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Estate No.: 31-3354893

IN THE MATTER OF THE BANKRUPTCY OF
MECHCAN INC.
OF THE CITY OF TORONTO
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

MechCan Inc. ("**MechCan**" or the "Company") was incorporated on January 17, 2022, for the purposes of consolidating HVAC and plumbing companies. MechCan set out to be an acquirer of choice for owner-operated Canadian HVAC and plumbing contractors by providing a retirement solution that would respect the local nature of these businesses while also providing access to the benefits of scale, including shared services such as marketing, accounting, and purchasing power.

Between February 2022 and August 2024, the Company completed eleven (11) transactions that resulted in MechCan wholly or partially owning the following entities, among others: J.D. Swallow Heating Contractors Inc.; Harmony Heating & Air Conditioning Inc.; Pro Ace Heating & Air Conditioning Ltd.; Comfort Zone Heating & Air Conditioning Inc.; Hy-Mark Mechanical Inc.; B.R.'s Plumbing & Heating Inc., Total Home Energy Systems Inc.; Pope & Sons Inc. (collectively the "**MechCan Entities**").

MechCan funded the acquisition of MechCan Entities and various other corporate entities 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 the MechCan Entities.

In or around early 2025, the MechCan Entities 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.

MechCan 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 Entities' liquidity. As a result, the MechCan Entities filed notices of intention to file proposals under the BIA ("**NOI**") or filed for bankruptcy.

On March 31, 2026, MechCan also filed an NOI. Prior to the expiry of the initial 30-day stay extension, MechCan obtained a second stay extension to June 15, 2026. MechCan did not file a proposal by June 15, 2026 and was deemed bankrupt as a result on June 16, 2026.

B. ASSETS

The Company's books and records show that the assets consist of various ownership interests in the MechCan Entities. In addition, MechCan indirectly owns a minority interest in John the Plumber Inc. (through its 100% ownership interest in 8708916 Canada Inc.).

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	3,362,568.54	3,362,568.54
Preferred	-	-
Unsecured	3,513,703.36	67,586.64
Contingent	-	-
Total	6,876,271.90	3,430,155.18

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 $3.4 million. MechCan has guaranteed the debt of the MechCan Entities which totals approximately $9 million

III. 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 5th day of July, 2026.

BDO CANADA LIMITED
In its capacity as Trustee of the estate of
MechCan Inc.
and not in its personal capacity
Per:

J. Parisi

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