

District of: Alberta  
Division No.: Calgary  
Court No.: 25-2585991  
Estate No.: 25-585991

**IN THE MATTER OF THE BANKRUPTCY OF  
HOP COMPOST LTD.**

**MINUTES OF THE FIRST MEETING OF CREDITORS**

**DATE:** January 29, 2020  
**TIME:** 2:00 PM  
**LOCATION:** Office of MNP Ltd.  
**CHAIRMAN:** Victor Kroeger, Trustee  
**SECRETARY:** Rick Anderson  
**ATTENDENCE:** Per the Attached List

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**AUTHORITY AND CALL TO ORDER**

Victor Kroeger of MNP Ltd., Trustee, acted as Chairman under the authority of section 105(1) of the *Bankruptcy and Insolvency Act*. The Chairman declared the meeting properly called at 2:06 PM.

Rick Anderson of MNP Ltd. acted as Secretary.

**PURPOSE OF MEETING**

1. The Chairman explained the purpose of the meeting as set out in section 102(5) of the *Bankruptcy and Insolvency Act* as follows (a) to consider the affairs of the bankrupt, (b) to affirm the appointment of the Trustee or to substitute another in its place, (c) to appoint Inspectors, and (d) to give such directions to the Trustee as the creditors may see fit with reference to the administration of the Estate.

**DOCUMENTS TO TABLE**

The Chairman tabled the following documents for discussion:

- Assignment
- Certificate of Appointment of Trustee
- Statement of Affairs
- Trustee's Preliminary Report
- Notice to Creditors of Bankruptcy and First Meeting of Creditors
- Notice to Officer of Bankrupt Corporation of First Meeting of Creditors
- Trustee's Affidavit of Mailing

**QUORUM**

Pursuant to section 106(2) of the *Bankruptcy and Insolvency Act*, at least one proven creditor in attendance or by proxy was present confirming there was a quorum.

One creditor, Bruce Williams, attended the meeting, however, he did not provide a proof of claim prior to or at the meeting. Mr. Williams was advised that he would not be permitted to vote on the matters being brought forward in the meeting.

### **Trustee's Preliminary Report**

The Trustee's preliminary report was summarized for the creditors present outlining the actions taken to date, the appointment of MNP Ltd. as the Receiver of the assets by BDC Capital, the secured creditor and the current sale process being undertaken by the Receiver to realize on the assets of Hop. A copy of the Trustee's Preliminary Report is attached hereto.

The creditors were advised that any realization to the unsecured creditors was unknown at this time because the sale process is set to close on January 31, 2020.

A general discussion was held about whether there would be sales proceeds sufficient to satisfy the BDC debt and the creditors were advised that at this time, it was uncertain. CRA also has a claim for unremitted source deductions that needs to be determined as they have yet to conduct their audit. This claim would rank ahead of all creditors, including BDC.

### **Affirmation of the appointment of MNP Ltd. as Trustee**

The Chair called for a motion to approve the appointment of MNP Ltd. as Trustee.

**Motioned by Murray Brack, seconded by Garrett Frank, carried unanimously.**

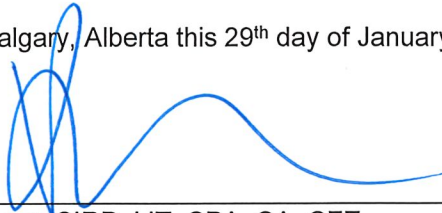
### **Appointment of Inspectors**

Bruce Williams let his name stand to be an Inspector.

**Motioned by Murray Brack, seconded by Andy Williams, carried unanimously.**

There being no further business the Chairman terminated the meeting at 2:33PM.

Dated at Calgary, Alberta this 29<sup>th</sup> day of January, 2020.



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Victor Kroeger, CIRP, LIT, CPA, CA, CFE  
Chairman

District of Alberta  
Division No: 02-Calgary  
Court No: n/a  
Estate No: 25-2585991

ATTENDANCE LIST FOR THE FIRST MEETING OF CREDITORS  
IN THE MATTER OF THE BANKRUPTCY OF  
Hop Compost Ltd.

DATE & TIME:  
January 29, 2020 2:00 PM

PLACE: MNP Ltd.  
1500, 640 - 5 Avenue SW Calgary, AB

DEBTOR

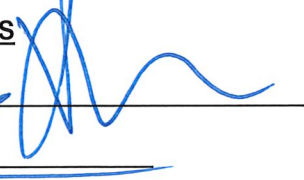
NAME: Hop Compost Ltd.

REPRESENTATIVE: - KEVIN DAVIES

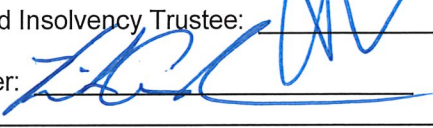


MNP LTD., TRUSTEE & REPRESENTATIVES


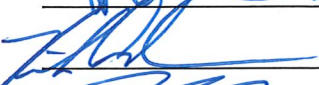

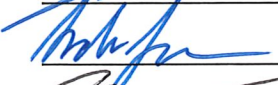





Victor Kroeger, Licensed Insolvency Trustee:



Rick Anderson, Manager:



CREDITOR'S PRESENT OR REPRESENTED

Signature	Representing	Amount of Claim
	PROXY - ROBERT HALF	\$ 22,312.50
	PROXY - STORMFISHER ENVIRONMENTAL	\$ 8,357.04
	KEVIN DAVIES	\$ 15,000.00
	Andrew Jackson	\$ 1,000 (wages)
	PROXEE SAND HOLDINGS - MURRAY BRACK	\$ 100,000.00
	Bruce Williams	\$ 100,000.00 - NO POC FILED
	GARETT FRANK	\$ 504.00
	Samer Alshaha F	\$ 799.50
	Andy William	\$ 860

QUORUM: YES \_\_\_\_\_ NO \_\_\_\_\_

District of Alberta  
Division No: 02-Calgary  
Court No: n/a  
Estate No: 25-2585991

ATTENDANCE LIST FOR THE FIRST MEETING OF CREDITORS  
IN THE MATTER OF THE BANKRUPTCY OF  
Hop Compost Ltd.

DATE & TIME:  
January 29, 2020 2:00 PM

PLACE: MNP Ltd.  
1500, 640 – 5 Avenue SW Calgary, AB

**DEBTOR**

NAME: Hop Compost Ltd.

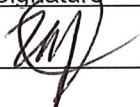
REPRESENTATIVE: – KEVIN DAVIES

**MNP LTD., TRUSTEE & REPRESENTATIVES**

Victor Kroeger, Licensed Insolvency Trustee: \_\_\_\_\_

Rick Anderson, Manager: \_\_\_\_\_

**CREDITOR'S PRESENT OR REPRESENTED**

Signature	Representing	Amount of Claim
	Nicholas Leef	\$400.50
		\$
		\$
		\$
		\$
		\$
		\$
		\$
		\$
		\$

QUORUM: YES \_\_\_\_\_ NO \_\_\_\_\_

District of: Alberta  
Division No. 02-Calgary  
Court/ Estate No. 25-2585991

**IN THE MATTER OF THE BANKRUPTCY OF  
HOP COMPOST LTD.  
TRUSTEE'S PRELIMINARY REPORT**

**BACKGROUND**

***Operations and assets***

Hop Compost Ltd. ("**Hop**") was a privately held composting company whose business and assets included the following:

1. The intellectual property rights for a patented technology known as ("HotRot"), used in machinery associated with the recycling and composting of organic food waste into an environmentally friendly compost;
2. HotRot composting machinery, which is sold through various retailers;
3. Miscellaneous hoppers and collection green bins; and
4. Accounts receivable and cash.

Hop's financial difficulties resulted from overexpansion of the business into new markets without sufficient HotRot machinery to support the contracted services. Hop had been attempting to recapitalize its business as well as look for a strategic sale, but neither option was successful.

On November 20, 2019, Hop. filed a Notice of Intention to Make a Proposal (the "**NOI**") pursuant to Section 50.4(1) of the Bankruptcy and Insolvency Act, RSC 1985, c B-3 (the "BIA"). MNP Ltd. was named trustee under the NOI (the "NOI Trustee").

***Court proceedings***

Upon filing the NOI, Hop. was granted a 30 day stay of proceedings pursuant to Section 69(1) of the BIA (the "**Initial Stay**"). On November 27, 2019, an Order was granted by the Court of Queen's Bench of Alberta approving interim financing of \$265,000 and a corresponding interim financing charge as well as, an administrative charge for Hop's counsel, DLA Piper LLP in the amount of \$30,000. Management advised the Trustee on December 1, 2019, that the interim financing required during the Initial Stay would not be provided. The NOI Trustee, therefore, prepared and filed a material adverse change report on December 2, 2019. The Company did not make an application for an extension of the Initial Stay and did not file a proposal within the Initial Stay period. On December 17, 2019, the Company assigned itself into bankruptcy and MNP Ltd. was named trustee of the bankrupt estate (the "**Trustee**").

At a hearing on December 5, 2019 (the "December 5 Application"), MNP Ltd. was appointed as Receiver and Manager (the "Receiver") over the assets and undertakings of Hop. The Receivership Order was the result of an application by Business Development Bank of Canada who holds registered security over Hop's assets.

### CONSERVATORY AND PROTECTIVE MEASURES

The Receiver took possession of and safeguarded of the Company's assets, so the Trustee's activities following the Company's assignment in bankruptcy are summarized below:

- The Trustee has prepared its preliminary report to the creditors;
- Advertised the time and date of the first meeting of creditors; and
- Reviewed the claims submitted to the Trustee for the purpose of voting at this meeting.

### BOOKS AND RECORDS

The Receiver is in possession of the Company's books and records, which are required to complete the administration of the receivership and the bankrupt estate.

### ASSET REALIZATION AND PROJECTED DISTRIBUTION

The Receiver is currently conducting a sale process for the sale of the Hop assets and undertakings. The date for offers to be submitted to the Receiver is January 31, 2020. Based on the anticipated realizations and the costs incurred to date, the Trustee does not anticipate that there will be any funds available to Hop's creditors from the bankrupt estate. In addition, there will likely be a significant shortfall in satisfying the claims of Hop's secured creditor in the receivership. A summary estimated realization is provided below.

<u>Description</u>	<u>Value per SOA</u>
Accounts receivable (Doubtful)	\$ 522,524
Vehicles	2.00
Machinery and equipment	1,000,000
Total	<u>\$ 1,522,526</u>

The value of Hop's assets subject to BDC's secured claim is not expected to satisfy the amount owed to BDC.

## **SUMMARY OF CLAIMS**

### ***Secured Creditors***

CRA unremitted source deductions is estimated to be \$40,000. According to the application material filed for the December 5 Application BDC is owed \$1,292,624.58. Prior to consenting to act as receiver, the Trustee retained independent legal counsel to conduct a security review of BDC's security. The security review opinion confirmed the validity and enforceability of the BDC security in Alberta, British Columbia and Ontario.

Ryder Truck Leasing, CLE, Driving Force and Howard Carter Leasing have also filed secured claims with the Receiver for the return of vehicles and equipment that Hop had leased with these parties. The Receiver determined prior to releasing the assets, that there was no equity in each of the leases where the secured claims were filed.

### ***Unsecured Creditors***

At the date of bankruptcy, Hop. listed unsecured claims of approximately \$2,526,151 that included the following potential priority claims:

1. Approximately \$29,398 in employee claims that may be granted a priority pursuant to section 136(1)(d) of the BIA and be granted security in the bankruptcy pursuant to section 81.3(1) of the BIA.

### ***Proofs of Claim***

As at noon on Wednesday, January 29, 2020, the Trustee has received proofs of claim from the Company's unsecured creditors totaling \$395,250.88 and preferred claims of \$134,031.72.

## **LEGAL**

Caron & Partners LLP acted as legal counsel for MNP, in its capacity as the NOI Trustee and now acts as legal counsel for MNP, in their capacity as Trustee of the bankrupt estate. Caron & Partners LLP also prepared the security opinion for the Trustee relating to BDC's security.

## **REVIEW OF TRANSFERS AT UNDERVALUE**

The Trustee is required to undertake a review for any transactions that occurred prior to the date of bankruptcy that would constitute a transfer at undervalue or a fraudulent preference as defined by subsections 95 and 96 of the Bankruptcy and Insolvency Act.

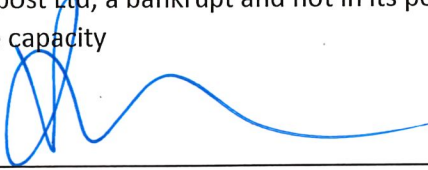
The Trustee has not yet completed its review for transfers at undervalue or fraudulent preferences.

**OTHER**

Further information with respect to these proceedings and the Receivership proceedings is available on the Trustee's website at [www.mnpdebt.ca/hop](http://www.mnpdebt.ca/hop).

Dated at Calgary, Alberta this 29th day of January, 2020

MNP Ltd. in its capacity as the Trustee of the Estate of Hop Compost Ltd, a bankrupt and not in its personal or corporate capacity

A handwritten signature in blue ink, consisting of a large loop followed by a series of smaller loops and a long horizontal stroke.

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Victor P Kroeger CIRP, LIT, CPA, CA, CFE  
Senior Vice President