

Estate No. 11-253325  
Court No. B110961  
Vancouver Registry

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

**IN THE MATTER OF THE BANKRUPTCY OF  
0810363 B.C. Ltd.**

**ORDINARY ADMINISTRATION**

**TRUSTEE'S PRELIMINARY REPORT TO CREDITORS**

**BACKGROUND**

0810363 B.C. Ltd. ("BC Ltd.", the "Company") was incorporated on December 05, 2007. At the date of bankruptcy, the Company Director was reported as Mr. Parbinder Dhaliwal. It is our understanding that the Company's shareholders include 0722560 B.C. Ltd., (Mr. Dhaliwal is the Director), Destiny Holdings Ltd., (Mr. Gurpreet Uppal is Director and former Director of BC Ltd.), and Raicon Developments Ltd. (Mr. Ranjit Rai is Director and former Director of BC Ltd.). It is our further understanding that these parties have equal shareholdings.

BC Ltd. was a property developer of a residential real estate project in Surrey, BC known as Clayton Heights, which consisted of 44 single-family homes. It is our understanding that the Company ran into financial difficulty in 2010, and could not obtain sufficient funds to complete construction.

Pursuant to a Court Order granted by the Supreme Court of British Columbia on January 12, 2011, The Bowra Group Inc. was appointed Receiver over all of the Company's assets, properties, and undertakings (the "Receiver"). At the time of the receivership, there were 7 completed homes with occupancy permits, 5 partially constructed homes, and 4 bare lots. Over the next eight to nine months, the Receiver completed construction on the 5 homes, and sold all of the homes and bare lots.

On September 13, 2011, 0757369 B.C. Ltd. filed an application to Court to have the Company adjudged bankrupt, and on September 27, 2011 the Supreme Court of British Columbia issued a Bankruptcy Order and MNP Ltd. was appointed as Trustee of the bankrupt Estate.

## ASSETS

According to the Statement of Affairs filed in the bankruptcy, the assets of BC Ltd. include:

### Statement of Affairs

Funds Held in Trust by Receiver	\$ 1,500,000
National Home Warranty Refund	120,000
Total Assets	<u>\$ 1,620,000</u>

### Funds Held by Receiver

At the date of bankruptcy, the Receiver held funds representing the surplus of net sale proceeds over costs of construction, costs related to the receivership, and payment of Carevest Capital. A Statement of Receipts and Disbursements dated September 28, 2011 was provided to the Trustee reporting current funds held of \$1,862,776. At that time, the Receiver estimated that approximately \$1,590,000 should become available after all work was completed. The Trustee wrote to the Receiver after the Bankruptcy Order was made, requesting surplus funds on hand be directed to the Trustee. The Trustee was subsequently advised by the Receiver, that the Receiver will continue to hold these funds pending outcome of a current application filed in Court (discussed later in this report) or as may be directed by future Court Order.

### National Home Warranty Refund

From discussions with the Receiver, it is our understanding that a \$120,000 refundable cash deposit was paid by the Receiver for continued home warranty coverage for all 12 homes. It is our further understanding that this refund should become available in approximately five years' time. This refundable deposit will likely be assigned by the Receiver to a secured lender or the Trustee in bankruptcy once it is determined who the appropriate recipient of the funds should be.

## PROVABLE CLAIMS

It is the duty of the Trustee to examine and satisfy itself as to the validity and priority of all claims filed in the Estate. Claims filed with the Trustee to date are as follows:

	Statement of Affairs	Filed
Secured creditors	\$ 1,620,000	\$ NIL
Preferred creditors	\$ -	\$ -
Unsecured creditors	\$ <u>969,716</u>	\$ <u>1,308,728</u>
Total	\$ <u>2,589,716</u>	\$ <u>1,308,728</u>

## SECURED CREDITORS

The Receiver's Second Report to the Court dated August 22, 2011 ("Second Report") stated that the Receiver was unsure which parties held valid security, and how they ranked in priority to one another. At the time of this report, there have been no secured claims filed with the Trustee, and the Trustee has obtained no independent legal opinions as to the validity and enforceability of any registered security interests.

### ***Carevest Capital Inc. ("Carevest")***

As reported earlier, the Receiver reported in its Second Report that Carevest had been paid in full, in the amount of \$4,553,128 as first mortgagee. Accordingly, Carevest should have no further claim over the Bankrupt's property.

### ***Kashmir Ghag***

Mr. Ghag is listed on the Statement of Affairs as a secured creditor with a claim amount of \$220,000. Mr. Ghag registered a security interest in July 2010 in four of the sixteen properties still owned by the Company at the date of receivership.

### ***Kirandeep Kaur Gill***

Ms. Gill is listed on the Statement of Affairs as a secured creditor with a claim of \$1,335,669. Ms. Gill registered various security interests in August and September 2010 in the sixteen properties still owned by the Company at the date of receivership.

As reported earlier in this report, Ms. Gill, through her legal counsel, filed an application to Court on September 29, 2011 in the receivership proceedings, seeking an Order that the sum of approximately \$1,336,000 be paid by the Receiver to Ms. Gill from funds

held by the Receiver. The application is set to be heard on Thursday, October 27, 2011.

The Trustee was served with notice of the application, as it was filed after the date of the Bankruptcy Order. While the application is set to be heard after the First Meeting of Creditors scheduled for October 18, 2011, the Trustee was required to file a response prior to the meeting, should the Trustee intend to take a position with respect to the application. Accordingly, and in order to protect funds that may be found to be for the benefit of unsecured creditors in the bankrupt Estate, the Trustee retained Murray Jamieson LLP as temporary legal counsel to provide advice to the Trustee, and file a response to the application on behalf of the bankrupt Estate. The Trustee opposed the granting of the Order set out in the application of Ms. Gill, as it is the duty of a Trustee in Bankruptcy to ensure that all secured claims made against the Bankrupt's property are valid and enforceable as against the Trustee of the bankrupt Estate.

### ***Gurdial Singh Uppal***

Mr. Uppal is listed on the Statement of Affairs as a secured creditor with an unknown claim amount. Mr. Uppal registered various security interests on December 01, 2010 in the sixteen properties still owned by the Company at the date of receivership.

### ***Noor Holdings Ltd., Silver Wing Insurance Services Ltd., TSN Insurance Services Ltd.***

These three parties were listed on the Statement of Affairs as a collective secured creditor in the amount of \$250,000. These parties registered various security interests on August 30, 2010 in nine of the sixteen properties still owned by the Company at the date of receivership.

### ***Builder's Lien Claimants***

There are a large number of parties who registered security interests, pursuant to the Builders Lien Act of British Columbia, over various properties owned by the Company at the date of receivership. The Notice and Statement of Receiver dated January 13, 2011 reported thirty lien claimants, and, at that time, estimated the value of those claims to be approximately \$1,292,000. A number of these parties have filed unsecured claims with the Trustee, given the amount of funds being held by the Receiver and the estimated amount of registered mortgages.

### ***Preferred Creditors***

The Trustee is unaware of any creditors that may be claiming a priority pursuant to S. 136 of the *Bankruptcy and Insolvency Act*.

## **Unsecured Creditors**

The Statements of Affairs, executed by the Company's Director, indicates unsecured claims of approximately \$145,444 and unsecured deficiency claims of secured creditors of approximately \$824,272, for a total of approximately \$969,716. Ultimately the amount of proven claims in the bankruptcy will be determined by the proofs of claims filed by creditors and admitted by the Trustee.

## **OTHER MATTERS**

### ***Books and Records***

The Receiver delivered six boxes of records to the Trustee that had been in the Receiver's possession. In terms of financial and accounting records, the boxes contained certain banking records, but no financial or accounting reports. The Receiver subsequently sent to the Trustee copies of an accounting Trial Balance and General Ledger Report as at December 31, 2010. The Trustee will make inquiries to determine whether further financial records are available from other parties.

### ***Insurance***

As the only assets of the Bankrupt include cash held in trust by the Receiver, and an anticipated refundable deposit, there is no tangible personal property to insure.

### ***Legal Proceedings***

As reported earlier in this report, the Trustee was served with notice of an application filed on behalf of Ms. Kirandeep Kaur Gill. The Trustee retained Murray Jamieson LLP as temporary legal counsel to provide advice to the Trustee, and file a response to the application on behalf of the bankrupt Estate.

The Trustee has not commenced any legal proceedings at the date of this report.

### ***Conservatory and Protective Measures***

The Trustee has not undertaken any conservatory or protective measures other than the filing of a response to the application filed on behalf of Ms. Gill.

### ***Preferences, and Transfers at undervalue***

The Trustee will review the books and records preceding the date of bankruptcy in order to ascertain whether or not any preferential payments, conveyances, or improper transfers have occurred.

### **Directive 16 – Third Party Deposits and Guarantees**

The Trustee received a third party deposit from 0757369 B.C. Ltd. (the petitioning creditor) in the amount of \$25,000 prior to the application for a Bankruptcy Order being filed. This third party deposit is to be used for the payment of Trustee's fees and costs of administration should the Estate assets be insufficient to cover all costs of administration.

### **ESTIMATED REALIZATION**

Unfortunately, the Trustee is unable at this time to provide any meaningful estimated realization on behalf of unsecured creditors.

At present, there is some uncertainty as to the quantum of valid security interests that may be claimed against the Company's assets. There must be a determination on this matter before it can be determined what assets, if any, are available for the claims of unsecured creditors.

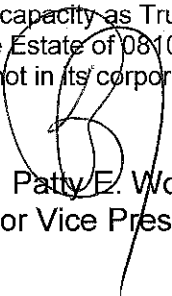
The Trustee, as a preferred creditor, has incurred fees to mid October of approximately \$15,000.

This concludes the Trustee's Preliminary Report.

**DATED AT** the City of Vancouver, in the Province of British Columbia, this 18<sup>th</sup> day of October, 2011.

#### **MNP Ltd.**

In its capacity as Trustee in Bankruptcy  
of the Estate of 0810363 B.C. Ltd.  
And not in its corporate capacity

Per:  Patty E. Wood CGA CIRP  
Senior Vice President