

Division of: Ontario
Division No.: 09 - Toronto
Estate Number: 31-3217092
Court Number: 31-3217092

**IN THE MATTER OF THE BANKRUPTCY OF
12739844 CANADA INC. (O/A BASILICA CONSTRUCTION)
OF THE CITY OF VAUGHAN
IN THE PROVINCE OF ONTARIO**

REPORT OF THE TRUSTEE'S PRELIMINARY ADMINISTRATION

INTRODUCTION

1. 12739844 Canada Inc., operating as Basilica Construction ("**Basilica**" or the "**Bankrupt**") is a private company.
2. On April 29, 2025, Basilica assigned itself into bankruptcy ("**Date of Bankruptcy**") and Dodick Landau Inc. was appointed as Trustee in Bankruptcy of the estate of Basilica (the "**Trustee**").

BACKGROUND

3. The former management of the Bankrupt (the "**Management**") advised that Basilica commenced operations approximately two years ago carrying out home renovations. The shareholders of Basilica had previously operated under a different legal entity known as, Aqhal Tile and Global Trading Corporation ("**Aqhal**") which began operating as a distributor of porcelain tile, however, this business ceased in 2024. After incorporating Basilica, the shareholders continued to operate as both Basilica and or Aqhal carrying out home renovations and the two business were intermingled (Basilica together with Aqhal are jointly known as the "**Companies**").
4. Both Companies operated from the same leased premises located at 11 Cinderhill Avenue, Unit 4, Vaughan, Ontario (the "**Premises**").
5. Management advised that most of their renovation projects were financed by a third-party lender named Financeit (the "**Lender**"). The Lender would release 40% of the project value up front to the Companies to begin work and the Companies self financed the remaining 60% until the project was fully completed at which time they would be paid the 60% balance from the Lender. According to Management, while this model reduced collection risk, it also placed significant strain on the Companies' cash flow since the Companies financed 60% of the project value until completion and it did not have a sufficient line of credit with its bank to cover its cash flow needs.
6. Other challenges faced by the Companies included:

- i. higher material and labour costs on account of inflation eroding the Companies' margins.
 - ii. increased competition in the renovation industry as new participants opened with aggressive pricing models. The Companies tried to price match but that only resulted in under quoting jobs and further strained margins and cash flows.
 - iii. general business slowdown due to a reduction in real estate transactions;
 - iv. permits being delayed by municipalities;
 - v. unexpected site conditions; and
 - vi. customers stretching payment terms due to their own financing constraints.
7. These challenges resulted in the Companies experiencing strain on their margins and cash flows resulting in losses. To increase cash flows, the Companies applied for other financing, decreased salaries and received loans from shareholders. Out of desperation, the Companies began using advances received from the Lender for certain jobs and applied them to the expenses of other jobs. Consequently, the Lender had suspended its funding relationship with the Companies.
 8. Following the cancelation of the Financeit funding relationship, Management could not see any financially feasible path forward and decided to cease operations and assign the Companies into bankruptcy to stop incurring additional operating losses and debt.
 9. Management advised that at the Date of Bankruptcy, there were more than 30 renovation projects in progress for which it had received funding from either the Lender or directly from customers and these projects had either not yet been started or were at various stages of completion. After the Trustee received the contact information of these customers it emailed to them the creditor packages.

INSOLVENCY PROCEEDING

10. 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 National Post.

ASSETS

11. As summarized in the Statement of Affairs, there were no known assets.
12. Subsequent to its appointment, the Trustee attended at the Premises on April 29, 2025 and noted there was no renovation material onsite. There was some office furniture, showroom displays and a leased forklift. The Trustee also noted that on April 28, 2025, the day before the bankruptcy filing, the landlord had commenced a process to distrain against the Companies' assets on the Premises. The Trustee spoke with the bailiff hired by the landlord to commence

the distraint and the Trustee concluded that there was insufficient asset value on the Premises to justify the Trustee taking possession of the Premises and incurring occupation costs.

BOOKS AND RECORDS

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

PROVABLE CLAIMS

14. At the date of this report, the Trustee has received 11 proofs of claim totalling \$224,638.29.
15. The Statement of Affairs lists 58 known unsecured creditors with potential provable claims totalling \$1,141,702.

ANTICIPATED REALIZATIONS and PROJECTED DISTRIBUTION

16. The Trustee notes that it does not expect there to be any distributions available for the creditors of the Basilica.

TRANSFERS AT UNDERVALUE and PREFERENTIAL PAYMENTS

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

RETAINER DEPOSIT

18. Prior to the commencement of the Bankruptcy proceeding, the Trustee obtained a retainer deposit totalling \$14,000 as security for a portion of the costs of the Bankruptcy administration.

Dated at Toronto, Ontario, this 15th day of May 2025.

DODICK LANDAU INC.

Acting solely as Trustee in Bankruptcy
of the Estate of Akhal Tile & Global Trading Inc.
and not in its personal or corporate capacity.

Per:

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

Rahn Dodick CPA, CA, CIRP, LIT
President