District of Ontario
Division No. 11 - Kingston
Court No.: 33-3353399
Estate No.:33-3353399

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF MIKE HOGAN PLUMBING AND HEATING INC. OF THE CITY OF KINGSTON, IN THE PROVINCE OF ONTARIO

TRUSTEE'S PRELIMINARY REPORT TO THE CREDITORS

Mike Hogan Plumbing and Heating Inc. (**"Hogan Plumbing"** or the **"Company"**) filed a Notice of Intention to Make a Proposal (**"NOI"**) under Division I, Part III, of the Bankruptcy and Insolvency Act (**"BIA"**) on March 30, 2026 (the **"NOI Date"**) and Link & Associates Inc. consented to act as the Trustee under the Proposal (the **"Proposal Trustee"**).

Since the NOI Date, the Proposal Trustee has filed two reports and one supplemental report to Court (the **"Court Reports"**), as follows:

- First Court Report dated April 14, 2026
- Supplemental Report to the First Report dated April 30, 2026
- Second Court Report dated June 8, 2026

On May 4, 2026, the Ontario Superior Court of Justice, in Bankruptcy and Insolvency (the **"Court"**) made two orders, one which authorized the first extension of time to file a Proposal and authorizing payments to pre-filing creditors (the **"First Extension Order"**), and a second order (the **"Lien Regularization Order"**) authorizing the Company to makes payments to those creditors which would otherwise have lien and/or trust claims to construction project funds that would not otherwise form part of the Debtor company's estate. On June 12, 2026, the Court granted an order authorizing a further extension of time to make a Proposal (the **"Second Extension Order"**) to July 30, 2026.

Each of the above Court Reports and Court Orders, and all related file documents are available on the Proposal Trustee's website at www.linkassociates.ca under Files in Progress/Mike Hogan Plumbing and Heating Inc.

On July 30, 2026, the Company filed its proposal (the **"Proposal"**) with the Office of the Superintendent of Bankruptcy (the **"OSB"**).

PURPOSE OF THIS REPORT

The Trustee's Preliminary Report to the Creditors (the **"Preliminary Report"**) provides the creditors with the following information:

- Company background;
- Causes of financial difficulties;
- Overview of activities and payments made since NOI Filing Date;
- Summary of the Proposal and projected recovery to the Class A and Class B Unsecured Creditors; and
- Proposal Trustee's recommendation

BACKGROUND

Hogan Plumbing is a unionized full-service plumbing and HVAC contractor in Kingston, Ontario. It currently employs 24 unionized plumbers (including Mike Hogan) and 18 unionized HVAC technicians, along with 3 non-union office and administrative staff.

In 2021 the Company started to fall behind with Canada Revenue Agency (**"CRA"**) on account of both payroll tax remittances (**"Source Deductions"**) and HST. Since that time, the balances grew to approximately $5.1 million, inclusive of penalties and interest. In March, 2026, CRA commenced garnishment proceedings.

In addition to CRA debts, the Company owed approximately $2.9 million to non-CRA creditors including suppliers and its unions on various projects.

At the same time, the Company had gross accounts receivable of approximately $5.25 million, however many were not being paid in a timely manner, severely impacting cash flow.

The Company filed an NOI on March 30, 2026. By doing so, the Company was able to obtain a stay of proceedings against the garnishment actions of CRA. It also allowed the Company a period of time to create a stabilized environment to continue operating as a going concern while working with its legal advisors and the Proposal Trustee to deal with the various issues facing the Company and to formulate a plan to deal with the claims of its creditors and its overdue receivable collections.

LIEN REGULARIZATION ORDER AND EXTENSION ORDERS

Since the NOI Date, and pursuant to the Lien Regularization Order and the First Extension Order, the Company has paid a total of $1,741,822 to its Unions and suppliers with priority lien and/or *Construction Act* trust claims.

The Company projects to pay out a further $500,000 - $600,000 in the near future from recent and expected future collection of receivables which contain a lien or trust component, bringing the expected total of all such payments to approximately $2.3 million. This will substantially address all of the amounts owing to the pre-filing creditors which have lien rights and/or *Construction Act* trust claims.

GENERAL INTENT

The Company's intent in making this Proposal is to seek modified repayment terms from CRA with respect to Crown Claims (as defined in the Proposal), and to continue to operate in the normal course of business and fully collect its existing and future receivables and holdback to fund the Proposal and to settle all claims against the Company and its Directors.

The Proposal creates two classes of Unsecured Creditor. It addresses residual unpaid supplier claims for which there are insufficient project and/or holdback funds to pay them (Class A), and the claims of all other ordinary unsecured creditors (Class B).

SUMMARY OF ASSETS AND LIABILITIES

On the Company's Statement of Affairs (the **"SOA"**) which was filed with the Proposal, a copy of which was sent to all Creditors, the Company lists assets of approximately $5.4 million, which consists primarily of accounts receivable and holdback, along with a quantity of vehicles and equipment, and cash in bank.

It is important to take notice that the liability amounts listed as owed to creditors on the SOA are as at the NOI Filing Date of March 30, 2026 and may differ materially from what is currently owed, because many creditors will have received payments on account of lien rights and/or *Construction Act* trust claims, in accordance with the Court Orders.

It is also important to note that while the liability balances have reduced significantly, the assets have not reduced to the same degree, as the Company has continued to operate and generate good quality receivables while primarily paying COD for materials and supplies, and keeping its payroll, union contribution, HST and Source Deductions up to date as required.

1. Assets

i) Accounts Receivable

The Company's gross accounts receivable (A/R) as at the date of filing the Proposal July 30, 2026, were approximately $4.85 million (compared to $5.25 million at the NOI Filing Date of March 30, 2026), comprised primarily of billings and holdback on both large multi-unit residential jobs, smaller construction projects, and service work.

Of the total A/R, approximately $515,000 is considered doubtful and not readily or likely collectible. Another three receivables totaling approximately $85,000 are the subject of current litigation/collection activity, with approximately $37,000 expected to be recovered from one customer under settlement shortly, and judgements to be obtained and enforced as necessary on the other two.

In addition, $414,000 of Kanata Woods project A/R dating back to 2024/25 has been written down to $100,000 due to deficiency rectification. This balance of $100,000 has been collected.

After adjusting for the foregoing, the Company's remaining collectible A/R is estimated to be approximately $3.9 million, which includes holdback balances of approximately $1.13 million.

ii) **Holdbacks Receivable**

All holdbacks are considered collectible upon project completion within the timeframes prescribed by the holdback release provisions of the *Construction Act.*

- On June 26, 2026, the Company filed a lien against the project known as Stirling Manor, in Brockville, ON, including a claim for holdback of $248,035.32. The lien was vacated by payment into Court. Counsel for Company and Owner have agreed to a consent order that will see the remaining funds paid out of Court and directed to be paid to the two unpaid suppliers holding trust claims on that project, namely O'Dell HVAC Group and United Rentals. There are no surplus funds on the Stirling project and unpaid suppliers on Stirling will need to file Trust Deficiency Claims (Class A Claim).

- Holdbacks on various other projects in progress (current balances approximately $850,000) are not expected to be collected until latter 2026 and into 2027 given project duration, however it is important to note that with no remaining unpaid suppliers with claims against the holdback amounts, these funds become a source of available cash for payment of Crown Claims and for working capital.

iii) **Other Assets**

The Company has a small fleet of vehicles (both owned and financed) used by its employees, and a quantity of tools, equipment, and shop inventory necessary to carry on its business. Net estimated realizable value on liquidation would be expected to be in the range of $100,000 - $175,000; however, no formal appraisal has been obtained as it is not considered to be a necessary expenditure to incur at this time.

2. Liabilities

i) As at March 30, 2026 (the NOI Filing Date) per the SOA, the Company listed liabilities of $8,247,993, as follows:

CRA Source Deductions	$ 3,365,024
CRA - HST	1,746,617
Vehicle Loans - Secured	226,742
Accounts Payable/Accrued Liabilities	2,909,610
Contingent Liabilities**	-
	$ 8,247,993

** As noted in the First Court Report, the Company is one of eight (8) defendants in a $5,052,370 lawsuit, pertaining to the Kanata Woods project, which is currently stayed as against the Company. The plaintiff in that lawsuit is classified as a Contingent Creditor. A Contingent Creditor may become an Ordinary Unsecured Creditor if it files a proof of claim and if it is determined by the Proposal Trustee, or the Court, to have a Claim which is provable to be that of an Ordinary Unsecured Creditor.

ii) As at July 30, 2026 (the Proposal Filing Date), the accounts payable and accrued liabilities have reduced by $1,741,822 and are expected to reduce by a further $500,000 - $600,000 within the next 30 days.

<u>THE PROPOSAL</u>

The Proposal establishes two classes of Unsecured Creditor which will vote on the Proposal. Two classes were established based upon the differing nature of the underlying claims as set out in the Proposal.

The Proposal is not being made to Secured Creditors, nor does it seek to compromise the claims of any creditors which still have lien rights and trust claims to receivable collections from progress draws and holdback pursuant to the *Construction Act*.

<u>PROJECTED DISTRIBUTION</u>

As at the date of this Preliminary Report, the Proposal Trustee has prepared a schedule which estimates the amounts owed to each known Unsecured Creditor, along with an estimate of dividends each such Unsecured Creditor is likely to receive, after accounting for all payments made and expected to be made, on account of lien rights and trust claims.

In the event that all known Unsecured Creditors file proofs of claim for amounts owed as set out herein (having accounted for all payments made and credits applied since the NOI Filing Date as authorized by the Court), and further if all such claims are determined to be proven Claims, the amount of Unsecured Claims is expected to be between \$2.4 - \$2.5 million.

Attached hereto as **Exhibit "A"** is the Preliminary Estimate of Dividends to Unsecured Creditors. The purpose of this estimate is to provide visibility for all creditors as to the quantum of expected Class A and Class B claims, and therefore an estimate of recovery for each Class under the Proposal.

Levy

Any and all payments made by the Proposal Trustee to Unsecured Creditors under the Proposal shall be paid net of levy payable under Section 147 of the BIA. The current rate of levy for distributions up to \$1 million is 5%.

DEEMED TRUST CLAIM OF CANADA REVENUE AGENCY

CRA has a deemed trust claim for unpaid Source Deductions (the **"Deemed Trust Claim"**) of \$3,267,770.97, of which \$2,325,109.01 is principal and \$942,661.96 is penalties and interest. There is also a portion of unpaid payroll taxes for the employer portion which is classified as unsecured (\$97,253.11, including penalties and interest).

CRA does not vote its Deemed Trust Claim on the Proposal, only its Unsecured Claim; however, under the BIA, no Proposal can be approved by the Court unless the Proposal provides that the Deemed Trust Claim is to be paid in full within six months of Court Approval, unless His Majesty in right of Canada (the **"Crown"**) consents otherwise.

Furthermore, even if this Proposal contained the standard deemed trust payment language, the Court needs to be satisfied that the Company can meet that six-month payment obligation. Given the amount of the Deemed Trust Claim, and the monthly cash flow the business generates, a repayment period of longer than six months is required.

The Company's Proposal contains a request of the Crown to consent to repayment of the Deemed Trust Claim over a period longer than the prescribed six months and further asks for relief from all penalties and interest on the Deemed Trust Claim.

For greater certainty, what this means is that while the creditors can vote on approve a Proposal at the meeting of creditors that contains these terms, ultimately it cannot be approved by the

Court unless the consent of the Crown is obtained on or before the time the application for Court approval is made.

MEETING OF CREDITORS

A meeting of creditors (the **"Meeting"**) will be held via Microsoft Teams videoconference on August 20, 2026 at 11:00 a.m. for the Unsecured Creditors to consider the Proposal.

Creditors must file a properly completed proof of claim with the Proposal Trustee prior to the commencement of the Meeting to be eligible to vote at the Meeting. Creditors may vote in person, or by voting letter submitted to the Proposal Trustee prior to the commencement of the vote on the Proposal.

A Proof of Claim, Proxy, and Voting Letter were all included in the creditor package distributed to the creditors on August 4, 2026. All of the forms are also available on the Proposal Trustee's website www.linkassociates.ca under Files in Progress/Mike Hogan Plumbing and Heating Inc.

Voting Procedures

Voting at the Meeting, except for the vote on the Proposal itself, is by ordinary resolution. Ordinary resolution means that each dollar of every proven Unsecured Claim present in person or by proxy counts for one vote.

The threshold of the vote for approval of the Proposal requires that for each Class of Unsecured Creditor, a majority in the number of proven Unsecured Creditors present in person or by proxy holding at least two-thirds dollar value of the proven Unsecured Claims.

For greater certainty, both Class A and Class B must each have a majority in number of creditors voting in favour, and those voting in favour must represent at least 2/3 of the dollar value of the proven Unsecured Claims in each Class.

Amendments and Adjournments

The BIA provides that amendments may be made to a Proposal at the Meeting. It also provides for Meetings to be adjourned from time to time on a vote by Ordinary Resolution.

PROPOSAL VS. BANKRUPTCY

The Company filed the NOI and applied for, and obtained, Court approval to make payments to its unions and suppliers for pre-filing liabilities so that it would be in a position to continue operating the business while it maximized the value of its working capital assets and be able to make a viable Proposal to settle all claims and liabilities.

If the Proposal is not accepted at the Meeting, or not subsequently approved by the Court, the Company will be deemed to have filed an assignment in bankruptcy. Upon bankruptcy, all contracts of employment are terminated, and the business will cease operating.

The Company's primary assets are its accounts receivable and holdbacks receivable on various plumbing and HVAC projects and service work. Given the nature of the business, cessation of operations will lead to incomplete jobs and disruption to general contractors and owners of larger projects, causing uncertainty over the ultimate collectability of the accounts receivable which form the largest asset pool.

In a bankruptcy, all Unsecured Creditors share pro-rata in the net amount available for distribution (i.e. after the Secured Creditors and Deemed Trust Claims). Failure by the Company to fulfill its contractual obligations after ceasing operations due to a bankruptcy would likely result in a significant impairment of the realizable value of its receivables.

It is difficult to envision a scenario in which the net realizable value of the Company's assets in a bankruptcy would be sufficient to pay the principal amount of the Deemed Trust Claim of CRA, much less penalties or interest, or provide any recovery to the unsecured creditors.

PROPOSAL TRUSTEE'S INVESTIGATION AND FINDINGS

Following a preliminary review of the financial records of the Company, and during the course of the NOI, the Proposal Trustee has satisfied itself, on a preliminary basis, that there are no transactions, sales of assets, or causes of action that the could be challenged as reviewable, or preferences that would benefit the estate.

RECOMMENDATION OF THE PROPOSAL TRUSTEE

The Proposal Trustee recommends acceptance of the Proposal for the following reasons:

- If a bankruptcy were to occur as a result of the Proposal not being accepted at the meeting of creditors, the business would cease operating immediately, causing disruption to projects in progress, unemployment for approximately 40 skilled tradespeople, and lead to the likely impairment of accounts receivable collectability.

- The Company's cash flow forecast indicates a reasonable basis to support continued operations and the ability to meet its future obligations.

- The shareholders will be providing financial support.

- Both classes of unsecured creditors will be better off under the Proposal than in a bankruptcy.

DATED at Woodbridge, Ontario this 10th day of August, 2026.

LINK & ASSOCIATES INC.
Licensed Insolvency Trustee in re Proposal of
Mike Hogan Plumbing and Heating Inc.

EXHIBIT "A"

PRELIMINARY ESTIMATE OF DIVIDENDS TO UNSECURED CREDITORS

Name of Creditor	Statement of Affairs Amount as at March 30, 2026	Balance Owing as at July 30, 2026	Estimated Pending and Future Supplier LRO/Trust Payments	Estimated Net Balance for Claim	Estimated Class A	Estimated Class B
263 Currell Developments Inc.	-	1,832.14	-	1,832.14	-	1,832.14
Bank of Nova Scotia Visa 1	45,567.00	45,567.00	-	45,567.00	-	45,567.00
Bank of Nova Scotia Visa 2 - CEBA	-	55,219.43	-	55,219.43	-	55,219.43
Bank of Nova Scotia Visa 3	-	52,952.81	-	52,952.81	-	52,952.81
Bardon Supplies	907,028.93	55,052.35	35,000.00	20,052.35	20,052.35	-
Canada Revenue Agency - RT Uns.	1,746,617.55	1,746,617.55	-	1,746,617.55	-	1,746,617.55
Canada Revenue Agency - RP Uns.		97,253.11	-	97,253.11		97,253.11
Canada Revenue Agency - RC Uns.		4.92		4.92		4.92
D&D Auto	8,664.50	8,664.50	-	8,664.50	-	8,664.50
Eleven Environmental	21,634.98	15,000.75	6,756.27	8,244.48	7,295.28	949.20
EMCO	-	2,029.83	-	2,029.83	-	2,029.83
Emmons Welding	1,619.11	-	-	-	-	-
Exclusive Cooling Ltd.	26,069.86	16,389.88	12,621.53	3,768.35	1,071.47	2,696.88
Hamilton Smith Limited	74,795.55	43,293.86	4,222.60	39,071.26	38,814.75	256.51
Hilti (Canada) Corporation	4,230.72	-	-	-	-	-
HTS Engineering Ltd	16,357.88	-	-	-	-	-
Klimatrol Environmental Systems Ltd.	38,886.16	14,069.83	14,069.83	-	-	-
KPMG	9,548.50	9,548.50	-	9,548.50	-	9,548.50
National Concrete	18,303.18	395.50	395.50	-	-	-
Noble Trade	739,484.82	231,713.35	231,713.35	-	-	-
O'Dell HVAC Group (note 1)	661,234.52	591,993.77	254,276.11	337,717.66	337,717.66	-
Redmond Hearth	2,486.96	-	-	-	-	-
Sunbelt Rentals	8,265.85	-	-	-	-	-
Suncor Energy Products	6,453.53	6,453.53	-	6,453.53	-	6,453.53
U.A. Local 71	8,664.53	-	-	-	-	-
UA Local 401	297,176.31	-	-	-	-	-
United Rentals	2,287.81	1,050.92	627.51	423.41	398.30	25.11
White Cap Supply Canada	5,790.28	144.09	144.09	-	-	-
Winter Heating and Cooling (note 2)	5,058.05	5,058.05	0.00	5,058.05	-	5,058.05
	$ 4,656,226.58	$ 3,000,305.67	$ 559,826.79	$ 2,440,478.88	$ 405,349.81	$ 2,035,129.07
Contingent Claims						
Kanata Woods Inc. - Lawsuit						
Statement of Claim $5,052,370.90	-	-			N/A	TBD

	Class A	Class B
Proposal Amount	$ 325,000.00	$ 175,000.00
Base Dividend (first $1,500 per Claim)	7,469.77	19,230.82
Base Dividend percentage recovery	1.84%	0.94%
Pro Rata Dividend Funds Available after Base Dividend	317,530.23	155,769.18
Pro Rata percentage recovery	78.33%	7.65%
Total Percentage Recovery (before levy)	**80.18%**	**8.60%**

Notes:
1. Project was liened; funds were paid into Court and are expected to be paid out on consent shortly.
2. This amount is expected to be set-off against a receivable due to the Company