Court File No. 32-3397915
Estate File No. 32-3397915

IN THE MATTER OF THE PROPOSAL OF
QUALITY PIPEFITTING SYSTEMS INC.
OF THE CITY OF MISSISSAUGA
IN THE PROVINCE OF ONTARIO

REPORT OF TRUSTEE ON PROPOSAL

AUGUST 19, 2026

INTRODUCTION

1. On July 14, 2026 (the "**Date of Filing**"), Quality Pipefitting Systems Inc. ("**Quality**" or the "**Company**") filed with the Official Receiver a Notice of Intention to Make a Proposal ("**NOI**") to its creditors and named Dodick Landau Inc. as Proposal Trustee (the "**Proposal Trustee**"). On August 13, 2026, pursuant to section 62 of the Bankruptcy and Insolvency Act (the "**BIA**" or the "**Act**"), Quality made a proposal (the "**Proposal**") to its creditors. The Proposal Trustee filed the Proposal with the Official Receiver pursuant to section 62(1) of the Act.

2. The purpose of this report ("**Report**") is to provide information to the creditors of Quality (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 September 3, 2026, 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 Quality, 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. Quality provides plumbing services for the construction of car washes.

Financial Results

10. Quality externally prepared financial statements indicate that for its fiscal years-ended August 31, 2024 and 2025, it had a net loss of $132,258 and $316,836, and total debt of $847,525 and $966,480, respectively. Its internally prepared year to date financial statements for the 6-month period-ended March 31, 2026 indicate it had profit of $24,095 and total debt of $881,660.

CAUSES OF FINANCIAL DIFFICULTIES

11. According to Management, the Company's workflow had already begun to slow around the onset of the COVID-19 pandemic. During the pandemic, material and labour costs increased significantly, while the Company remained committed to its existing contracts resulting in losses on certain jobs. At the same time, the cost of the Company's shop rental doubled, placing significant additional strain on its cash flow. In addition, certain customers significantly extended their payment timelines as they faced financial challenges of their own. Over the past two years, business activity has remained subdued, and efforts to expand the Company's customer base have been unsuccessful, while existing work has generated reduced margins.

12. Despite measures taken by the Company to conserve cash, the Company could not meet its obligations as they were coming due and, as a result, the Company had no other readily available option but to file the Proposal on the Date of Filing to prevent irreparable harm to its business.

CREDITORS

Secured claims

13. At the Date of Filing, the Company has one Secured Creditor, the Bank of Nova Scotia ("**BNS**"), to which no amount is owing. BNS shall be unaffected by this Proposal.

Crown Claims

14. At the Date of Filing, the Company was indebted to the Canada Revenue Agency ("**CRA**") in respect of unremitted payroll source deductions for $146,887. As of the date of this Report, the Company is only employing contractors and accordingly has no employee related obligations.

Employee Preferred Claims

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

Unsecured Creditors

16. According to Management, the Company's third-party unsecured debt totaled approximately $804,000 at the Date of Filing. This unsecured third-party indebtedness is owed to five known unsecured creditors, including CRA in respect of HST for approximately $317,000 before additional accrued penalties and interest.

THE PROPOSAL

Classes

17. In the Proposal the Creditors of the Company are grouped into a single class, consisting of Creditors having Proven Preferred and Unsecured Claims.

18. 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

19. 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**"). The Company currently expects to fund its obligation for Crown Priority Claims through six monthly payments of $24,500, subject to the Proven Crown Claim and any adjustment required to pay the Proven Claim in full within the statutory period. As described above, at the Date of Filing, the Company was indebted to CRA in respect of approximately $147,000 of Crown Priority Claim.

20. 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.

21. Proven Preferred Claims, other than Employee Preferred Claims, if any, shall be paid up to the full proven amount, without interest, out of the Funded Proposal Payment, in priority to Unsecured Claims.

22. 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

23. Upon the commencement of the seventh month after the Effective Date, the Company will cause to be paid to the Proposal Trustee payments in the form of cash instalments in the aggregate amount of $9,166.67 per quarter for 18 consecutive quarters ("**Funded Proposal Payments**"). The Funded Proposal Payments will be made until an amount is paid to the Trustee equal to $165,000.

Reporting

24. 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, if applicable, and HST together with a reconciliation of payments made toward the six-month Crown Claim payment obligation in this Proposal.

Distribution

25. All distributions are subject to the Superintendent's Levy in accordance with the BIA.

26. 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 $20,000 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, if any, 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 QUALITY'S WEEKLY CASH FLOW FORECAST

27. Quality, with the assistance of the Proposal Trustee, prepared a consolidated cash flow forecast for the period from July 11, 2026 to October 10, 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 13-week forecast period in Canadian dollars.

28. The Cash Flow Forecast projects that Quality will have a negative cash flow of approximately $118,000 and requires funding commencing in week 12. The Company has a commitment from a third-party lender to fund its cash flow deficit in the period.

29. 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 Quality for the probable assumptions, and the preparation and presentation of the Cash Flow Forecast.

30. 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 Quality 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.

31. 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.

32. 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

33. If the Proposal is not accepted by the Creditors and Quality is deemed bankrupt, the following liquidation analysis represents the estimated liquidation value of Quality's assets.

34. 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. However, the value of the working capital is changing as the Company continues its day-to-day operations. 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 August 12, 2026
(000's)

		Notes	**Total**
Receipts			
	Cash	1	125,059
	Accounts Receivable	2	51,000
	Holdback Receivable	3	14,000
	Vehicles	4	-
	Tools	5	36,000
	Total Receipts		226,059

Notes:

1. *Represents cash in the Company's bank accounts.*

2. *The Company's accounts receivable balance relates to one completed project and is net of a discount to be applied by the Trustee to expediate payments. The Trustee expects to realize approximately $51,000.*

3. *Holdback Receivable relates to one invoice in respect of an ongoing contract. In the event of the Company's bankruptcy the project owner would need to replace Quality with a new subcontractor and the Trustee expects that a significant damage claim will be asserted. The analysis assumes a 50% recovery of the holdback.*

4. *The Company is financing one vehicle but only a few payments have been made to date and as such it is assumed that there is no equity in the vehicle.*

5. *Estimated realizable value for the company's tools net of a commission to be charged by a liquidator is approximately $36,000.*

Estimated Recovery – Bankruptcy vs. Proposal Scenario

35. 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:

i) CRA in a bankruptcy and Proposal scenarios, in respect of Crown Priority Claims, will be **100%**.

ii) Unsecured Creditors in a bankruptcy scenario will recover **7%** while in the Proposal scenario they will recover approximately **17%**.

Estimated Recovery in a Liquidation Scenario		Estimated Recovery in a Proposal Scenario	
Liquidation Value of Assets (based on a liquidation as calculated above)	226	Estimated Funded Proposal Payments (note 1)	165
Less: Crown Priority Claims - Deemed Trust Portion (note 2)	(147)	Less: Crown Priority Claims - Deemed Trust Portion (note 2)	n/a
Less: Employee Preferred Claims (note 3)	-	Less: Employee Preferred Claims (note 3)	NIL
Less: Estimated Professional fees and expenses (note 4)	(20)	Less: Estimated Professional fees and expenses (note 4)	(20)
Less: Superintendent's Levy (note 5)	(4)	Less: Superintendent's Levy (note 5)	(9)
Net amount available for Unsecured Creditors	55	Net amount available for Unsecured Creditors	136
Estimated Claims of Unsecured Creditors	804	Estimated Claims of Unsecured Creditors	804
Estimated Recovery to CRA for Crown Priority Claims	100%	Estimated Recovery to CRA for Crown Priority Claims	100%
Estimated Recovery to Unsecured Creditors	7%	Estimated Recovery to Unsecured Creditors	17%

Notes:

1. *According to the Proposal, the Funded Proposal Payments will total $165,000.*
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, professional fees include administering the Proposal before and after Court approval.*
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

36. 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.

37. **To be eligible to vote on the Proposal, Creditors must have filed with the Proposal Trustee, <u>before</u> the Meeting on September 3, 2026, an unsecured proof of claim form, 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 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.**

38. 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

39. For purposes of considering, and voting on, the Proposal, and receiving a distribution pursuant to the Proposal, the Creditors are grouped into one class.

40. 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, July 14, 2026 including Administrative Fees and Expenses;

    ii) Secured Claims, if any; and

    iii) Employee Preferred Creditors, if any.

41. Distributions to Creditors will be made as described in the “Distribution” section of this Report.

ALTERNATIVES TO THE PROPOSAL

42. 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 Quality being deemed bankrupt.

43. 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 Quality than would a liquidation in a bankruptcy.

CONDUCT OF QUALITY

Preference Transactions and Transfers at Undervalue

44. 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.

45. 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.

Conduct Post-Filing

46. 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.

47. During the NOI Period, the Company worked diligently with the Proposal Trustee to prepare its Proposal. Quality is working diligently to complete the Proposal. Quality continues to meet its liquidity needs in order to be able to successfully implement the Proposal.

CREDITORS' CLAIMS

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

PREVIOUS BUSINESS DEALINGS WITH QUALITY

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

SUMMARY COMMENTS/RECOMMENDATION

50. 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 Quality Pipe Fitting Systems Inc.
and not in its personal or corporate capacity.

Per:

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Rahn Dodick, CPA, CA, CIRP, LIT