 PM GMT
-  Document e-signed by Gustavo Ayala (gusaya45@hotmail.com)
Signature Date: 2025-03-25 - 7:57:11 PM GMT - Time Source: server
-  Agreement completed.
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