

EDMONTON REGISTRY  
COURT NO: 24-2932069  
ESTATE NO: 24-2932069

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

**IN THE MATTER OF THE BANKRUPTCY OF  
HAYNES HOMES LTD.**

**TRUSTEE'S REPORT TO CREDITORS  
April 28, 2023**

**BACKGROUND AND INSOLVENCY EVENTS**

This report has been prepared by MNP Ltd., in its capacity as Licensed Insolvency Trustee (the "**Trustee**") of the bankrupt estate of Haynes Homes Ltd. (the "**Company**") to provide preliminary information to the creditors as at the date of this report.

Mr. Jerry Haynes is the sole director of the Company. The Company was incorporated on April 11, 2011, for the purpose of developing real estate and building custom homes. Operations were conducted from a home office located in Edmonton, Alberta.

We understand the Company ran into financial difficulties and was unable to continue operations as a result of health conditions and ultimately the passing of a previous director, Mr. Ryan Haynes.

The Company made an assignment into bankruptcy on April 12, 2023. MNP Ltd. consented to act as the Trustee.

All bankruptcy documents, creditor information, and regular updates can be found on the case website;

<https://mnpdebt.ca/en/corporate/corporate-engagements/haynes-homes-ltd>

**FINANCIAL SITUATION**

Due to incomplete financial records and a lack of externally compiled financial statements, the Trustee received limited financial information. We understand that bookkeeping was incomplete as at the date of bankruptcy and as such the numbers presented below may be inaccurate.

Table 1 below summarizes the management prepared balance sheet as at December 31, 2022, pulled from the Company's accounting software.

<b>Table 1</b>	
<b>As at</b>	
<b>Dec. 31, 2022</b>	
<b>(000's)</b>	
Accounts receivable	282
	<u>282</u>
Vehicles	88
Land and buildings	3,156
	<u>3,526</u>
Overdraft	231
Credit card indebtedness	95
Accounts payable	636
Deposits and loans	479
Bank indebtedness	1,620
	<u>3,061</u>
Shareholder's equity (deficit)	465
	<u>3,526</u>

No income statement was provided in the books and records.

### **CONSERVATORY AND PROTECTIVE MEASURES**

As at the date of bankruptcy, the Company is the registered owner of the land and building described below:

- i. 10720 – 69 Street NW, Edmonton, Alberta  
 Legal Description:  
 PLAN 32  
 BLOCK 51  
 LOT 1843KS  
  
**“10720 Property”**
- ii. 10724 – 69 Street NW, Edmonton, Alberta  
 Legal Description:  
 PLAN 31

BLOCK 51  
LOT 1843KS

**“10724 Property”**

- iii. 7909 – 119 Street NW, Edmonton, Alberta  
Legal Description:  
PLAN 2221216  
BLOCK 2  
LOT 50

**“119 Street Property”**

collectively the **“Properties”**

The 10720 Property and 10724 Property were purchased as prospective development opportunities. Both properties are 1956 built bungalows. Both properties were subject to conditional sales contracts as at the date of bankruptcy. The sale of the 10720 Property is expected to close on May 1, 2023. The sale of the 10724 Property is scheduled to close on July 3, 2023. The 10724 Property is currently rented for \$1,600 per month. The Trustee has contacted the tenant and made arrangements for the collection of rent on the go forward.

The 119 Street Property is a vacant fully serviced, subdivided lot. The Property was recently listed for sale at \$375,000 with Bruno Schiavon of The Foundry Real Estate Co. As at the date of this report, no offers have been received.

The Trustee has confirmed liability and property coverage in respect of the Properties.

Prior to bankruptcy, the Company had entered into a number of contracts for the construction of custom homes that were at various levels of completion. The Trustee has reviewed these contracts and has determined there is no equity in the projects. Accordingly, the Trustee does not intend to complete the custom homes and will be releasing the bankrupt estate's interest on the condition that in the event there is a surplus in the contract after completion by the owners and after reasonable costs to conclude construction, the surplus will be surrendered to the Trustee along with an accounting.

The Trustee understands the Company's only employee was Ryan Haynes and that there are no outstanding salaries, wages, vacation pay, or severance amounts owing. Prior to the date of bankruptcy, the Company's accountant had prepared the 2022 T4. No T4 is expected for 2023.

The Trustee sent correspondence to Servus Credit Union (“**Servus**”) requesting the Company’s bank accounts be frozen and any funds remaining forwarded to the Trustee. Servus has advised the Company’s accounts were in overdraft.

### **BOOKS AND RECORDS**

As a result of the insolvency, the Company did not have externally compiled financial statements for the most recent fiscal period. The Trustee has taken possession of certain books and records of the Company including, bank statements, contract revenue and expense reconciliations, accounts payable listings, and payroll information.

The Trustee is in the process of obtaining access to the tax records of the Company through the authorized representative process of the Canada Revenue Agency (“**CRA**”).

### **SECURED CREDITORS**

Table 2 below provides a listing of the secured claims, according to the books and records of the Company and the Personal Property Registry, that may have a priority over the claims of unsecured creditors.

<b>Table 2</b>		
<b>Creditor</b>	<b>Description of Claim</b>	<b>Estimated Claim (\$000's)</b>
CareVest Capital Inc. (10724 Property)	Mortgage - real property	320
CareVest Capital Inc. (10720 Property)	Mortgage - real property	299
CareVest Capital Inc. (119 Street Property)	Mortgage - real property	269
Servus Credit Union	General Security Agreement	33
Canada Revenue Agency	Deemed Trust - all present and after-acquired property	Unknown
Workers' Compensation Board of Alberta	Priority Claim - all present and after-acquired property	Unknown

CareVest Capital Inc. (“**CareVest**”) holds collateral mortgages securing the Properties. The cumulative balance owing as at the date of bankruptcy was approximately \$888,000. Given the estimated realizable value of the Properties compared to CareVest’s indebtedness, the Trustee intends to redeem CareVest’s security.

Servus Credit Union (“**Servus**”) has a secured claim related to an overdraft agreement. The balance owing is secured by a general security agreement over all present and after-acquired property. Servus has filed a secured claim in the amount of \$32,659. Given the estimated realizable value of the Properties compared to Servus’ indebtedness, the Trustee intends to redeem Servus’ security.

The Company’s books and records indicate all amounts owing to CRA for source deduction have been paid in full. Any amounts owing to CRA related to unpaid source deductions may constitute a deemed trust claim with priority over all other claims. CRA has not filed a proof of claim as of the date of this report.

Worker’s Compensation Board of Alberta (“**WCB**”) may have a priority claim for unpaid insurance premiums. WCB 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.

### **UNSECURED CREDITORS**

Based on the Companies books and records, we are aware of 93 unsecured creditors owed approximately \$1,123,000. Table 3 below outlines the major unsecured creditors.

<b>Creditor</b>	<b>Table 3 Estimated Claim (\$000's)</b>
RM Residential	223
Igloo Building Supplies	134
Forge 53	70
Servus Credit Union	60
Smart Exterior	51

**IDENTIFICATION AND VALUATION OF ASSETS**

The Company's assets consist of the Properties noted above. The table below provides a preliminary estimate of the realizable value of the Company's assets.

	<b>Per Statement of Affairs as at April 11, 2023</b>	<b>Estimated Realization</b>	
		<b>Low</b>	<b>High</b>
	<b>(000's)</b>	<b>(000's)</b>	
10720 Property	406	406	406
10724 Property	406	406	406
119 Street Property	371	340	375
	1,183	1,152	1,187
Payment to secured creditor (CareVest)		888	888
Payment to secured creditor (Servus)		33	33
Closing costs - commissions, property taxes, closing costs etc.		70	60
Professional fees - Trustee and legal		70	60
Recovery to unsecured creditors		91	146
Total unsecured creditors		1,123	1,123
Estimated recovery per \$1 of unsecured claim		0.08	0.13

Prior to the bankruptcy, the Company entered into a conditional sales agreement for \$406,000 on the 10720 Property. Conditions were removed prior to the bankruptcy and the sale is scheduled to close on May 1, 2023. The Trustee will complete the transaction and net proceeds after payment of the CareVest mortgage and closing costs (legal fees, commissions, and property tax) will be remitted to the Trustee for the benefit of the estate.

Prior to the bankruptcy, the Company entered into a conditional sales agreement for \$406,000 on the 10724 Property. Conditions were removed prior to the bankruptcy and the sale is scheduled to close on July 3, 2023. The Trustee will complete the transaction and net proceeds after payment of the CareVest mortgage and closing costs (legal fees, commissions, and property tax) will be remitted to the Trustee for the benefit of the estate.

The Trustee has had discussions with realtors and reviewed recent comparable sales and believes these properties were sold at or above market value. The Trustee takes no issues with these transactions.

The 119 Street Property is currently listed for sale for \$375,000. The Trustee will monitor interest and activity on the Property on an ongoing basis and seek instructions from the Inspector(s) as offers are presented.

We understand the accounts receivable related to the construction contracts listed on the December 31, 2022, balance sheet have since been collected by the Company. As previously noted, the Trustee has reviewed the construction contracts and is of the opinion there is no equity available to the estate. The Trustee does not intend to complete the custom homes and will be releasing its interest in these contracts.

Based on our review of the Company's assets and liabilities, we estimate that at the date of this report, the recovery to the unsecured creditors will be approximately \$0.08 to \$0.13 per \$1 of unsecured claim.

### **LEGAL ACTIONS**

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

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

The Trustee is in the process of reviewing books and records of the Company that were made available, including bank statements for the period of April 1, 2022, to March 31, 2023.


The Trustee has reviewed the bank statements of the Company from April 1, 2022, to March 31, 2023, and has identified a number of material transactions. Given the incomplete bookkeeping, the Trustee is continuing to gather information in respect of these transactions. Should any of these transactions be identified as potential preference payments or transfers undervalue in accordance with the *Bankruptcy and Insolvency Act*. The Trustee will seek instruction from the Inspector(s) of the bankrupt estate as to any next steps.

**CONCLUSION**

The Trustee as of the date of this report estimates there will be a recovery to the unsecured creditors between \$91,000 and \$146,000 or \$0.08 to \$0.13 per \$1 of unsecured claim.

**MNP Ltd.**

Licensed Insolvency Trustee of Haynes Homes Ltd.

Per:   
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Kristin Gray, CPA, CA, CIRP, LIT  
Senior Vice President