

**TRUSTEE'S REPORT ON PRELIMINARY ADMINISTRATION**

**IN THE MATTER OF THE BANKRUPTCY OF**

**IVARTEK INC.**

**BKY 25-2831834**

**HUDSON & COMPANY INSOLVENCY TRUSTEES INC.**

IvarTek Inc. (hereinafter referred to as “**IvarTek**” or the “**Company**”) filed a voluntary assignment into bankruptcy pursuant to Section 49(1) of the *Bankruptcy and Insolvency Act* (“**BIA**”) on May 18, 2022 with Hudson & Company Insolvency Trustees Inc. appointed as Licensed Insolvency Trustee (“**Trustee**”) on May 19, 2022 (the “**Date of Bankruptcy**”).

The Company was a heavy equipment services shop. It last operated from a leased premises located at 7,109 Broxburn Blvd, Lethbridge AB.

**SECTION A** - The Trustee's duties under Section 16(3) of the Bankruptcy and Insolvency Act:

Class I - Stocks and Merchandise:

- The Company's equipment inventory and parts/supplies inventory was valued on the Statement of Affairs at \$15,000 and \$10,000 respectively. The shop and truck tools were valued at \$30,000 and office furnishings at \$1,000. These values were estimated by the directors of the Company based on their knowledge of the business and the assets. The Trustee has conducted an inventory of the Company's assets.

Class II - Machinery and Equipment:

- At the Date of Bankruptcy, the Company owned a 1973 Peterbilt, a 2001 Ford F450, a 2006 Chevrolet Half Ton, a 2008 Ford F250, and a Clark GPX30 Forklift, shown on the Statement of Affairs at a value of \$22,000, \$20,000, \$5,000, \$15,000, and \$4,000, respectively. These estimated values were provided to the Trustee by the directors of the Company.
- The Trustee has engaged several auctioneers to assess the asset values and provide auction proposals to the Trustee for consideration.

Class III - Buildings and Real Estate:

- The Company did not own buildings or real estate.

Class IV - Books and Records:

- The Trustee took possession of Company records on May 18, 2022.

Class V - Other Assets:

- Accounts receivable was listed on the Statement of Affairs to produce \$229,026.46, which reflected the “good” debt owing to the Company. The total book value for accounts receivable was recorded at \$249,313.79. To date, the Trustee has issued demand letters for all amounts owing to the Company and has collected \$34,588.15.
- Both prior to and following the Date of Bankruptcy, various account receivable payments were deposited into IvarTek’s operating account held at Servus Credit Union (“**Servus**”). The Trustee has corresponded with Servus and they have consented to remit any post-filing deposits to the Trustee for the benefit of the estate. The post-filing deposits for May 2022 totalled \$7,900.56, and the Trustee has been advised that Servus is remitting these funds to the Trustee.

SECTION B - Conservatory and Protective Measures:

- The Trustee changed the locks on the leased premises on May 18, 2022.
- The Trustee contacted the insurance company that provided coverage to the Company for the contents of the building. The Trustee was informed that the insurance policy was active and paid up to the end of May 2022. After a review of the policy, the Trustee removed coverage for vehicles that has previously been disposed of, or were personal vehicles not owned by IvarTek, and remitted a payment of \$2,494.92 to cover the insurance premiums for June 2022.
- The alarm company was contacted to ensure that the contact information for any emergency calls was changed to the Trustee.
- On May 30, 2022, the Trustee was contacted by the landlord of IvarTek and was informed that the landlord had changed the locks to the leased premises, thereby restricting the Trustee’s access. After further discussions, the landlord has agreed to be cooperative with the Trustee and provide unrestricted access to the Trustee. The Trustee has paid the landlord occupation rent from May 18, 2022 to June 7, 2022.

SECTION C – Legal Proceedings:

- None that the Trustee is aware of at this time.

SECTION D – Provable Claims:

- At the time of preparing this report, there have been several unsecured claims filed in the bankruptcy proceedings totalling \$141,467.00

SECTION E – Secured Claims:

- The Trustee understands that the Canada Revenue Agency (“**CRA**”) is owed approximately \$260,000.00 related to unremitted payroll source deductions, and this balance would be considered a deemed trust claim. This claim is subject to audit by the CRA and to date, no claim has been received from the CRA.
- To date, five secured claims totalling \$8,000 have been received related to earned, but

unpaid, employee vacation pay, as per Section 81(3) of the BIA. The Trustee is reviewing the particulars of these claims in relation to the *Wage Earner Protection Program Act*.

- Based on the Trustee's review of the Company's Personal Property Registry, it appears that Servus is the first ranking secured creditor with general security over the assets of the Company. As of the date of this report, Servus has submitted a secured proof of claim in the amount of \$72,125.02.
- Upon further review of the of the Company's Personal Property Registry, it appears that 1011051 Alberta Ltd. is the second ranking secured creditor with general security over the assets of the Company. As of the date of this report, 1011051 Alberta Ltd has submitted a secured proof of claim in the amount of \$246,014.15.

#### SECTION F – Priority Claims:

- The Company operated from a leased premises. The Trustee was advised by the directors of IvarTek that the Company had paid rent for May 2022, but had rental arrears. As the lease contains a clause for accelerated rent, the Trustee anticipates that there could be a preferred claim from the landlord but to date, no claim has been received.

#### SECTION G - Reviewable Transactions and Preference Payments:

- The Trustee has reviewed bank statements provided by Servus, the Company's operating lender, and noted that several payments were made to Kyle Ivarson, a director of IvarTek, in the months preceding the bankruptcy filing. The Trustee will investigate the nature of the payments and determine if the conditions under Section 95 or Section 96 of the BIA are met and what potential recourses would be available.

#### SECTION H - Other Matters:

- The Trustee has sought to enter into an Administrative Agreement with the CRA to allow for the Trustee's reasonable fees and expenses to be paid from the assets realized through the administration of the bankruptcy, in priority to the claim of the CRA. The Trustee is waiting for a response from the CRA to this request.
- At the Date of Bankruptcy, IvarTek was in possession of various pieces of equipment belonging to third parties. As part of the administration, the Trustee has taken steps to notify the third parties of the bankruptcy and explained the process to obtain their property from the possession of the Trustee. To date the Trustee is in receipt of multiple property proofs of claim and has released the majority of the third party equipment.

#### SECTION I – Realization:

- The Trustee has contacted several auctions companies and asked that auction proposals be submitted for review and consideration by the Trustee and the creditors.
- At the date of this report, it is difficult for the Trustee to estimate realizations for the creditors. However, based on independent asset valuations provided to the Trustee by the directors of the Company to date and considering the estimated priority claims of

the CRA and the secured creditors, it is not anticipated there will be any distribution to the unsecured creditors.

- Funds totalling \$43,800 were remitted to the Trustee from IvarTek prior to the bankruptcy filing. Such funds remain in the Trustee's trust account.
- The Trustee estimates that its fees could be \$35,000 or more (before disbursements including occupation rent, insurance costs, etc.) for this bankruptcy administration.

DATED at Calgary, Alberta, June 6, 2022.

**HUDSON & COMPANY INSOLVENCY TRUSTEES INC.**

Per: \_\_\_\_\_



**Stefan DuChene, Licensed Insolvency Trustee**