

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE BANKRUPTCY OF  
1235962 ALBERTA LTD.**

**TRUSTEE'S REPORT TO CREDITORS**

**August 20, 2019**

**BACKGROUND**

1235962 Alberta Ltd., (the "Company" or "123") operated as a supplier of crop input products such as herbicides, feed, seed and other related products. The Company operated out of leased space located at 55315 Range Road 75A in Evansburg, Alberta. The Company previously operated as Har-De Agri Services Inc. and Performance Ag Group Evansburg Ltd. A copy of the Company's corporate search detailing the name changes in 2018 is attached as **Appendix A**.

Har-De Agri Services Ltd. ("Har-De") and Performance Ag Group Calmar Ltd. ("Performance Ag") are related companies also in the business of supplying crop input products. Har-De is a shareholder of 123. We understand Performance Ag, Har-De and 123 (the "Companies") were generally engaged in the same line of business. The sole director and officer of the Companies was Mr. Harold Zibell.

Performance Ag, Har-De and 123 were adjudged bankrupt on August 1, 2019 by way of a Bankruptcy Order granted by the Court of Queen's Bench of Alberta, pursuant to a petition into bankruptcy by Farm Credit Canada ("FCC"). The Bowra Group Inc. was appointed Licensed Insolvency Trustee (the "Trustee") of the Companies. All bankruptcy application materials, creditor information and regular updates will be posted to the Trustee's case website (<https://www.bowragroup.com/performance-ag>).

## **FINANCIAL SITUATION**

Table 1 summarizes the unaudited income statement prepared by the Company's external accountant, Grant Thornton LLP, for the fiscal years ended January 31, 2018 and January 31, 2017. We understand that the January 31, 2019 year end has not yet been completed.

	<b>Period Ended January 31, 2018 (000's)</b>	<b>Period Ended January 31, 2017 (000's)</b>
Revenue	3,948	4,437
Cost of goods	3,090	3,614
Operating and admin expenses	827	805
<b>Net Income</b>	<b>31</b>	<b>18</b>

The Company had a net income of \$31,000 and \$18,000 for fiscal years 2018 and 2017 respectively.

Table 2 summarizes the unaudited balance sheet prepared by the Company's external accountant, Grant Thornton LLP, as at January 31, 2018 with comparatives at January 31, 2017.

	As at January 31, 2018 (000's)	As at January 31, 2017 (000's)
Accounts receivable	243	277
Due from related parties	104	104
GST receivable	-	6
Income tax recovery	2	10
Inventory	962	892
Prepays and deposits	223	653
	1,534	1,942
Capital assets	1,121	1,141
	<b>2,654</b>	<b>3,083</b>
Accounts payable and accrued liabilities	154	1,006
Bank Indebtedness	1,171	1,206
Deferred revenue	1,207	746
Due to related parties	129	129
	2,661	3,087
Shareholder's equity (deficit)	(7)	(4)
	<b>2,654</b>	<b>3,083</b>

## **BOOKS AND RECORDS**

The Trustee has taken possession of certain books and records of the Company.

The Trustee has made numerous requests to the Company's external bookkeeper, external accountant and director for the Company's financial information. As of the date of this report the Trustee has been unable to obtain employee information, payable information, receivable information, asset listings and other important financial records. The Trustee will continue to seek this information from the various parties and will obtain further instructions, if necessary, from the Inspector.

## **CONSERVATORY AND PROTECTIVE MEASURES**

We understand the Company generally ceased operations in April 2019 and all employees were terminated prior to the date of the bankruptcy. The Trustee has been unable to determine if there are any outstanding salaries, wages, vacation pay, or severance amounts owed to employees. It is unknown if the 2019 T4s and final ROEs have been prepared.

The Company operated out of leased space located in Evansburg, Alberta. The Trustee attended the premises on August 2, 2019 to take possession of the Company's assets. The Trustee has been in contact with the landlord and is making arrangements for payment of rent on the go forward. We understand rent at this location is \$3,622.50 per month.

The Trustee has identified certain assets of the Company located on the leased premises. The Trustee has compiled a list of assets in its possession and is the process of confirming ownership. Based on various registrations in the Alberta Personal Property Registry it appears that certain assets may be missing. The Trustee will continue to seek information from various parties on the location of these assets.

The Trustee has made arrangements for insurance coverage on the Company's assets in the Trustee's possession.

The Trustee sent correspondence to Servus Credit Union ("Servus") and Bank of Montreal ("BMO") requesting the Company's bank accounts be frozen and any funds remaining in the accounts be remitted to the Trustee. Servus and BMO have confirmed the accounts have been frozen and/or closed. The \$600 remaining in the Servus account has been received by the Trustee. BMO has indicated there are no funds in the account.

The Company also owns two parcels of land located in Entwistle. The lands are currently leased to Quick Mats Ltd. and Route 16-22 Tire & Mechanical on an informal basis. We have requested lease information from each of the tenants and will make arrangements for rent collection on the go forward.

## **SECURED CREDITORS**

Based on the Alberta Personal Property Registry the Trustee is only aware of one secured creditor, MLS Property Group Ltd. (“MLS”). We understand MLS has a registered general security agreement granting them a priority charge over all the assets and after acquired property of the Company. In addition, MLS holds mortgages over the lands located in Entwistle.

The Trustee has engaged Parlee McLaws LLP to provide an independent security opinion on the validity and enforceability of MLS’s security. Should the security be valid and enforceable, the Trustee will contact MLS to discuss realization of their security and any equity available to the bankrupt estate.

As we have limited books and records of the Company, it is not known if there are any amounts owing to:

- i) Employees for outstanding wages, severance or vacation pay; and,
- ii) Canada Revenue Agency (“CRA”) for a deemed trust claim for unpaid source deductions.

Any amounts owing to CRA may take priority over all other secured claims. CRA has not filed a proof of claim as of the date of this report and as such the amount of their claim, if any, is unknown.

Any amounts owed to employees may be subject to a Wage Earner Protection Program (“WEPP”) claim which ranks ahead of all creditors, except the deemed trust claim of CRA.

## **UNSECURED CREDITORS**

The Trustee is aware of 44 unsecured creditors owed approximately \$1,389,611 according to the books and records of the Company and correspondence with creditors to date. Table 3 provides a list of the largest four unsecured creditors.

<b>Creditor</b>	<b>Table 3 Estimated Claim (\$000's)</b>
Univar Canada Ltd.	83
Farm Credit Canada	61
AgResource	54
Keg River Chemical Corp	29

### **IDENTIFICATION AND VALUATION OF ASSETS**

The Company's assets consist of accounts receivable, inventory, capital assets and land located in Entwistle, Alberta.

At this point the value of the Company's assets are unknown. Once the Trustee has received a legal opinion on MLS's security, they will work with MLS to obtain appraisals and assess any equity to the estate.

At this point it is unknown if there will be a recovery to the unsecured creditors.

### **LEGAL ACTIONS**

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

### **REVIEW OF RECORDS & CONDUCT OF THE DEBTOR**

The Trustee has reviewed the books and records of the Company that were made available, including Servus bank statements for the period of December 1, 2019 to August 1, 2019. The Trustee has identified the following transactions that could be regarded as preference payments in accordance with the *Bankruptcy and Insolvency Act*.

2019-01-18	TC Family Law Group	\$10,000
2019-04-30	Daniel L Rowland Prof. Corp	\$25,000
2019-05-03	Official Cheque	\$15,000

2019-05-03	Official Cheque	\$36,904
2019-05-14	Official Cheque	\$11,000
2019-05-31	Official Cheque	\$19,718
2019-06-05	Official Cheque	\$4,780
2019-06-07	Interac e Transfer Out	\$9,000
2019-07-16	Cash Withdrawal	\$4,000
2019-07-31	Transfer	\$8,800
2019-07-31	Blank Cheque	\$3,600

On or about May 15, 2019 a mortgage was registered in favor of MLS over certain lands owned by 123 and Har-De in the amount of \$1,000,000. This registration occurred after the closure of the Evansburg and Calmar operations. It is likely the Companies were insolvent at the time this mortgage was granted. The Trustee is currently obtaining a security opinion on the enforceability and validity of this mortgage.

As detailed in the Bankruptcy Application materials filed by FCC, the Companies had an agreement with FCC where FCC provided crop input loans to customers of the Companies. Under the agreement the input loans were only to be used to pay for crop input purchasers made directly by the customer. FCC has learned that in several instances, customers have indicated amounts were added to their loan for purchases they did not make or agree to. We understand that FCC has investigated a number of these instances and has audited certain records of the Companies. As discussed earlier, the Trustee has not been able to locate the Company's books and records, and therefore, its review of the FCC loans and customer transactions has been limited to the information provided by FCC to the Trustee.

The Trustee will seek instructions from the Inspectors and / or the creditors of the bankrupt estate regarding further review of the transactions identified above, if deemed necessary.

**CONCLUSION**

Based on our review of the limited books and records of the Company it is unknown if there will be a recovery to the unsecured creditors.

**The Bowra Group Inc.**

Licensed Insolvency Trustee of 1235962 Alberta Ltd.

Per: 

Kristin Gray, CPA, CA, CIRP, LIT

**APPENDIX A**  
CORPORATE SEARCH

# Government Corporation/Non-Profit Search of Alberta ■ Corporate Registration System

Date of Search: 2019/08/01  
Time of Search: 01:59 PM  
Service Request Number: 31461552  
Customer Reference Number: 02568084-EDD3\_5\_665313

Corporate Access Number: 2012359622  
Legal Entity Name: 1235962 ALBERTA LTD.

## Name History:

Previous Legal Entity Name	Date of Name Change (YYYY/MM/DD)
WEST COUNTRY AGRI-SERVICES LTD.	2009/03/03
HAR-DE AGRI SERVICES INC.	2018/02/06
PERFORMANCE AG GROUP EVANSBURG LTD.	2018/02/28

Legal Entity Status: Active  
Alberta Corporation Type: Numbered Alberta Corporation  
Registration Date: 2006/04/13 YYYY/MM/DD

## Registered Office:

Street: SUITE 1, 5304 50 STREET  
City: LEDUC  
Province: ALBERTA  
Postal Code: T9E 6Z6

## Directors:

Last Name: ZIBELL  
First Name: HAROLD  
Street/Box Number: 9 BAKER PLACE  
City: LEDUC  
Province: ALBERTA  
Postal Code: T9E 8E6

## Voting Shareholders:

Legal Entity Name: 942350 ALBERTA LTD.

**Corporate Access Number:** 209423508  
**Street:** 1, 5304 - 50TH ST  
**City:** LEDUC  
**Province:** ALBERTA  
**Postal Code:** T9E 6Z6  
**Percent Of Voting Shares:** 44

**Legal Entity Name:** HAR-DE AGRI SERVICES LTD.  
**Corporate Access Number:** 203930730  
**Street:** 1, 5304 - 50TH ST  
**City:** LEDUC  
**Province:** ALBERTA  
**Postal Code:** T9E 6Z6  
**Percent Of Voting Shares:** 44

**Last Name:** WOLOSZYN  
**First Name:** RICHARD  
**Street:** P.O. BOX 300  
**City:** ENTWISTLE  
**Province:** ALBERTA  
**Postal Code:** T0E 0S0  
**Percent Of Voting Shares:** 12

### **Details From Current Articles:**

**The information in this legal entity table supersedes equivalent electronic attachments**

**Share Structure:** SEE ANNEXED SCHEDULE I  
**Share Transfers Restrictions:** SEE ATTACHED SCHEDULE  
**Min Number Of Directors:** 1  
**Max Number Of Directors:** 7  
**Business Restricted To:** NIL  
**Business Restricted From:** NIL  
**Other Provisions:** SEE ANNEXED SCHEDULE II

### **Holding Shares In:**

<b>Legal Entity Name</b>
PERFORMANCE AG GROUP EVANSBURG INC.

### **Associated Registrations under the Partnership Act:**

<b>Trade Partner Name</b>	<b>Registration Number</b>
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**Other Information:**

**Last Annual Return Filed:**

File Year	Date Filed (YYYY/MM/DD)
2018	2018/11/01

**Outstanding Returns:**

Annual returns are outstanding for the 2019 file year(s).

**Filing History:**

List Date (YYYY/MM/DD)	Type of Filing
2006/04/13	Incorporate Alberta Corporation
2014/06/06	Change Director / Shareholder
2015/10/23	Change Address
2018/02/28	Name Change Alberta Corporation
2018/11/01	Enter Annual Returns for Alberta and Extra-Provincial Corp.

**Attachments:**

Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
Restrictions on Share Transfers	ELECTRONIC	2006/04/13
Share Structure	ELECTRONIC	2006/04/13
Other Rules or Provisions	ELECTRONIC	2006/04/13

The Registrar of Corporations certifies that, as of the date of this search, the above information is an accurate reproduction of data contained in the official public records of Corporate Registry.

