

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

**IN THE MATTER OF THE BANKRUPTCY OF
LEFT TECHNOLOGIES INC.**

TRUSTEE'S REPORT TO CREDITORS

SEPTEMBER 15, 2020

BACKGROUND

The purpose of this report is to provide preliminary information to creditors of Left Technologies Inc. (the "**Company**" or "**Left**").

The Company commenced operations in 2010 as Left of the Dot Media Inc. and changed its name to Left Technologies Inc. in January 2019.

The Company is a technology firm based in Maple Ridge, British Columbia and has four wholly owned subsidiaries (collectively the "**Left Group**"):

- i. Left Travel Inc. ("**LTI**");
- ii. RightMesh AG ("**RightMesh**");
- iii. Left Technologies International Ltd. ("**International**"); and
- iv. TeeTimes.net Golf Reservations Inc. ("**TeeTimes.net**")

LTI, is an operating business that uses an online platform to connect travelers seeking vacation rental properties with travel booking websites such as Airbnb, Booking.com and the Expedia Group ("**Travel Sellers**"). LTI uses its own proprietary websites and advertising with Google and

Microsoft to monetize online travel bookings. The advertising contracts with Google and Microsoft are in the name of the Company and LTI have paid these costs. LTI collects their commission after the traveler completes their vacation. LTI does not collect a commission if the traveler cancels their booking. Google was the primary online advertising platform that generated the online traffic to LTI's websites.

RightMesh, International, and TeeTimes.net are inactive companies.

The Company supplied the intellectual property and staffing for the activities of its subsidiary companies. The Company generated revenue through management fees and cost recoveries charged to LTI.

In March 2020, a Travel Seller that represented approximately 50% of LTI's commission revenues, retroactively changed their payment terms from commissions being paid at the time of booking to commissions being paid after the stay was completed. Accordingly, LTI's revenue became subject to vacation cancellation risk while incurring online booking costs and expenses.

As a result of COVID-19, commissions receivable on new bookings of LTI dropped from \$3.6 million in February 2020 to \$1.8 million in March 2020, and to less than \$3,000 for the two months of April 2020 and May 2020 combined. Management estimates that \$2.8 million worth of commissions that were booked prior to March 11, 2020 were cancelled due to COVID-19. Cash collections for the April 2020 to June 2020 period were approximately 90% lower than the cash collected for the same period in 2019.

The Company was unable to pay the full amounts owing to Google. The Company's debt to Google was in excess of \$7 million by the end of March 2020. The Company ceased using Google for online advertising in March 2020.

In early June 2020, Google advised the Company that they would terminate their agreement with the Company if they were not paid.

On June 11, 2020, the Company filed a Notice of Intention to Make a Proposal ("**NOI**"). The Bowra Group Inc. was named as the Proposal Trustee under the NOI (the "**Proposal Trustee**").

The Company filed an NOI in an attempt to restructure the business and negotiate an agreement with Google for future services and come to an acceptable preliminary proposal with respect to the payment of arrears. The Company and Google were unable to reach an agreement.

On July 10, 2020, the Company was granted a 45 day extension to file a proposal to August 25, 2020.

In August 2020, Airbnb suspended LTI and other affiliates from earning commissions with respect to Airbnb online bookings.

Based on management's projections Airbnb accounted for two-thirds of LTI's revenue (post NOI filing). Management believed the Company was no longer viable as it was not able to service the pre-NOI debt, negotiate a go forward agreement with Google, and unable to obtain additional financing.

On August 26, 2020, the Company did not seek an extension of the stay of proceedings and did not file a proposal to its creditors. Accordingly, the Company was deemed to have made an assignment into bankruptcy.

FINANCIAL SITUATION

The table below is a summary of the income statements for the past two years and eleven months:

	For the period October 1, 2019 to August 31, 2020 ¹	For the fiscal year ended September 30, 2019 ²	For the fiscal year ended September 30, 2018 ²
	(\$000's)		
Sales	5,335	7,377	7,975
Cost of sales	(2,951)	(6,737)	(7,351)
Gross Profit	2,384	640	624
Operating Expenses	(1,894)	(256)	(501)
Net Income	490	384	123

Notes:
(1) The financial information was prepared by management.
(2) Based on Reviewed financial statements prepared by an external accountant.

Despite earning positive net income for the first eleven months of fiscal 2020, the Company did not have sufficient financial resources to repay its creditors due to the revenue lost as a result of COVID-19 travel cancellations and the end of Airbnb's commission program.

The contract with Google is in the Company's name. LTI uses the Google services and reimburses the Company for the Google costs. LTI is unable to pay the amount owed to Google of \$7 million. Accordingly, the Company has a liability to Google for this amount.

CONSERVATORY AND PROTECTIVE MEASURES

The Company terminated all employees prior to the date of the bankruptcy.

The Trustee is aware of two bank accounts held at TD Canada Trust. The Trustee has suspended the bank accounts and is in the process of transferring the balances to the Trustee's estate bank account.

LTI continues to operate with reduced staff to realize on its commissions earned from completed travel stays.

PRELIMINARY EVALUATION OF ASSETS

The Company's principal assets as at August 26, 2020 are set out below:

	Net Book Value	Estimated Realization
	(\$000's)	
Cash	412	412
Accounts Receivable	78	73
Investments in Subsidiaries	283	Unknown
Intangible Assets	1,014	Unknown
Total	1,787	Unknown

- Cash relates to two bank accounts held with TD Canada Trust. The bank accounts have been suspended.
- Accounts receivable is comprised of funds that are receivable from the Province of BC, and GST tax credits that will be claimed on the next filed return. Since the date of bankruptcy, the Trustee has collected \$73,418 related to accounts receivable.
- Investments in subsidiaries relates to four wholly owned subsidiary companies:
 - i. **LTI** - operates the online travel business with its remaining Travel Sellers. Past and present commissions are subject to cancellation risk and are not receivable until the bookings are completed.
 - ii. **RightMesh AG** - Swiss Corporation that is inactive.
 - iii. **Left Technologies International Ltd.** - Bangladesh subsidiary corporation that is inactive and has no identifiable assets.
 - iv. **TeeTimes.net Golf Reservations Inc.** - inactive and has no identifiable assets.

In addition to the above, the Company owns, directly or indirectly through its subsidiaries, intangible assets comprised of the following:

- Website domain names;
- Patents and programming code;
- Trademarks.

The Trustee believes a sales and investment solicitation process should be conducted with respect to all of the assets of the Company. The Trustee's preliminary estimation of the realization is to be between \$2.45 million and \$2.65 million.

BOOKS AND RECORDS

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

SECURED CREDITORS AND PRIORITY CREDITORS

Royal Bank of Canada ("**RBC**"), has a general security agreement over the assets of the Company. RBC is not owed any monies as at the date of the bankruptcy except for amounts on the Company's credit cards.

The Company has indicated that there are no amounts owing to employees for outstanding wages and vacation pay, however if there are any claims, a portion or all of the employees' claims may rank 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. The Company records indicate no amounts owing to CRA with respect to employee source deductions.

UNSECURED CREDITORS

The Company's records indicate that there are unsecured creditors with total claims of \$7,824,140.

LEGAL ACTIONS

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

REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

The Trustee has taken possession of certain books and records of the Company and is in the process of obtaining additional records and gathering additional information.

The Trustee has conducted a preliminary review of the information available and has not identified any transactions which could be regarded as preference transactions or transfers at undervalue to date. Further investigations may be conducted which could reveal such transactions.

STATEMENT OF ESTIMATED REALIZATION

The Trustee intends to conduct a sales and investment solicitation process for all the assets of the Company including the shares of its subsidiaries.

The Trustee estimates a recovery of between \$2.45 million and \$2.65 million. This preliminary estimate would realize a recovery of between \$0.30 to \$0.34 to unsecured creditors with claims of \$7,824,140.

We believe that the estimated realizations from the Company's assets will not satisfy the claims of the unsecured creditors, who will suffer a shortfall.

The Bowra Group Inc.

In its capacity as the Licensed Insolvency Trustee of the bankrupt estate of Left Technologies Inc., and not in its personal capacity.



Per:

Mario Mainella, CPA, CA, CIRP