

**IN THE MATTER OF THE BANKRUPTCY OF
LISCHKOFF BUILD DESIGN LTD.
OF THE TOWN OF UTTERSON,
IN THE PROVINCE OF ONTARIO**

Trustee's Preliminary Report to Creditors

Background

The company was incorporated in 2019 as Lischkoff Build North Ltd. but shortly thereafter changed its name to Lischkoff Build Design Ltd. ("Lischkoff").

Lischkoff's business was the construction, design and renovation of residential custom homes.

Management has provided the following explanation regarding the affairs of Lischkoff.

- (i) In 2021, Lischkoff began experiencing financial pressures resulting primarily from:
 - Economically adverse contracts entered into between 2020 and 2021;
 - Higher labour and material costs; and
 - The Covid Pandemic
- (ii) Lischkoff initially elected to absorb most of the higher costs which were not passed on to its customers. As a result, Lischkoff was required to utilize a substantial portion of its financial resources to complete these contracts exhausting working capital to an unsustainable level.
- (iii) Anticipated financing did not materialize.

Given Lischkoff's lack of working capital and its inability to fund critical expenses necessary to continue operations, Lischkoff elected to file an Assignment in Bankruptcy naming Rosen Goldberg Inc as the Licensed Insolvency Trustee (the "Trustee")

Section A Assets

According to the sworn statement of affairs, the assets of this estate consist of the following:

	Estimated to Realize
Cash in bank	\$150,000
Accounts receivable	\$150,000
Machinery and equipment	\$ 25,001
Vehicles	\$373,103

The vehicles and one piece of equipment were subject to various leases and finance statements in favour of the Bank of Nova Scotia, Catalyst Finance, GM Financial Canada Leasing and the Royal Bank of Canada. After determining that there was no equity in these assets, the Trustee released in interest in the vehicles and equipment.

The remaining assets are subject to the following trust/secured claims;

1. Canada Revenue Agency for unpaid employee source deductions estimated at approximately \$184,000; and
2. Lischkoff has guaranteed the loan provided by the Royal Bank of Canada ("RBC") to Complete Home Service Inc., a related party. As part of the guarantee, Lischkoff provided RBC with a general security agreement. According to the statement of affairs the RBC indebtedness is \$186,000. Based on further information provided to the Trustee, the indebtedness is \$217,000.

In addition to the trust/secured claims noted above, certain customers of Lischkoff may have a trust claim in the funds held by the Trustee.

There has not yet been a determination by the Trustee as to the entitlement to these funds.

Section B Conservatory and Protective Measures

Since the filing of the Assignment in Bankruptcy, the Trustee has taken the following conservatory or protective measures:

- Transferred the funds in the RBC accounts to the Trustee's trust accounts.

- Requested that the equipment be assembled and held at the companies premises pending further instructions; and;
- Registered with the Wage Earner Protection Program (former employees).

Section C Legal Proceedings

To date, the Trustee has not taken any legal proceedings.

Section D Provable claims

Claims against this estate appear to be as follows:

	Per statement of affairs	Filed to date
Secured/trust	\$ 743,104	\$ 280,855
Preferred	\$ Nil	\$ 2,000
Unsecured	\$3,033,080	\$1,283,020

The variances between the unsecured amounts reflected on the Statement of Affairs and those filed to date are a result of:

- (i) Creditors who have not yet filed claims;
- (ii) Creditors who have filed claims not reflected on the statement of affairs; and
- (iii) Differences between the estimated liabilities and those filed to date.

Section E Secured Creditors

The secured creditors in this estate as reflected on the statement of affairs are as follows:

Canada Revenue Agency (trust claim)	\$184,000
RBC (term loan and Visa debt guaranteed)	\$217,000
RBC (financed vehicles)	\$111,390
The Bank of Nova Scotia (financed vehicles)	\$261,710
Catalyst Finance (leased equipment)	\$ 1
GM Financial Canada Leasing (leased vehicles)	\$ 3

Section F Anticipated Realization and Projected Distribution

Based on the estimated recovery and the trust/secured claims, the Trustee is of the opinion that there will be no funds available for distribution to unsecured creditors.

**Section G Reviewable Transactions, Preference Payments and Other Matters
& H**

The Office of the Superintendent of Bankruptcy received an anonymous complaint regarding the affairs of Lischkoff. The matter was referred to the Trustee who will review the issues raised in conjunction with its preliminary review of the books, records and financial transactions Lischkoff. Once the Trustee's review is completed, a report will be provided to the estate inspectors.

Dated at Toronto, Ontario, this 5th day of December, 2022.

**ROSEN GOLDBERG INC.
LICENSED INSOLVENCY TRUSTEE**