

**IN THE SUPREME COURT OF BRITISH COLUMBIA  
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE BANKRUPTCY OF  
0806433 B.C LTD.**

**TRUSTEE'S PRELIMINARY REPORT TO CREDITORS**

**June 16, 2020**

**INTRODUCTION**

0806433 B.C Ltd. (the "**Company**" or "**080**") filed an assignment into bankruptcy on May 28, 2020 and The Bowra Group Inc. was appointed as the Licensed Insolvency Trustee of the bankrupt estate of 080 (the "**Trustee**"). This report has been prepared by The Bowra Group Inc., in its capacity as Trustee to provide preliminary information to the creditors of the Company as at June 17, 2020.

**BACKGROUND**

The Company was incorporated on October 24, 2007 in British Columbia. The Company operated out of a leased premise at 44 Water Street in Vancouver, B.C since 2012. The Company was a franchisee of M0851 (the "**Franchisor**"), a leather accessories store that supplied the Company's inventory.

The Company sold leather bags, accessories, jackets and outerwear. Prior to ceasing operations, the Company employed 6 staff.

Management advised the Trustee that their financial difficulties were the result of Covid-19, which forced the store to close. Under the Company's franchise agreement, they were not allowed to make online sales. The Company's customers were mainly tourists. As a result of Covid-19, management was worried that it would be several months or even more than a year before they saw revenue pick up again to a point that they could be profitable. The only sales that the

Company was able to make were sales to customers in their database who would place orders by phone.

Theft in the area was causing concerns for the Company, including 2 break ins that occurred in January 2020.

The Company was unable to cover its monthly operating costs and terminated its staff on March 16, 2020 due to Covid-19. The Company made an assignment into bankruptcy on May 28, 2020.

### **FINANCIAL SITUATION**

For the period ended May 31, 2020, the Company's unaudited records indicate a net loss of approximately \$13,000. For the year-ended February 29, 2020, the Company's unaudited records indicate a profit of approximately \$52,000.

Net income for the past 27 months is summarized below.

|  | <b>March 1 - May<br/>31, 2020 <sup>(1)</sup></b> | <b>Fiscal Year Ended<br/>February 29, 2020 <sup>(1)</sup></b> | <b>Fiscal Year Ended<br/>February 28, 2019 <sup>(2)</sup></b> |
|--|--|---|---|
|  | <b>(\$000's)</b>                                 |   |   |
| <b>Revenue</b>   | 49   | 848   | 797   |
| <b>Cost of sales</b>   | 25   | 409   | 396   |
| <b>Gross Profit</b>  | 24   | 439   | 401   |
| <b>Expenses</b>  | 37   | 387   | 394   |
| <b>Net Income (Loss)</b>   | (13)   | 52  | 7   |
| <b>Notes:</b>  |  |   |   |
| (1) Based on Company prepared records.   |  |   |   |
| (2) Based on Notice to Reader financial statements prepared by an external accountant. |  |   |   |

## **CONSERVATORY AND PROTECTIVE MEASURES**

The Company had ceased operations and all employees terminated prior to the date of the bankruptcy.

The Trustee is aware of one bank account held at CIBC. The Trustee has frozen the bank account and is in the process of having the funds in the Company's bank account remitted to the Trustee. CIBC has confirmed that there is approximately \$44,000 in the Company's bank account at the date of bankruptcy.

Due to concerns with theft, the inventory was moved offsite prior to bankruptcy and is currently stored on behalf of the Trustee.

## **BOOKS AND RECORDS**

The Trustee has taken possession of the books and records of the Company and is in the process of reviewing financial records available and obtaining additional financial records.

## **PRELIMINARY EVALUATION OF ASSETS**

The Company's principal assets are set out below:

|              | <b>Net Book Value</b> | <b>Estimated Realization</b> |
|--------------|-----------------------|------------------------------|
|              | <b>(\$000's)</b>      |                              |
| Cash         | 44                    | 44                           |
| Inventory    | 19                    | Unknown                      |
| Equipment    | 36                    | Unknown                      |
| <b>Total</b> | <b>99</b>             | <b>Unknown</b>               |

The inventory includes the Company's leather accessories and apparel.

Equipment consists of the Company's office furniture and leasehold improvements. The Trustee investigated the cost of removing the furniture and equipment and determined that the net recovery on the office furniture will be negative.

### **SECURED CREDITORS AND PRIORITY CREDITORS**

The Trustee is not aware of any secured creditors.

The Company has indicated there are no amounts owing to employees for outstanding wages and vacation pay, however if there are any claims, they could be a preferred claim ranking in priority to the unsecured creditors.

Any amounts owing to CRA for payroll source deductions would be considered a deemed trust claim which ranks ahead of all creditors. A payroll trust audit by CRA is still pending.

### **UNSECURED CREDITORS**

The Company records indicate that there are unsecured creditors with total claims of \$299,357.43.

### **LEGAL ACTIONS**

The Trustee is not aware of any ongoing litigation involving the Company.

### **REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS**

The Trustee has reviewed the Company's bank statements and accounting records for the 9-month period prior to bankruptcy.

We have reviewed the books and records, including bank statements and cancelled cheques of the Company for the period September 1, 2019 to May 31, 2020. The following payments were identified:

- \$2,100 to Kimberly Pao for wages for the period February 25 to March 10, 2020 on May 25, 2020; and,

- \$2,000 to Kimberly Pao for Company expenses paid personally on May 26, 2020.

The Trustee has not identified any other transactions which could be regarded as preferences or transfers at undervalue, however there may be further investigations conducted that could reveal such transactions.

### **TRUSTEE'S REMUNERATION**

The Trustee has been provided with a \$10,000 retainer from the Company to act as Trustee.

### **STATEMENT OF ESTIMATED REALIZATION**

Realization from the Company's assets will not satisfy the claims of the unsecured creditors, who will suffer a shortfall.

The Trustee is reviewing options to sell the inventory in its possession.

We believe that the estimated total funds available to the creditors will be between \$30,000 and \$45,000.

#### **The Bowra Group Inc.**

In its capacity as Trustee of the Estate of  
0806433 B.C Ltd., a bankrupt.

Per:



Chris Bowra, CPA, CA, CIRP, LIT