

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

**IN THE MATTER OF THE BANKRUPTCY OF
COAST TEXTILES SALES INC.**

ORDINARY ADMINISTRATION

TRUSTEE'S PRELIMINARY REPORT TO CREDITORS

BACKGROUND

Coast Textiles Sales Inc. (the “**Company**”) is a provincially registered corporation located in Surrey, British Columbia.

A search of the British Columbia Corporate Registry performed on July 24, 2024, indicated the Company’s director is Christine Morrison (the “**Director**”). The Company operated as a manufacturer and distributor of various bedding products and linens.

ASSIGNMENT IN BANKRUPTCY

The Company’s Director stated that the Company experienced financial difficulty and incurred net losses in the most recent fiscal year. The Company reported that it was no longer able to pay its financial obligations as they generally became due. The Company made a voluntary assignment in bankruptcy pursuant to the provisions of the *Bankruptcy and Insolvency Act* effective August 7, 2024. MNP Ltd. was appointed as the Licensed Insolvency Trustee of the Bankrupt Estate (the “**Trustee**”), subject to creditor affirmation at the First Meeting of Creditors.

Notice of the Assignment in Bankruptcy and First Meeting of Creditors was sent to all known creditors on August 14, 2024.

ASSETS

The Statement of Affairs filed in the bankruptcy reported accounts receivable, inventory and a vehicle with estimated realizable values of \$25,000, \$50,000 and \$24,650 respectively, as the only assets available to the Estate of the Bankrupt. Management had sent the material inventory to Able Auctions prior to the date of the bankruptcy. The Trustee is actively working to collect the outstanding receivables and is in discussions with Able Auctions with regards to the remaining inventory. The Trustee is also working with Hyundai Capital Canada to return the leased vehicle.

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. As of the date of this report, one proof of claim been filed with the Trustee.

	Statement of Affairs	Filed
Secured creditors	\$124,656.15	Nil
Preferred creditors	Nil	Nil
Unsecured creditors	\$115,677.57	\$1,115
Total	<u>\$240,333.72</u>	<u>\$1,115</u>

SECURED CREDITORS

According to a British Columbia Personal Property Registry search performed on July 24, 2024, the Trustee is aware of the following parties that may have a priority over the claims of unsecured creditors:

Secured Party	Asset Secured	Estimated Claim (\$'s)
CRA Tax - Pacific	Inventory	5,006.15
Hyundai Capital Canada	Motor vehicle	24,650.00
Scotiabank	Accounts receivable and Inventory	95,000.00

Canada Revenue Agency (“CRA”)

CRA has a “deemed trust” claim or property claim equal to the amount of payroll deductions withheld from employees’ compensation and not remitted to CRA. This claim comes in priority to the claims of all other creditors. The Director provided documentation to the Trustee which indicates that payroll source deductions of \$5,006.15 are currently owing as of the bankruptcy.

Any debt owing to CRA for unremitted goods and service tax at the date of bankruptcy will rank as a general, unsecured claim.

To date, a proof of claim has not been received from CRA in relation to the unremitted payroll source deductions. The Trustee will engage in correspondence with CRA for the purpose of confirming the deemed trust amounts owing to CRA.

Claims of Wage Earners

Pursuant to Section 81.3(1) of the BIA, claims of employees who are owed wages, vacation pay, and other compensation for services rendered in the six-month period preceding the Date of Bankruptcy are secured, to the extent of \$2,000, by security over the Company’s current assets.

The Company reported that all employees except one had received full wages and vacation pay prior to the bankruptcy. The Trustee is working with the Company to compile records for the employee that has not received full wages and vacation pay.

PREFERRED CREDITORS

There are no preferred creditors noted.

UNSECURED CREDITORS

The Statement of Affairs reports total unsecured creditors of \$115,677.57. One unsecured claim has been filed as of the date of this report.

OTHER MATTERS

Books and Records

The Trustee is in possession of certain books and records provided by the Company and is in the process of obtaining further information as it pertains to the Trustee’s review of the Company’s historical financial information.

Legal Proceedings

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

Conservatory and Protective Measures

The Trustee attended the premises to confirm that all material assets had been removed by Able Auctions. Accordingly, the Trustee did not take possession of the Company’s premises, and anticipates disclaiming this lease upon the agreement of the Inspectors elected in this bankruptcy estate.

The Trustee confirmed there are no cash balances to be transferred to the estate.

Preferences, and Transactions at Under Value

The Trustee is undertaking a review of the Company’s books and records preceding the date of bankruptcy in order to ascertain whether or not any preferential payments and/or reviewable transactions have occurred within the last three months or, where related parties are involved, within the last twelve months.

Directive 16 Third-Party Deposits and Guarantees

The Trustee was provided with a retainer of \$15,000 for its professional fees. The Trustee’s fees will be paid from the retainer and any asset realizations in accordance with the provisions of the *Bankruptcy and Insolvency Act*.

ESTIMATED REALIZATION

The assets of the Company consist of accounts receivable, inventory and a vehicle. The estimated realization on same will depend on the auction realizations, accounts receivable collections, and any equity identified with regards to the vehicle. Such proceeds will be first subject to the priority claims noted above, prior to forming a dividend to the unsecured creditors if there are sufficient funds.

All dividends payable by the Trustee to creditors are subject to a 5% levy payable to the Office of the Superintendent of Bankruptcy.

This concludes the Trustee’s Preliminary Report to Creditors.

DATED at the City of Vancouver, in the Province of British Columbia, this 27th day of August, 2024.

MNP Ltd.

In its capacity as Licensed Insolvency Trustee
of the Bankrupt Estate of Coast Textiles Sales Inc.
and not in its personal capacity



Greg Ibbott, CIRP, LIT, CPA, CA
Senior Vice-President