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**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE BANKRUPTCY OF  
TRUE NORTH FREIGHT SOLUTIONS INC.  
OF THE CITY OF BRAMPTON  
IN THE PROVINCE OF ONTARIO**

**TRUSTEE'S PRELIMINARY REPORT**

**Trustee:** BDO Canada Limited ("BDO")

The purpose of this report is to inform all interested parties about the Trustee's preliminary administration and findings. Readers are cautioned that the Trustee has relied upon third parties for information in the preparation of this report and that such information may be incomplete and inaccurate. The Trustee's review of this information as part of the preparation of this report does not constitute an audit, nor has the Trustee extensively verified any of the information provided it, unless otherwise noted. Therefore, the contents of this report should be considered "for general information purposes only".

**PURPOSE OF MEETING**

Section 102(5) of the *Bankruptcy and Insolvency Act* (the "BIA") sets out specifically the purpose of the first meeting of creditors:

- (a) to consider the affairs of the bankrupt;
- (b) to affirm the appointment of the Trustee or substitute another in place thereof;
- (c) to appoint inspectors; and
- (d) to give such directions to the Trustee as the creditors may see fit with reference to the administration of the estate.

**A. BACKGROUND**

True North Freight Solutions Inc. ("True North" or the "Company") provided logistics delivery services and operated a fleet of freight trucks and trailers that serviced customers in the United States and Canada. The Company operated from a premises located at 11553 Tenth Line, Halton Hills, Ontario (the "Real Property"), which is owned by a related corporation, 1000088317 Ontario Inc. ("8317"). Manpreet Bal and Harvinder Randhawa are directors of the Company.

Pursuant to a credit agreement dated January 13, 2022 (the "Credit Agreement"), the Bank of Montreal ("BMO") provided True North: i) a \$13.0 million demand revolving line of



credit, ii) two non-revolving term facilities totaling \$7.5 million, iii) a \$1 million treasury risk line and iv) corporate credits cards with limits totaling \$300,000 (collectively the “Loans”). In addition, BMO entered into certain equipment leases with True North between February 10, 2021 and September 20, 2021. The balance outstanding under the Loans on April 9, 2024 was approximately \$20.018 million.

There were numerous defaults under the Loans, including a significant margin shortfall. Accordingly, BMO initially engaged BDO as its consultant to review the operations and financial position of True North and North Shore. Based on BMO and BDO’s findings, on April 12, 2024, BDO was appointed as the court-appointed interim receiver (in such capacity, the “Interim Receiver”) of North Shore, True North, and 8317, pursuant to an Order of the Honourable Justice Steele of the Ontario Superior Court of Justice (the “Court”).

On April 16, 2024, BMO demanded on the Loans. BMO further delivered to the Company a Notice of Intention to Enforce Security pursuant to the BIA.

On May 6, 2024, on an application brought by BMO, the Court issued a bankruptcy order (the “Bankruptcy Order”), adjudging North Shore bankrupt. Pursuant to the Bankruptcy Order, BDO was appointed as Licenced Insolvency Trustee in Bankruptcy (the “Trustee”).

BMO further proceeded to bring a motion before the Court for the appointment of a Receiver. Accordingly, on May 16, 2024, pursuant to the order of the Honourable Justice Osborne (the “Receivership Order”), BDO was appointed as Receiver, over the property, assets and undertakings of the Company.

## **B. ASSETS**

The assets of the Company are subject to the security held by BMO and various other lenders. BMO’s security consists of a general security agreement over all of the Company’s assets and property. BMO enjoys a first priority position with respect to the assets and property of True North, save and except for the priority claims of statutory priority claimants, trust claimants and holders of purchase money security interests. BDO has requested an independent legal opinion from Chaitons LLP (“Chaitons”) on the validity and enforceability of BMO’s security as against a trustee in bankruptcy.

In addition to BMO’s security, various creditors have an interest in specific assets which they have leased/financed to the Company.

The Trustee has identified assets consisting of cash, accounts receivables, loans receivable, freight trucks, and trailers (the “Assets”).

The Receiver intends to engage a third-party liquidator to market and sell the Company’s Assets that are subject to BMO’s security and the other consenting secured creditors. Certain creditors holding a security interest in specific assets have requested the release of their security, which the Receiver is reviewing with Chaitons.



Various trucks and trailers have not been located and the Receiver continues to investigate.

Consequently, there are no assets for the Trustee to administer in the bankruptcy estate.

***Books and Records***

The Company’s books and records are incomplete. The Trustee has control over of Company’s QuickBooks Online, and other cloud-based platforms.

**C. CONSERVATORY AND PROTECTIVE MEASURES**

The Trustee has taken the necessary protective measures with respect to the Assets.

**D. LEGAL PROCEEDINGS**

No legal proceedings have been commenced by the Trustee.

**E. PROVABLE CLAIMS**

The Trustee is aware of the following provable claims:

	As Per Statement of Affairs	As Filed and Admitted
Secured	\$ 25,247,718.88	\$ 1,978,114.71
Preferred	-	
Unsecured	13,027,970.49	5,646,513.76
Contingent	-	
<b>TOTAL</b>	<b><u>\$ 38,275,689.37</u></b>	<b><u>\$ 7,624,628.47</u></b>

**F. SECURED CREDITORS**

***I. CRA - Deemed Trust***

The Trustee understands that the Company has obligations owing to Canada Revenue Agency (“CRA”) in respect of outstanding employee payroll withholdings which are in excess of \$1 million. CRA will be conducting a trust examination to quantify same.

***II. BMO***



As stated above, BMO's security over the Assets of the Company is secured by a general security agreement. As at the date of bankruptcy, the indebtedness owing to BMO was approximately \$20.018 million.

**III. *Business Development Bank of Canada ("BDC")***

Pursuant to a priority agreement dated February 23, 2023 between BMO and BDC, BMO holds a priority ranking on the Assets, and a second priority ranking on the assets of 8317, including the Real Property, in relation to BDC. BDC appears to have first ranking security on the assets of 8317, including the Real Property, and a subordinate security interest in respect of the Assets in relation to BMO.

**IV. *Service Canada***

Pursuant to the *Wage Earner Protection Program Act ("WEPPA")*, employees may be entitled to receive payment for outstanding wages, vacation, commissions, travelling salesperson disbursements, termination and severance pay from Service Canada for payroll obligations unfulfilled by the Company as at the date of receivership. The Receiver is currently administering the WEPPA claims of the Company's former employees, and any related secured claim will be paid from the receivership estate.

**V. *Other Secured Creditors***

Based upon the books and records of the Company and the registrations pursuant to the *Personal Property Security Act ("PPSA")*, the Company's trucks and trailers appear to be encumbered by a wide range of creditors, including numerous equipment finance companies.

**G. REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS**

Investigations, if any, are to be conducted on instruction from the inspectors to be appointed or the creditors at large at the first meeting of creditors provided such review is funded.

**H. ESTIMATED REALIZATION AND PROJECTED DISTRIBUTION**

The Assets of the Company are subject to the secured claims of CRA, BMO, and other secured creditors. Given the estimated net realizable value of the Assets and the anticipated shortfall to the secured creditors, it is not anticipated that there will be any dividend to the unsecured creditors.

**I. CONFLICT OF INTEREST & DEPOSITS**

As discussed above, BDO was appointed as Receiver pursuant to the Receivership Order on May 16, 2024.



The Trustee has received a subordination and fee guarantee from BMO to administer the bankruptcy proceeding.

Dated at Toronto, Ontario, this 27<sup>th</sup> day of May, 2024.

**BDO CANADA LIMITED**

In its capacity as Trustee of the estate of  
True North Freight Solutions Inc.  
and not in its personal capacity  
Per:

A handwritten signature in blue ink, appearing to read 'J. Parisi'.

Josie Parisi, CPA, CA, CBV, CIRP, LIT  
Senior Vice President