

Court No. 32-2956516
Estate No. 32-2956516

**IN THE MATTER OF THE BANKRUPTCY OF
DMI Exim Limited**

**TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS
ON PRELIMINARY ADMINISTRATION**

BACKGROUND

DMI Exim Limited (“**DMI**” or the “**Company**”) was a global marketer and distributor of physical commodities, including agricultural goods such as chickpeas, lentils, soybeans and other beans, engineered goods and industrial chemicals.

DMI operated out of its head office, which is owned by the Company and located at 10 Falconer Dr., Unit 3, Mississauga, Ontario, L5N 3L8 (the “**Real Property**”).

The Company had two (2) employees as at the date of bankruptcy, July 28, 2023.

INSOLVENCY PROCEEDINGS

Notice of Intention to File a Proposal

On June 19, 2023, DMI filed a Notice of Intention to Make a Proposal (the “**NOI**”) pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), and Grant Thornton Limited was named as the proposal trustee in the NOI. On July 19, 2023, the Company filed a proposal under Part III, Division I of the BIA (the “**Proposal**”). As a result of the assignment in bankruptcy made by DMI on July 28, 2023, the NOI proceedings have terminated, and no further steps are being taken by the Company in respect of the Proposal.

Bankruptcy Proceedings

On July 28, 2023 (the “**Bankruptcy Date**”), DMI filed an assignment in bankruptcy (the “**Bankruptcy Proceedings**”) and KPMG Inc. (“**KPMG**”) was appointed as trustee of the estate of the bankrupt (the “**Trustee**”) by the official receiver, subject to affirmation by the creditors of the Trustee's appointment or substitution of another trustee by the creditors.

On August 3, 2023, a notice of the first meeting of creditors, a list of creditors, proof of claim form and proxy were sent to all known creditors of the Company, and on August 9, 2023, a notice of the bankruptcy and the first meeting of creditors was published in the National Post. The first meeting of creditors will be convened on August 17, 2023, at 11:00am EST.

The activities of the Trustee since its appointment have primarily consisted of statutory work in accordance with the provisions of the BIA.

Receivership Proceedings

On August 1, 2023 (the “**Receivership Date**”), pursuant to an order (the “**Receivership Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”), KPMG was appointed as receiver and manager (the “**Receiver**”) of all of the assets, undertakings and properties of DMI, including, but not limited to, the Real Property, acquired for, or used in relation to the Company's business (collectively, the “**Property**”), pursuant to section 243 of the BIA, and under Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43.

CAUSES OF INSOLVENCY

DMI's customers are primarily commodities importers and distributors located in foreign countries, including Pakistan, India, Ethiopia, Turkey, and the United Arab Emirates, that have experienced U.S. dollar shortages, which shortages have resulted in these customers not paying amounts owing to DMI in accordance with contracted payment terms. This led to DMI experiencing liquidity issues, ultimately resulting in the above-noted insolvency proceedings.

ASSETS AND SECURITY INTERESTS

Assets

The primary assets of the Company are accounts receivable and the Real Property. Based on the books and records of the Company, the estimated book value of the Property as at the Bankruptcy Date is set out below.

Assets	(\$CAD)
Cash and cash equivalents ⁽¹⁾	128,000
Accounts receivable ⁽²⁾	47,680,951
<u>Land and building ⁽³⁾</u>	<u>761,617</u>
Total	48,570,568

Notes:

(1) As per the Company's bank statements as at July 28, 2023.

(2) As per the Company's books and records.

(3) Net book value of the Real Property as per the Company's books and records.

Security Interests

As at the Bankruptcy Date, DMI's two known secured creditors were HSBC Bank Canada (“**HSBC**”) and BMW Financial Services (“**BMW**”).

The Receiver has obtained an independent legal opinion from Blake, Cassels & Graydon LLP with respect to the validity and enforceability of the security granted in favour of HSBC, concluding (subject to the qualifications, assumptions and limitations included therein), that HSBC has a valid, enforceable and first-in-time registered security interest against DMI and the Trustee with respect to the personal property of DMI, a valid, enforceable and first-in-time registered legal mortgage and charge of the Real Property and a valid, enforceable and first-in-time registered legal charge and security interest in the rents of the Real Property.

The Trustee nor the Receiver have obtained an independent legal opinion with respect to the validity and enforceability of the security granted in favour of BMW, which security relates to a motor vehicle of DMI.

BOOKS AND RECORDS

The Trustee has taken possession of the books and records of the Company, including financial statements, bank statements, general ledgers, and documents in support of the Company's outstanding accounts receivable.

CREDITORS

Security for Unpaid Wages – s81.3 Claims

There are no outstanding wages or vacation pay owing by DMI.

Secured Creditors

DMI's Statement of Affairs indicates that there were two (2) secured creditors as at the Bankruptcy Date, as follows:

Secured Creditor	Estimated Amount Owed (\$CAD)
HSBC	\$29,441,837
BMW Financial Services	\$16,000

Preferred Creditors

DMI's Statement of Affairs indicates that there were no known preferred creditors as at the Bankruptcy Date.

Unsecured Creditors

DMI's Statement of Affairs indicates that there are collectively seven (7) unique unsecured creditors with amounts owing of approximately \$2,491,304 in aggregate (not including amounts owing to HSBC or BMW).

PROVABLE CLAIMS

As at 10:00 am EST on the date of this report, the Trustee had recorded one (1) secured Proof of Claim filed in the amount of \$29,072,432.48 and three (3) unsecured Proof of Claims filed in the aggregate amount of \$412,061.42. No proxy in favour of the Trustee has been filed.

PROJECTED DISTRIBUTION AND ANTICIPATED ASSET REALIZATION

All recoveries related to the Property will be dealt with by the Receiver in the Receivership Proceedings and as such, there are not expected to be any proceeds available for distribution to any creditors of the Company through the Bankruptcy Proceedings.

REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

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. It is the intention of the Trustee to discuss the scope of its review with the Inspectors to be appointed at the first meeting of creditors.

TRUSTEE ACTING FOR SECURED CREDITOR

As noted herein, the Receivership Proceedings are ongoing, and KPMG is continuing to act as Receiver in the Receivership Proceedings. The fees and disbursements of the Receiver are being paid pursuant to the Receivership Order and any further orders of the Court in the Receivership Proceedings. Pursuant to the Receivership Order, the Receiver is empowered and authorized to fund the costs of the Bankruptcy Proceedings from the proceeds of the Receivership Proceedings.

OTHER

Further information related to the Bankruptcy Proceedings and the Receivership Proceedings may be obtained from KPMG's website at: <https://kpmg.com/ca/dmi>.

Dated at Toronto, Ontario, this 17th day of August 2023.

KPMG Inc.

in its capacity as Trustee of the estate of
DMI Exim Limited
and not in its personal capacity

Per:



Anamika Gadia
Senior Vice-President



George Bourikas, LIT
Vice-President