

IN THE MATTER OF THE BANKRUPTCY OF
1239583 BC LTD.

OF THE CITY OF VANCOUVER
IN THE PROVINCE OF BRITISH COLUMBIA

TRUSTEE'S REPORT TO CREDITORS ON PRELIMINARY ADMINISTRATION

December 5, 2023

Background and Causes of Insolvency

1. 1239583 BC Ltd. ("**123**" or the "**Company**"), is a privately held company incorporated in the Province of British Columbia.
2. 123's property includes an approximately 160-acre parcel of land located at 9250 Somers Rd., Port Alberni, British Columbia (the "**Farm**") as well as various farm machinery and equipment. The Company's principal business is the planting and growing of vegetable crops, including broccoli, cauliflower and pumpkins.
3. On September 8, 2023, FTI Consulting Canada Inc. was appointed as receiver and manager (the "**Receiver**") of all of the assets, undertakings and property of 123, including its predecessor prior to amalgamation, 1134759 B.C. Ltd., pursuant to an Order of the Supreme Court of British Columbia (the "**Court**").
4. On October 24, 2023, the Court granted an order authorizing the Receiver to assign the Company into bankruptcy.

5. On November 21, 2023, 123 made an assignment in bankruptcy and FTI was appointed trustee of the estate of the bankrupt, subject to affirmation by the Company's creditors. A Certificate of Bankruptcy for 123 issued by the Office of the Superintendent of Bankruptcy is attached as Appendix "A".

Preliminary Evaluation of Assets and Details of Security Interests

6. The assets of 123 include the following:
 - a) the Farm, which has a property tax assessed value of approximately \$1.4 million;
and
 - b) equity that may be recovered from farm equipment which was removed from the Farm prior to the Receivership by a bailiff on the instructions of an equipment financier, namely Kubota Canada Ltd.
7. The Company owes approximately \$6.3 million to its senior secured lender, National Bank of Canada ("NBC").
8. The Receiver's legal counsel completed an independent review of the security granted by 123 in favour of NBC in British Columbia. The legal opinion confirmed the validity and enforceability of the security held by NBC, subject to standard qualifications.

Books and Records

9. The Receiver is in possession of certain books and records of 123. However, the books and records appear, in some instances, to be inaccurate and incomplete. The Trustee will have access to 123's records as required to complete the administration of the bankruptcy estate.

Conservatory and protective measures

10. As the Company's assets are to be realized by the Receiver, no property has been transferred into the bankruptcy estate. Accordingly, there is no property requiring conservancy or protective measures to be performed by the Trustee.

Provable Claims

11. As at the date of this report, the Trustee has received one proof of claims from secured creditors totalling approximately \$6 million and one claim from two unsecured creditors totaling approximately \$106,325.

Legal Proceedings, Reviewable Transactions and Preference Payments

12. The Trustee has not commenced any legal proceedings and is not aware of any proceedings commenced against the estate.
13. The Trustee is currently undertaking a review of the available books and records with respect to transfers at undervalue or fraudulent preferences as defined in the *Bankruptcy and Insolvency Act* (Canada).
14. The Trustee's preliminary review indicates that there have been recent transactions with related and / or affiliated parties, some of which may be reviewable transactions and considered transfers at under value or preferences. The transactions identified by the Trustee for further review include the purported sale of a 2011 Newmar Mountain Aire 4314 Motorhome by 123 to another numbered company which has common directors with 123 (1329370 B.C. Ltd) in July 2023.

Third-Party Deposits or Guarantees

15. The Receiver has guaranteed the Trustee with respect to the reasonable fees, expenses and claims in respect of its activities as the Trustee of the estate.

Projected Distribution

16. The Receiver does not expect the recoveries from the Company's assets to be sufficient to pay out the secured debt owed to NBC. As a result, the Trustee does not expect any assets to be transferred into the bankruptcy estate of 123.

FTI Consulting Canada Inc.

Solely in its capacity as Trustee in Bankruptcy of
1239583 BC Ltd.
and not in its personal capacity

Per:



Tom Powell
Senior Managing Director