

Court No. 31-3046389
Estate No. 31-3046389

**8996598 CANADA INC.
OF THE CITY OF TORONTO
IN THE PROVINCE OF ONTARIO**

PRELIMINARY REPORT OF THE TRUSTEE

BACKGROUND

8996598 Canada Inc. o/a Suncayr Inc. (the “**Company**”) was incorporated pursuant to the *Canada Business Corporations Act* on May 12, 2016. The Company manufactured and distributed a UV-response sticker called SpotmyUV (“**Spot**”). The Company wound down operations prior to filing its bankruptcy.

On February 22, 2024, the Company filed an assignment in bankruptcy and BDO Canada Limited was appointed as trustee in bankruptcy (the “**Trustee**”).

The activities of the Trustee since its appointment have primarily consisted of statutory work in accordance with the provisions of the *Bankruptcy and Insolvency Act (Canada)* (the “**BIA**”).

CAUSES OF BANKRUPTCY AND FINANCIAL POSITION

The Company purchased the intellectual property (“**IP**”) and trademark rights of Spot in 2021. However, due to the Covid-19 pandemic and restrictions on travel, sales did not reflect the growth anticipated. Following a marketing campaign, the Company struggled to pay its debts as they became due. It was soon apparent that the Company had no means to explore the quantum of marketing dollars required to continue to launch the product. After a failed effort to sell the Company as a going concern, wherein being told that costs to do so may outweigh any benefit, the Company began winding down operations as it was no longer financially viable.

ASSETS

Inventory

The Company sold its inventory prior to the bankruptcy as the costs of storage continue to accrue. The net proceeds after payment of storage costs and removal were paid to the Company’s legal counsel who assisted with, among other things, the initial review of the Revenue Sharing Agreement (“**RSA**”) entered into with the seller of the Spot intellectual property (“**Spot IP**”) and litigation initiated against the Company prior to its bankruptcy.

Intellectual Property

As specified in the RSA, the IP which includes the trademark and any and all international rights for Spot, reverted back to the seller. The Trustee is seeking an independent legal opinion on the rightful owner of this asset.

Other Assets

The Trustee believes that the Company's domains, selling platforms and remaining dye used for the Spots may have value as an interested party has made an offer to purchase. The Trustee is seeking an independent legal opinion as to the legal owner of these assets and whether they can be sold by the Trustee.

Bond held at BMO

The Company has a \$10,000 bond held at the Bank of Montreal ("**BMO**") however this bond was purchased as security for the Company's BMO credit card and is therefore encumbered. The Trustee continues to communicate with BMO should there be an unsecured balance owing to the estate.

HST Credits

Prior to the bankruptcy and soon after the filing of the Assignment in Bankruptcy, the Company filed its outstanding harmonized sales tax ("**HST**") returns. The Trustee has notified the Canada Revenue Agency ("**CRA**") of the bankruptcy and that any refunds should be sent to the estate trust account. The Trustee anticipates approximately \$100,000 will be received from CRA.

Books and Records

The Trustee has been provided with the records required to administer the bankrupt estate.

SECURED CREDITORS

The Company's Statement of Affairs ("**SOA**") identifies two secured creditors. The secured creditors are BMO for amounts totalling \$7,800 and Dig It Apparel Inc. ("**DIA**"), a related entity, for \$1.9 million.

Searches performed under the *Ontario Personal Property Securities Act* (PPSA) also list BMO and DIA as secured creditors.

SECURITY FOR UNPAID WAGES – S.81.3 CLAIMS

The Company had no employees at the time of bankruptcy nor during the wind-down. Any employees that performed work for the Company were paid from a related entity. Accordingly, there are no amounts that would qualify as a claim under section 81.3 of the BIA.

PREFERRED CREDITORS

There are no known preferred creditors in this administration.

UNSECURED CREDITORS

The Company's SOA shows 28 unsecured creditors with claims totalling approximately \$1.1 million which includes the balance of a secured claim for which there are insufficient assets to fully satisfy its secured claim.

PROVABLE CLAIMS

As at March 12, 2024 at 9:15 a.m., the Trustee has received three Proofs of Claim (“POC”), as summarized below:

	Per SOA (#)	Amount per SOA (\$)	POC’s filed (#)	Amount per POC (\$)
Secured	2	1,939,500	1	\$ 150,000
Unsecured	28	1,067,537	4	2,640,159
TOTAL	30	\$3,007,037	5	\$2,790,159

PREFERENCE PAYMENTS AND TRANSFERS AT UNDER VALUE

The Trustee has not performed a review of the Company’s books and records with respect to potential fraudulent preferences, settlements, or transfers at undervalue, as defined in the BIA. The Trustee will discuss the scope of its review, if required, with the Inspectors, if appointed, at the first meeting of inspectors.

LEGAL PROCEEDINGS

At the date of bankruptcy there were two Statements of Claim provided wherein the Company was the defendant. The Trustee issued Notices of Stay of Proceedings in both matters. The Trustee understands that the claims may have some value to certain parties and will further discuss any potential transfer of the rights to the claim with the secured creditor(s) and/or Inspectors, if appointed.

CONSERVATORY AND PROTECTIVE MEASURES

The Trustee has contacted the banks which have funds in the name of the Company to freeze any withdrawals and allow only deposits. The Trustee continues to communicate with the financial institutions in order to receive any cash balances available to the estate, if any.

THIRD-PARTY GUARANTEE

In consideration for consenting to act in these proceedings, a nominal deposit was received by the Trustee to guarantee payment of the Trustee’s fees and disbursements, should there be insufficient funds from the realizations of the estate assets.

Dated at Toronto, Ontario, this 12th day of March 2024.

BDO Canada Limited
in its capacity as Trustee of the estate of
8996598 Canada Inc.
and not in its personal capacity



Anna Koroneos, CIRP, LIT