Province of **Ontario**
Division No. **09 - Toronto**
Court No. **31 - 3177051**
Estate No. **31 - 3177051**

IN THE MATTER OF THE BANKRUPTCY OF

BILL BENNETT MOTORS INC.

TRUSTEE'S PRELIMINARY REPORT

PURPOSE AND DISCLAIMER

The purpose of this report is to inform all interested parties about the Trustee's preliminary administration and findings of the bankrupt estate. 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, unless otherwise noted. Therefore, the contents of this report should be considered "for general information purposes only".

BACKGROUND AND CAUSES OF INSOLVENCY

Bill Bennett Motors Inc. (**"Bennett Motors"** or the **"Company"**) was incorporated under the Business Corporate Act of Ontario on October 9, 1986. William Joseph Bennett ("**Mr. Bennett**") is the sole director and owns 100% of the Company's shares.

Mr. Bennett's father, Bill Bennett Sr. started a used car dealership in 1978 operating as a sole proprietorship under the banner Bill Bennett Motors. In 1983, following his father's retirement, Mr. Bennett assumed control of daily operations, eventually incorporated the business. In late 2019, the Company sold its physical premises located at 77 High St., Sutton West, Georgina, Ontario and has since operated as a virtual inventory dealership allowing it access to vehicles without being limited to what the Company could finance and carry on a lot.

The Company focused on selling good condition late model vehicles with a remaining balance of factory warranty. Bennett Motors largely sold vehicles to a local customer base with approximately 90% of its client base being repeat customers according to management. The Company was recently awarded the 2019 best used car dealership and best in automotive financing from the Georgina Advocate, and also was a repeat winner of the Georgina Advocate's Reader's Choice Award for the last five (5) years.

In operating as a virtual dealership, the Company effectively used its license as a registered dealer under the Ontario Motor Vehicle Industry Council ("**OMVIC**") to sell and close vehicles on behalf of other virtual automobile vendors. In early 2020, Bennett Motors began selling vehicles almost exclusively with 1602964 Ontario Inc., operating as Auto Quest Group ("**Auto Quest**"), earning a nominal fee per vehicle sold.

Bennett Motors, in its virtual business dealings with Auto Quest, effectively outsourced certain aspects of the vehicle sale process to Auto Quest including i) confirming all financed vehicles were legitimate, properly titled, and capable of being legally registered in Canada; ii) registering and inspecting vehicles; iii) and maintaining accurate and complete records of all transactions related to financed vehicles.

According to management, in January 2024, the Company noted some irregularities in its dealings with Auto Quest, including what appeared to be a vehicle sale cancellation authorized by an individual claiming to have signing authority of Bennett Motors, eventually leading to over $100,000 being withdrawn from the Company's bank account without authorization. The Company soon after halted business dealings with Auto Quest and ceased operations.

The Company's financial challenges primarily stemmed from the following:

(a) the dispute between the Company and Auto Quest eventually led to a statement of claim being filed by Auto Quest with the Ontario Superior Court of Justice (the "**Court**") on October 24, 2024 (the "**Auto Quest Claim**"). The plaintiff claimed payment for three (3) vehicles totaling approximately $130,000 was owing from Bennett Motors, stating the defendant failed to pay for the vehicles in question notwithstanding having re-sold or leased these vehicles to third parties. The Company did not file a defense with respect to the Auto Quest Claim; and

(b) on November 25, 2024, the Company's counsel received a demand notice from Scotiabank Dealer Advantage ("**SDA**") for payment and documentation related to loans facilitated by Bennett Motors (the "**SDA Demand**"). The demand noted that Bennett Motors i) failed to ensure three (3) vehicles financed by SDA were legitimate, properly titled, and capable of being legally registered in Canada; ii) demanded information related to two (2) vehicle loans with suspicious vehicle registration and inspections brokered from Auto Quest; and iii) demanded missing bank draft evidence related to the sale of other vehicles. Further, certain vehicle identification numbers ("**VINs**") were determined to be fraudulent and vehicles were exported prior to the date of financing, constituting a breach of the financing obligations. SDA demanded reimbursement of approximately $121,000 in loans related to two (2) vehicles and proof of valid inspections and bank drafts, or reimbursement of an addition approximately $135,000 related to three (3) additional vehicles.

Company management maintains that it was subject to fraudulent activity with respect to certain vehicle sales in association with its dealings with Auto Quest. These factors collectively contributed to Bennett Motors financial insolvency as it did not have the ability to defend the Auto Quest Claim and defend or meet the terms of the SDA Demand. The Company filed a voluntary assignment in bankruptcy on January 22, 2025 with BDO Canada Limited ("**BDO**") appointed as Licensed Insolvency Trustee (the "**Trustee**") over the bankruptcy estate.

Further information on the bankruptcy proceedings, including the Trustee's reports, can be accessed on BDO's website at:

https://www.bdo.ca/services/financial-advisory-services/business-restructuring-turnaround-services/current-engagements/bill-bennett-motors-inc.

ASSETS

The following table summarizes Bennett Motors's assets and liabilities as detailed in the Statement of Affairs ("**SOA**") as at January 20, 2025, including the estimated net realization value of the Company's assets and deficiency to unsecured creditors. The asset values reflected below are net book values as detailed in the Company records as at September 30, 2024 (prior to the bankruptcy proceedings).

Bill Bennett Motors Inc. Statement of Affairs as of January 20, 2025 In CAD ($)	Net Book Value	Estimated Net Realization Value
Assets		
Cash	1	-
Inventory	1	-
Machinery and equipment	1	-
Vehicles	51,650	-
Intangible assets	1	-
Other property	75,207	-
Total Assets	**126,861**	**-**
Liabilities		
Secured Claims		44,120
Unsecured Claims		6
Deferred Claims		945,440
Total Liabilities		**989,566**
Deficiency		**(989,566)**

***Disclaimer**: The SOA was prepared by using the internal records of the Company. The information contained and discussed herein has not been audited, reviewed, or otherwise verified by BDO, and as such BDO expresses no opinion, whether expressed or implied, regarding the accuracy of the information contained herein.*

Cash

At the date of bankruptcy, the Trustee understands the Company held approximately $216 in its bank account at Toronto Dominion Bank (“**TD Bank**”).

Subsequent to the date of bankruptcy, the Trustee learned that Auto Quest obtained a judgement order on December 4, 2024 granted by the Court, in the amount of approximately $130,000 with respect to the Auto Quest Claim (the “**Auto Quest Judgement**”). TD Bank was issued a garnishment notice from the Court on January 17, 2025 pertaining to the Auto Quest Judgement. On January 27, 2025, subsequent to the date of bankruptcy, $216 was withdrawn form the Company’s bank account at TD Bank. Since, the Trustee has made written requests to both Auto Quest’s counsel and TD Bank informing the garnishment of the Company’s bank account was subject to a stay of proceedings, and therefore the funds are to be provided to the Trustee for the general benefit of the Company’s creditors.

Vehicles

The vehicle asset pertains to a leased 2021 GMC Sierra 1500 (VIN 3GTU9FEL3MG476919) financed by TD Auto Finance (Canada) Inc. ("**TD Auto**") with a book value of $51,650. The vehicle was leased in the Company’s and Mr. Bennett’s personal name. TD Auto was owed approximately $44,000 as at the date of bankruptcy.

The Trustee understands that prior to the date of bankruptcy, Mr. Bennett and TD Auto came to an agreement whereby the Company was removed from vehicle ownership leaving Mr. Bennett as the sole owner. Based on a preliminary analysis, the Trustee does not believe there was equity in the vehicle considering costs of seizure and realization at liquidation value.

Related Party Receivable

The Company has a receivable owing from Crescent Beach Holdings Inc. ("**Crescent Beach**") in the amount of $75,207. 100% of the shares of Crescent Beach are owned by Anne Bennett, the spouse of Mr. Bennett. Anne Bennett is also a creditor of the Company, with approximately $270,000 in "related party loans" owing from Bennett Motors. Therefore, the related party receivable would likely not be collectable due to offset arguments.

According to the Company's latest internal financial statements dated September 30, 2024, the Company did not have any other material assets.

CONSERVATORY AND PROTECTIVE MEASURES

(a) Conservatory and protective measures

The Trustee issued a written request to TD Bank requesting it to freeze all bank accounts held at the institution by Bennett Motors and to provide the Trustee a draft clearing the accounts, if applicable.

(b) Carrying on business

The Trustee understands the Company ceased operations in January 2024. The Trustee has no plans to operate the business.

(c) Books and records

Paper and electronic books and records of the Company that are relevant to the bankruptcy administration are under the custody and control of the Trustee.

LEGAL PROCEEDINGS

As noted above, the Auto Quest Judgement was granted by the Court on December 4, 2024. Any further actions to collect upon the Auto Quest Judgement would be subject to the stay of proceedings which took effect on the date of bankruptcy, January 22, 2025.

The Trustee is not aware of any other legal claims against the Company.

PROVABLE CLAIMS

The Trustee will review proofs of claim advanced by the Company's creditors and has not at this time completed an adjudication of the claims.

SECURED CREDITORS

The Trustee understands that the Company's secured creditors are as follows:

a) TD Auto is owed approximately $44,000 with respect to a leased 2021 GMC Sierra 1500 – VIN 3GTU9FEL3MG476919.

b) 1396960 Ontario Limited, also operating as “Auto Quest Group”, holds a registered PMSI against the Company related to a 2020 Ford COF – VIN 1FTEW1EP5LFB91058 (a further description of the vehicle is not provided).

   The Company informed the Trustee that it is not aware of it ever owing a vehicle as described in the PMSI registration. The Trustee’s preliminary review of the Company’s financial records did not identify an asset on this description.

ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

For reasons noted in the Assets section above, the Trustee does not anticipate significant asset realizations within the estate for the benefit of unsecured creditors. Further, the Trustee does not have funds available to pursue asset realizations or to conduct a sale process if assets were to become available to the estate. Therefore, the Trustee anticipates a significant shortfall to unsecured creditors.

PREFERENCES AND TRANSACTIONS AT UNDERVALUE

The Trustee is not currently aware of any preferential payments or transactions at undervalue. The Trustee will report any findings to the estate inspectors, if any, for further consideration in due course. Should any creditors have knowledge of potential preferential payments or transactions at undervalue, they are encouraged to contact the Trustee.

SECTION J - OTHER MATERIAL MATTERS NOT COVERED ABOVE

Mr. Bennett, the sole director and officer of the Company, advanced $10,000 to the Trustee in his personal capacity as a third-party deposit to cover professional fees and any additional costs, or a portion thereof, related to the administration of the estate. An additional $5,000 was transferred to the Trustee in the form of a retainer.

Dated at Halifax, Nova Scotia this 10th day of February 2025.

BDO CANADA LIMITED
In its capacity as Licensed Insolvency Trustee
in Bankruptcy of Bill Bennett Motors Inc.
and not in its personal capacity

Per:

Neil Jones, CPA, CA, CIRP, LIT
Senior Vice President