

Province of Ontario
Division No.: 09 - Toronto
Court / Estate No.: 31-2867840

**IN THE MATTER OF THE BANKRUPTCY OF
GREEN SANITECH INC.
IN THE CITY OF PICKERING
IN THE REGIONAL MUNICIPALITY OF DURHAM,
IN THE PROVINCE OF ONTARIO**

TRUSTEE'S PRELIMINARY REPORT

Green Sanitech Inc. (the "Debtor" or the "Company" or the "bankrupt corporation") filed an assignment in bankruptcy on September 22, 2022 and Goldhar & Associates Ltd ("**Trustee**") was appointed as Trustee of the Estate of the Bankrupt by the Office of Superintendent of Bankruptcy.

The First meeting of creditors has been scheduled to be held on October 13, 2022 at 11.00 AM Via Zoom through link

<https://us06web.zoom.us/j/86770722205?pwd=dzN2b2VKZlZlQUowMnFPRmxETThyQT09>
using Meeting ID: 867 7072 2205

The Trustee in this report provides its findings regarding the affairs of the bankrupt corporation and will assist the creditors inspectors, if appointed, on providing directions to the Trustee on certain matters, and voting on any matters required.

To vote at the creditors meeting or to participate in any dividend distributions, creditors must submit to the Trustee a properly completed proof of claim, together with a statement of account attached thereto as Schedule "A" (collectively referred to as the "Claim")

Creditors are encouraged to attend the creditors meeting. Creditors can also appoint a person to represent them at the creditors' meeting by submitting a properly completed proxy form with the proof of claim form. All corporations must name a proxy.

Filing your claim is sufficient notice to us of any disagreement you may have with respect to the amount reported due to you in the initial documents of statement of affairs. The completed claim can be delivered to the Trustee's office by mail, courier, facsimile, electronic mail, or in person.

- **Disclaimer**

The information in this report is provided to assist the creditors in evaluating the Debtors affairs. All stakeholders are requested to note that the information contained in this Preliminary Report has been prepared from the available books and records of the company and discussion with the Management. We have not reviewed or otherwise audited the information provided by the Debtor and consequently, we are not expressing an opinion with respect to the validity, accuracy or the reliability of the information contained herein.

A. Background

The company was incorporated in July 2019 as Green Sanitech Inc. with its registered office at 16 Servington Crescent, Toronto, ON, M4S 2J3.

The details of ownership, directors, and officers, of the bankrupt corporation, is noted below:

Name	Shareholding	Director	Designation
Michael Elliott	100%	Yes	President / Officer of the Bankrupt Corporation

The debtor commenced operations for distribution of disinfectants around September 2019, at a leased premises located at Unit # 251-1885 Clements Rd, Pickering, ON, L1W 3V4.

As advised by the officer of the bankrupt corporation, the business operated on a low capacity and was facing pricing pressure right from the beginning. The operations were ceased around June 2022 for reasons noted below. As advised, the lease for the premises was cancelled and there are no arrears to the former landlord.

B. CAUSES OF INSOLVENCY

The cause of bankruptcy, as advised by the president of bankrupt corporation are noted below and has not been verified by the Trustee for validity or accuracy.

As advised by the officer of bankrupt corporation, the business started operations around September 2019, as a distributor of disinfectant in and around Toronto. The business was started with an understanding that the debtor will have exclusive distribution rights in Toronto, which did not materialize. As a result, there were multiple distributors, and the price was under pressure since the beginning. Within a few months after commencing operations, the price had reduced by almost 20% for a gallon of disinfectant, which further reduced by the end of 2021 as the Covid pandemic related guidelines started to ease.

Also, it has been advised that the master distributor had set the payment terms for an upfront payment, prior to shipment, whereas most of the debtor's clients/customers asked for 30 day payment terms, essentially requiring the debtor to finance its operations. The financial position of the debtor was adversely affected by an alleged fraud against the debtor corporation that took place during the summer of 2021 and resulted in an economic loss of close to \$22,000. As advised by the office of bankrupt corporation, the said fraud was reported by the debtor to the Financial Crimes Unit (Fraud Intake) of the Durham Regional Police Service. However, this eroded the capital buffer of the corporation that was helping them to finance inventory.

Given the sanitization and disinfecting practice and procedures developed during the Covid Pandemic, the market for disinfecting solutions was saturated by the end of 2021 and beginning of 2022 and around the same time, the general public was moving towards the eased/relaxed disinfecting practices, adversely affecting the business. This practice eventually reduced substantially during the second quarter of 2022, making the business unviable and led to the debtor ultimately making an assignment to bankruptcy.

C. Operations -

As advised by the officer of bankrupt corporation, the debtor ceased all operations around June 2022.

D. The Trustee's Duties under Section 16(3) of the Bankruptcy Act :

➤ Leased Premises and Equipment

As noted above, the Debtor was operating on leased premises located at Unit # 251-1885 Clements Rd, Pickering, ON, L1W 3V4. As advised by the office of bankrupt corporation, the lease for the premises was cancelled around June 2022 and the premises vacated, and that there are no arrears of rent to the landlord.

➤ Books and Records

The officer of the bankrupt corporation has provided the trustee with draft financial statements compiled by the management (not reviewed or audited) as at September 9, 2022. The officer of the bankrupt corporation has also advised that the HST returns have been filed upto April 2022, Corporate Tax Returns have been filed upto the year ended July 2021 and that no amounts are estimated to be payable. The final return filed for the reporting period ending July 2022 had an estimated refund of \$5,100 which is yet to be assessed by the CRA and the trustee is currently working with the officer of bankrupt corporation towards the realization of potential refund.

The Trustee is not in possession of the books or records although, the officer of bankrupt corporation has acknowledged to extend necessary cooperation to allow access to the historic records as may be required.

➤ Receivables

As per the latest available financials provided by the officer of bankrupt corporation, there are no receivable as on the date of bankruptcy.

➤ Other Assets

The inventory available with the business was liquidated over the course of operations upto the closing of the business and there are no other potential assets to be realized except for a potential HST refund noted earlier in the report.

There was an intangible asset for a franchise fee paid by the debtor for an amount of \$44,247.00, however, after the close of business, the officer of bankrupt corporation has advised that there is no potential realizable value from the intangible asset and it was written off at the time of closing the business.

E. Employees

The Trustee has been advised that there were no employees in the corporation at the time of closure of operations. The Trustee does not expect to be administering any claims under the Wage Earners Protection Program.

F. Legal Proceedings

As per the records available with the Trustee and the information provided by one of officer of the Debtor, there is one matter of investigation related to the alleged fraud suffered by the debtor corporation. The said fraud was reported by the debtor to the Financial Crimes Unit (Fraud Intake) of the Durham Regional Police Service.

G. Conservatory and Protective Measures

As noted earlier in the report, the debtor had ceased operations prior to assignment in bankruptcy and there were no assets available with the debtor corporation at the date of assignment to bankruptcy.

H. Provable Claims

The Trustee sent out the Notice of Bankruptcy and the First Meeting of Creditors on September 26, 2022, to all known creditors of the bankrupt through email, facsimile or ordinary prepaid mail.

The claims of creditors as per the debtor's sworn Statement of Affairs ("**SOA**") and the claims filed as at 5.00 pm, October 12, 2022 are summarized below:

Creditors Group	Statement of Affairs (\$ / #)	Claim as Filed (\$ / #)
Unsecured Creditors	396,168.60 (20)	26,843.93 (3)
Preferred Creditors	--	--
Secured Creditors	-- (--)	-- (--)
Total	396,168.60	26,843.93

- The Trustee is not aware of any preferred or trust claims at this moment.

I. Secured Creditor

As advised by the officer of bankrupt corporation, there are no secured creditors.

J. Anticipated Realizations and Projected Distributions

As noted earlier, there are no assets available with the debtor corporation to be realized except for a potential HST refund of around \$5,100. The trustee is unable to comment on any realization at this point.

K. Appraisal

No appraisal was commissioned by the trustee as there are no assets available with the debtor corporation

L. Reviewable Transactions and Preference Payments

The Trustee has not conducted a detailed review of the books and records of the company to determine the extent, if any, of any preferences or transactions undervalue. Also, there are no funds in the estate to cover the costs associated to a detailed investigation and the creditors are advised that as per sec 38 of the BIA, the creditors may obtain an order from the court authorizing them to take over the proceeding in their own name and their own expense and risk.

M. Other Matters

- The trustee had no prior relationship with the debtor corporation or its director/officer before this assignment.
- Mr Michael G. Elliott had retained the services of Goldhar Consulting & Tax Services Inc. for professional services for which they paid a fee of \$14,500 plus HST on June 16, 2022 which was also reported by the Trustee on the Estate Information Summary submitted to the Official Receiver at the time of initial filing.
- Documents related to the bankruptcy of Green Sanitech Inc. are available on the Trustee's website at <https://www.shedthedebt.ca/corporate-engagements/>
- The officer of the bankrupt company has not been examined by the Official Receiver as per Section 161 of the BIA. However, the Trustee, creditors or inspectors may request one to be conducted, if required.
- The Trustee, at the first meeting of Creditors, will seek instructions/directions from the creditors or inspectors (if appointed) on the following matters:
 - a. Appointment of Inspectors, if any
 - b. Appointment of Estate Solicitor, if necessary
 - c. Trustee's actions, as listed on the preliminary report
 - d. Any other matter, as discussed during the meeting.
- On September 28, 2022, a newspaper advertisement was placed in the Financial Post section of National Post newspaper, informing creditors about the bankruptcy and the date and time of the meeting of creditors.

Dated at the City of Mississauga in the Province of Ontario, this 6th day of October 2022

**Goldhar & Associates Ltd – Licensed Insolvency Trustee
Trustee of the estate of Green Sanitech Inc., a bankrupt
And not in personal or corporate capacity**

Richard Goldhar

Per: Richard Goldhar, CIRP, LIT