

Estate No. 11-2844926
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE BANKRUPTCY OF
Peekaboo Beans (Canada) Inc.

ORDINARY ADMINISTRATION

TRUSTEE'S PRELIMINARY REPORT TO CREDITORS

BACKGROUND

Peekaboo Beans (Canada) Inc. (“**PBC**” or the “**Company**”) was engaged in the business of marketing and selling children’s clothing made from sustainable materials through its retail channels as well as offering subscription boxes consisting of products designed to educate and entertain children. The Company operated from leased premises in Richmond, British Columbia.

PBC is a federally incorporated Company under the Canada Business Corporation Act with its registered office listed as 1500 Royal Centre, 1055 West Georgie Street, Vancouver, BC. A corporate records search performed by MNP Ltd. on June 7, 2022 indicated that Traci Costa (“**Ms. Costa**” or the “**Director**”) is the Company’s sole director.

The Company incurred net operating losses for the years ending September 2020 and 2021. PBC was negatively impacted by the Covid-19 pandemic and the mandatory closures and supply chain issues that have ensued.

ASSIGNMENT IN BANKRUPTCY

Ultimately, PBC was unable to meet its obligations as they generally became due and the Company made a voluntary assignment in bankruptcy pursuant to the provisions of the *Bankruptcy and Insolvency Act* effective July 5, 2022. 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 July 7, 2022.

ASSETS

According to the Statement of Affairs filed in the bankruptcy, the Company's assets include:

Statement of Affairs

Cash in Bank	1
Office Equipment	1,500
Apparel Production Deposits	1
RBC Credit Card Deposit	19,000
Total Assets	<u>\$20,502</u>

Cash in Bank

The Trustee sent a letter to the Company's banking institution, the Royal Bank of Canada ("RBC") on July 5, 2022, to advise them of the bankruptcy and to request that the accounts be modified to deposit only accounts and that the funds in the accounts be directed to MNP for the benefit of the estate.

Office Equipment

Office equipment was listed as an asset on the Company's statement of affairs. PBC had engaged an appraiser to review the equipment and assess its value. It was determined that the office equipment had minimal value and the costs of realization would exceed the value. The Trustee does not expect there to be any realization for the estate from these assets.

Apparel Production Deposits

Apparel production deposits of \$1 were listed as an asset on the Company's statement of affairs. Apparel production deposits are commonly paid to clothing suppliers prior to the commencement of production. The Trustee understands that production had already been completed with respect to this apparel production deposit and no realization is expected from the deposits.

RBC Credit Card Deposit

The Company paid a deposit to RBC as security for its outstanding credit card balance. The Company's books and records show that the Company is indebted to RBC by way of a credit card in the amount of \$12,390. The Trustee expects that RBC will offset the credit card debt against the credit card deposit and will remit the balance of the credit card deposit to the Trustee for the benefit of the estate. The Trustee expects to realize approximately \$6,000 from this asset.

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, two proofs of claim have been filed with the Trustee and represents approximately \$432,568 in total creditor claims.

	Statement of Affairs	Filed
Secured creditors	\$ 12,930.17	Nil
Preferred creditors	Nil	Nil
Unsecured creditors	\$ 1,299,107.90	\$ 435,567.54
Total	<u>\$ 1,312,038.07</u>	<u>\$ 435,567.54</u>

As at the date of this report, there have been no significant differences between the claims listed on the Statement of Affairs and the claims filed to date with the Trustee.

SECURED CREDITORS

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 indicated that as of the date of bankruptcy, the Company had not remitted all payroll source deductions withheld from employees to CRA and as such, the Trustee expects CRA to have a provable deemed trust claim in relation to the Company’s remittance deficiencies.

Any debt owing to CRA for unremitted goods and service tax at the date of bankruptcy will rank as a general, unsecured claim. The statement of affairs reported an estimated debt related to unremitted Goods and Service Tax of approximately \$121,000.

To date a proof of claim has not received from CRA in relation to the unremitted payroll source deductions or the goods and service tax.

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 (cash and accounts receivable).

The Director has advised that there are amounts owing to employee for unpaid wages and/or vacation pay, and as such, the Trustee does expect to receive claims under Section 81.3(1). These

claims will be processed by the Trustee and employees will be eligible to receive payments in relation to their unpaid compensation through the Wage Earners Protection Program.

PREFERRED CREDITORS

Employees

Employees are afforded priority for wages and compensation that are not paid by virtue of Section 81 of the BIA. Claims of employees that relate to the period more than six months preceding the date of bankruptcy are general, unsecured claims and will share ratably with the claims of other creditors. As reported, we do anticipate receiving claims from employees for unpaid compensation and they will be processed under the Wage Earner Protection Program.

UNSECURED CREDITORS

The Statement of Affairs reports total unsecured creditors of \$ 1,299,108. Ultimately the amounts owing to the unsecured creditors will be based on proofs of claim filed by the creditors and admitted by the Trustee.

SALE OF ASSETS

The Trustee, with the approval of Inspectors appointed, will take steps to realize upon the Company's credit card deposits and apparel production deposits. The Trustee does not expect to receive any material realizations over and above the realizations from the Company's deposits and its cash in bank.

OTHER MATTERS

Books and Records

The Trustee is in possession of certain books and records at the date of bankruptcy that were provided by the Company.

Legal Proceedings

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

Conservatory and Protective Measures

The Company liquidated its inventory prior to filing an assignment in bankruptcy, the remaining office equipment had minimal value and the Trustee determined costs of realization would exceed any realizable value, and PBC's landlord agreed to terminate the Company's leases effective June 30, 2022. The Trustee did not take possession of the leased premises or change the locks as the effective date of the lease termination predated the assignment in bankruptcy. The Trustee has not

taken any further steps with regards to securing or realizing on the office equipment. The landlord was provided notice of the bankruptcy proceedings on July 8, 2022.

Inventory Liquidation

Prior to the bankruptcy, the Company ran a liquidation sale of its inventory offering significantly reduced its prices. The Company had engaged Time Line Assets Services (the "Appraiser") to attend their premises to assess the value of its inventory and the office furniture. The Appraiser estimated the forced liquidation value of the Company's inventory to be between \$65,000 and \$75,000. The Trustee will review the records in greater detail, but is of the understanding that the Company realized approximately \$400,000 from its liquidation sale which is significantly better than forced liquidation value. Further the Trustee would have incurred occupation costs and other realization costs in any scenario with the Trustee liquidating the inventory. The Trustee is of the view that the Company running the liquidation sale prior to filing an assignment in bankruptcy realized a higher value for the inventory than would be expected if the inventory was realized on under a bankruptcy scenario.

The Director indicated that the funds from the inventory liquidation were remitted to CRA in partial satisfaction of outstanding source deductions that would have ranked as a deemed trust claim. As previously reported, all funds realized by the estate would be payable to CRA until its deemed trust claim was fully paid prior to any funds being available to the remaining creditors.

The Trustee is of the opinion that the liquidation sale performed by the Company prior to the bankruptcy and the remittance of the proceeds to CRA from the liquidation was reasonable.

Preferences, and Transactions at Under Value

The Trustee will review 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

Peekaboo Beans Inc., the parent company, has provided Trustee with a retainer in the amount of \$30,000 to cover professional fees over and above the fees that can be paid from the realization of the Company's unencumbered assets.

ESTIMATED REALIZATION

The total realization will depend on the ability of the Trustee to collect the funds in the Company's bank accounts, credit card deposits and apparel production deposits. It is unknown at this time what funds may be realized by the Trustee from these assets, and therefore if any dividend will be available to the unsecured creditors.

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 25th day of July, 2022.

MNP Ltd.

In its capacity as Licensed Insolvency Trustee
of the Bankrupt Estate of Peekaboo Beans (Canada) Inc.
and not in its personal capacity



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