

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

**IN THE MATTER OF THE BANKRUPTCY OF
KID DROP INC.**

TRUSTEE'S REPORT TO CREDITORS

February 3, 2025

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 Kid Drop Inc. (the "Company") to provide preliminary information to the creditors as at the date of this report.

The Company was incorporated in Alberta on September 6, 2019, and the Company's directors as at the date of bankruptcy were Ms. Sheneen Jit ("Ms. Jit"), Mr. Naveen Jit ("Mr. Jit"), Mr. Josh Kalhofer and Ms. Julieta Ranger.

The Company was in the business of providing transportation solutions for minor children in northern Alberta. Operations were conducted from an owned facility located at 8208 Manning Avenue, Fort McMurray, Alberta.

We understand the Company ran into financial difficulties due to increased costs and challenges resulting from local economic factors. The Company was not able to meet its financial obligations as they generally became due around July 2024. In November 2024, the Company liquidated all of its transportation assets and generally ceased operations.

Pursuant to an application made on behalf of Ms. Jit and Mr Jit, on January 15, 2025, an Order was granted by the Court of King's Bench of Alberta adjudging the Company into Bankruptcy.

FINANCIAL SITUATION

Table 1 summarizes the statement of operations for the fiscal years ending March 31, 2022, and March 31, 2023. These financial statements were compiled by an independent, external accountant. Due to the bankruptcy and ongoing financial challenges, the Company has not prepared financial statements for the year ended March 31, 2024, nor for the stub period ending on the date of bankruptcy, January 15, 2025.

	Year Ended March 31, 2022	Year Ended March 31, 2023
Sales	156,828	418,699
Expenses	<u>(334,509)</u>	<u>(591,470)</u>
Loss from operations	(177,681)	(172,771)
Other income	<u>22,389</u>	<u>61,812</u>
Income before income taxes	(155,292)	(110,959)
Income tax (recovery)	-	-
Deficit - beginning of year	(187,819)	(343,111)
Premium on redemption of shares	-	<u>(210,000)</u>
Net Income (loss)	<u>(343,111)</u>	<u>(664,070)</u>

The Company incurred a net loss of \$343,111 for the fiscal year ended March 31, 2022, and subsequently incurred a net loss of \$664,070 for the fiscal year ended March 31, 2023. The Company generally ceased all operations in October 2024.

Table 2 summarizes the balance sheet for the fiscal years ending March 31, 2022, and March 31, 2023. These financial statements were compiled by an independent, external accountant.

Table 2

	As at March 31, 2022	As at March 31, 2023
Assets		
Cash	62,483	-
Accounts receivable	9,172	-
Goods and service tax recoverable	5,669	-
Prepaid expenses	1,796	3,319
	79,120	3,319
Property, plant and equipment	694,815	799,830
Total Assets	773,935	803,149
Liabilities and Shareholders' Deficiency		
Bank indebtedness	-	17,566
Accounts payable	25,528	37,730
Current portion of long-term debt	-	75,162
Goods and service tax payable	-	6,809
Employee deductions payable	-	11,281
Due to shareholders	417,147	506,062
	442,675	654,610
Long-term debt	674,271	601,503
Other long-term liability	-	210,000
	1,116,946	1,466,113
Share Capital	100	1,106
Deficit	(343,111)	(664,070)
	(343,011)	(662,964)
Total Liabilities and Equity	773,935	803,149

CONSERVATORY AND PROTECTIVE MEASURES

The Company owns real property municipally described as 8208 Manning Avenue, Fort McMurray, Alberta (the "Property").

On January 20, 2025, the Trustee attended and secured the Property.

The Trustee is in the process of confirming property and liability insurance and utilities necessary to protect the Property.

The Trustee obtained limited books and records from the Property and is working with multiple third-party accounting and bookkeeping contactors to obtain additional financial and payroll records, if any. The Trustee is unaware of any employees as at the date of bankruptcy,

As at the date of this report, the Trustee does not have enough information to comment on the possibility of any priority claims pursuant to the Wage Earner Protection Program. The Canada Revenue Agency (“CRA”) has advised the Trustee that the 2024 T4s and T4 summary were filed prior to bankruptcy.

The Trustee sent correspondence to Bank of Montreal (“BMO”) requesting the Company’s bank accounts be frozen. We understand the Company’s bank accounts was in overdraft as at the date of bankruptcy.

BOOKS AND RECORDS

The Trustee has taken possession of certain books and records of the Company, including limited financial statements, asset sale documents, bank statements, payroll records, and insurance documents.

The Trustee is in the process of obtaining access to the tax records of the Company through the authorized representative process of the CRA.

SECURED CREDITORS

Table 3 provides a listing of the secured claims, according to the books and records of the Company and a Alberta Personal Property Registry (“PPR”) search as at the date of bankruptcy, that may have a priority over the claims of unsecured creditors.

Table 3		
Creditor	Description of Claim	Estimated Claim (\$000's)
Canada Revenue Agency	Deemed trust - all present and after-acquired property	1
Bank of Montreal	Secured - GSA, all present and after-acquired property	425
TDF Group Inc.	Secured - specific serial numbered vehicles	1
The Bank of Nova Scotia	Secured - specific serial numbered vehicles	1
Workers' Compensation Board	Secured - all present and after acquired property	3

The Company's books and records indicate amounts owing to CRA for payroll source deductions. Any amounts owing to CRA would be considered a deemed trust claim which ranks ahead of all creditors. CRA has not filed a Proof of Claim as of the date of this report but had advised the Trustee the balance owing is approximately \$74,000.

BMO has a secured claim for a mortgage and other credit facilities extended to the Company. The loan is secured in part by the Property. In addition to the mortgage, BMO has a general security agreement over all present and after-acquired property. The Company's records indicate a balance owing as at the date of bankruptcy of approximately \$425,000. BMO has not filed a proof of claim as of the date of this report.

TDF Group Inc. ("TDF") and The Bank of Nova Scotia ("BNS") have current registrations at PPR in respect of specific serial numbered vehicles. The Trustee understands the related collateral was sold through a third-party brokerage prior to the date of bankruptcy. The Trustee has confirmed with the third-party brokerage that all proceeds were forwarded to the respective lessors in respect of their security.

Workers' Compensation Board ("WCB") has registered security over four serial numbered vehicles related to outstanding premiums. As discussed later in this report, the Trustee understands all four vehicles were sold prior to bankruptcy. WCB has not filed a proof of claim as of the date of this report.

UNSECURED CREDITORS

Based on the Company's books and records, the Trustee had identified 26 potential unsecured creditors. Amounts owing are unknown due to the incomplete nature of the books and records.

IDENTIFICATION AND VALUATION OF ASSETS

Table 4 provides a preliminary estimate of the realizable value of the assets of the Company based on the Trustee's review of books and records.

	Per Statement of Affairs as at Jan. 22, 2025 (000's)	Estimated Realization	
		Low	High
		(000's)	
Property	315	315	649
	315	315	649
Final payroll - wages, vacation pay, severance		10	-
Commissions		9	19
Recovery costs - utilities, insurance etc.		65	30
Professional fees		75	60
		159	109
Recovery to secured creditors		156	540
Estimated property claim - CRA		74	74
Estimated total secured creditor - BMO		425	425
Recovery to unsecured creditors		-	41

Prior to bankruptcy the Company engaged People First Realty to list and market the Property for sale. The low realization value of the Property is based on the Regional Municipality of Wood Buffalo 2024 assessed value and the high realization value is based on the current list price.

The Trustee is aware of correspondence from the Government of Alberta requesting further environmental investigation and testing be done at the Property in respect of surface sampling

and monitoring wells. As at the date of this report, the Trustee has not obtained quotes to complete the investigation or discussed the matter further with the Government of Alberta. The Trustee is in the process of assessing any potential equity in the Property to the estate and corresponding with BMO regarding the next steps, if any. The Trustee will seek further instruction from the Inspector(s) once additional information is obtained.

The Trustee understands the Company used six vehicles in its operations. The Company's books and records indicate all six vehicles were leased or financed and were sold by the Company prior to bankruptcy.

The Trustee is not aware of any additional assets available for realization by the Trustee.

The amounts owing to CRA and BMO noted in Table 4 above are estimates. As at the date of this report, neither CRA nor BMO have filed a claim with the Trustee. The table above assumes the respective security held by BMO is valid and enforceable against the Trustee.

Based on the review of the books and records of the Company, we estimate the recovery to unsecured creditors may be between NIL and \$41,000 (to be distributed a pro rata basis based on proven unsecured claims).

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 has identified the sale of six vehicles sold prior to the date of bankruptcy summarized in the table below.

Table 5

Year	Make and Model	Secured / Leasing Party	PPR Registration	Sale Date	Sale Price \$	Black Book Value \$	
						High	Low
2018	Ford Transit Passenger	TDF Group Inc.	Discharged	04-Nov-24	16,669	31,000	23,650
2019	Ford Transit Passenger	TDF Group Inc.	Discharged	04-Nov-24	16,669	38,300	31,500
2019	Ford Transit Passenger	TDF Group Inc.	Current	04-Nov-24	18,900	38,300	31,500
2016	Ford Transit 350	The Bank of Nova Scotia	Current	04-Nov-24	33,500	25,300	19,400
2018	Ford Transit 350HD	Royal Bank of Canada	Discharged	04-Nov-24	37,500	29,350	22,450
2017	Toyota Tundra	Bank of Montreal	GSA Current	04-Nov-24	28,400	31,000	24,050
					151,638	193,250	152,550

As noted earlier, proceeds from the sale of the vehicles were forwarded to the respective lessors, and BMO in one instance, pursuant to their security. The Trustee is in the process of contacting the lessors and secured creditors to confirm receipt of proceeds and obtain the payout calculation as at the date of sale. The Trustee will seek instructions from the Inspector(s), or creditors of the estate, in respect of the possibility of transfers undervalue.

The Trustee is in the process of reviewing the books and records of the Company that were made available, including bank statements for the period of January 1, 2024, to December 31, 2024, and externally compiled financial statements for March 31, 2022, and March 31, 2023. The Trustee will seek instructions from the Inspector(s), or creditors of the estate, in the event transactions are identified that could be regarded as preference payments or transfers undervalue in accordance with the *Bankruptcy and Insolvency Act*.

A third-party retainer in the amount of \$25,000 was provided to the Trustee prior to filing the bankruptcy.

CONCLUSION

Based on the review of the books and records of the Company, we estimate the recovery to unsecured will be between NIL and \$41,000.

MNP Ltd.

Licensed Insolvency Trustee of Kid Drop Inc.

Per: _____

Kristin Gray, CPA, CA, CIRP, LIT

Senior Vice President