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Estate No.: 35-3357213

IN THE MATTER OF THE BANKRUPTCY OF  
HY-MARK MECHANICAL INC.  
OF THE TOWNSHIP OF PUSLINCH  
IN THE PROVINCE OF ONTARIO

TRUSTEE'S PRELIMINARY REPORT

Trustee: BDO Canada Limited ("BDO")

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

Hy-Mark Mechanical Inc. ("Hy-Mark" or the "Company") operated as an HVAC company which operated from a leased premises in Puslinch, Ontario. The Company was incorporated on January 19, 2022, pursuant to the laws in the province of Ontario.

Hy-Mark was acquired by MechCan Inc. ("MechCan") in February 2022. MechCan was incorporated for the purpose of consolidating HVAC and plumbing companies. MechCan funded the acquisition of Hy-Mark and various other corporate entities (collectively, the "MechCan Group") through a combination of debt from National Bank of Canada ("NBC") of approximately \$9 million and equity capital of approximately \$15 million. The total NBC debt is cross-guaranteed by Hy-Mark and the other entities that were acquired by MechCan.

In or around early 2025, the MechCan Group began experiencing financial difficulties due to various challenges in the economic environment, including: a) a reduction in consumer spending; b) increased costs due to trade and tariff wars; c) the pandemic pull-forward where by many households replaced HVAC systems and equipment during the COVID-19 pandemic; and d) the end of government rebate programs.

The MechCan Group undertook a turnaround plan which focused on operational initiatives in an effort to reduce costs. The cost of the initiatives together with the changed economic environment stressed the MechCan Group's liquidity. As a result, Hy-Mark ceased operations in or around March 2026.

As a result, on April 8, 2026, the Company filed a notice of intention to file a proposal under the BIA (the "NOI"). BDO was named as the Trustee of the proposal. MechCan and other entities in the MechCan Group also made NOI filings around the same time.

The Company did not file a proposal within the 30-day deadline and was deemed bankrupt as a result on May 9, 2026.



B. ASSETS

The Company's books and records show that the assets consist of accounts receivables, inventory, equipment, tools, and vehicles. The Trustee has engaged a sales agent, BDO Canada Transaction Advisory Services Inc., to facilitate a sales process to market and sell the Company's assets. The Trustee is also in the process of collecting the Company's accounts receivables.

*Books and Records*

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

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:

	Statement of Affairs	As Filed and Admitted
Secured	87,941	-
Preferred	-	-
Unsecured	894,657	59,231
Contingent	-	-
Total	\$ 982,598	\$ 59,231

F. SECURED CREDITORS

*I. CRA - Deemed Trust*

The Trustee is not aware of any obligations owing to Canada Revenue Agency ("CRA") in respect of outstanding employee payroll withholdings. However, CRA has yet to perform a trust examination to confirm same.

*II. National Bank of Canada ("NBC")*

NBC is the Company's senior secured creditor. NBC'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 NBC was approximately \$64,000. Hy-Mark has guaranteed the debt of the MechCan Group which totals approximately \$9 million.



III. *Canadian Imperial Bank of Canada ("CIBC")*

CIBC'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 CIBC, if any, is unknown.

IV. *Purchase Money Security Interest ("PMSI") Creditors*

A *Personal Property Security Act* ("PPSA") search shows PMSI registrations by GM Financial Canada Leasing Ltd., Ford Credit Canada Leasing, Scherer Leasing Inc., and Jim Peplinski Leasing Inc. relating to various vehicles and equipment. The amounts owing to these PMSI creditors is currently unknown.

V. *Service Canada*

No amounts were owed to the Company's former employees that would qualify as a claim under section 81.3 of the BIA, as the Company had paid all amounts owing in respect of any outstanding wages and/or vacation pay. The Trustee is not aware of any potential claims pursuant to section 81.3 of the BIA. However, the Trustee will be administering claims for the former employees for any eligible termination and severance pay through the *Wage Earner Protection Program Act* ("WEPPA").

G. REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

The Trustee is not aware of any transactions with related parties or preferential 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 security of NBC 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

The Trustee has received a fee guarantee from NBC to administer the bankruptcy proceeding.



Dated at Toronto, Ontario, this 26<sup>th</sup> day of May, 2026.

BDO CANADA LIMITED  
In its capacity as Trustee of the estate of  
Hy-Mark Mechanical 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