

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

**IN THE MATTER OF THE BANKRUPTCY OF
SUNNY BEACH MOTEL INC.**

**TRUSTEE'S PRELIMINARY REPORT TO CREDITORS
DECEMBER 19, 2023**

BACKGROUND

This report has been prepared by MNP Ltd., in its capacity as Licensed Insolvency Trustee (the "**Trustee**") in the bankruptcy of Sunny Beach Motel Inc. (the "**Company**"), to provide preliminary information to creditors on December 19, 2023.

The Company is the beneficial owner of Sunny Beach Motel which is a 22-room motel located at 3648 Parkview Street, Penticton, BC (the "**Sunny Beach Motel**"). PortLiving Farms (3648 Parkview) Investments Inc. ("**3648 Farms**") is the registered owner.

Sunny Beach Motel was operated together with two related properties, Beachside Motel located at 3624 Parkview Street and Waterfront Inn located at 3688 Parkview Street (together with Sunny Beach Motel, Beachside Motel and Waterfront Inn referred to as the "**Properties**"). The Properties have a similar ownership group.

Living Beachside Development Limited Partnership ("**Living Beachside LP**") is the beneficial owner of Beachside Motel. PortLiving Farms (3624 Parkview) Investments Inc. ("**3624 Farms**") is the registered owner.

Living Beachside LP is the beneficial owner of Waterfront Inn. PortLiving Farms (3688 Parkview) Investments Inc. ("**3688 Farms**") is the registered owner.

Living Beachside LP was assigned into bankruptcy by the Receiver on December 1, 2023.

The Company, Living Beachside LP, 3648 Farms, 3624 Farms and 3688 Farms (collectively the

“**Companies**”) are all in a receivership proceeding under Supreme Court of British Columbia Action No. S229506.

The Companies had the following secured debts:

- a. Synvest Investment Management Inc. (“**Synvest**”) owed approximately \$7.1 million by way of a first mortgage against the Properties; and,
- b. 1351486 B.C. Ltd. (“**486 BC Ltd.**”) owed approximately \$4.9 million by way of a second mortgage against the Properties.

486 BC Ltd. advanced the principal amount of \$3.5 million to the Companies pursuant to a loan agreement dated March 14, 2022. Only \$20,000 was paid to 486 BC Ltd. on May 2, 2022 and no payments were made since then.

Accordingly, 486 BC Ltd. issued Notices of Intention to Enforce Security on June 3, 2022 to the Companies.

On October 25, 2022, 486 BC Ltd. and the Companies entered into a forbearance agreement, however, the Companies failed to satisfy the terms of the forbearance agreement.

On November 30, 2022, 486 BC Ltd. filed a petition to the Court to appoint a Receiver.

The Receivership Order was granted on January 30, 2023 and became effective on March 1, 2023. MNP Ltd. was appointed the Receiver and Manager (the “**Receiver**”) of the assets, undertakings and property of the Companies.

The Receiver engaged Colliers Macaulay Nicolls Inc. (“**Colliers**”) to market and sell the Properties on May 4, 2023.

The Receiver received five en bloc offers for the Properties including an offer from 486 BC Ltd. which included a partial credit bid for the Properties. All offers received would have resulted in a shortfall to 486 BC Ltd. The Receiver accepted the offer submitted by 486 BC Ltd. which was the highest offer of approximately \$12.9 million.

The Receiver entered into a Purchase and Sale Agreement (“**PSA**”) with 486 BC Ltd. on September 1, 2023 subject to Court approval. The terms of the PSA included, among other items, the following:

- 486 BC Ltd. to pay the purchase price by paying out Synvest in full for the first mortgage and the receiver’s borrowings, and credit bidding the balance of the purchase price by its second mortgage;
- The Receiver to obtain a Reverse Vesting Order (“**RVO**”) that required:
 - certain excluded assets and liabilities, as defined in the PSA, of 3624 Farms, 3688 Farms, and 3648 Farms (collectively the “**Nominees**”) to be transferred to the Company;
 - all shares of the Nominees to be transferred to 486 BC Ltd.;
 - the Nominees to be removed from the receivership proceedings and released from the receivership proceeding save and except for the RVO; and
 - assignment of the Company and Living Beachside LP into bankruptcy following the closing of the sales transaction.

The Receiver obtained Court approval for the sale and RVO on October 27, 2023 and completed the sale on November 30, 2023.

Pursuant to the RVO, the Receiver assigned the Company into bankruptcy on December 1, 2023.

CONSERVATORY AND PROTECTIVE MEASURES

All the assets of the Company have been realized by the Receiver. Accordingly, the Company does not have any assets to be realized by the Trustee.

BOOKS AND RECORDS

The Trustee was provided with limited books and records of the Company. The Trustee is in the process of reviewing financial records available and obtaining additional financial information.

PRELIMINARY EVALUATION OF ASSETS

All of the Company’s assets were sold by the Receiver to 486 BC Ltd. by a partial credit bid.

There are no excess funds from the sale of the assets of the Company or additional assets to be realized upon and made available to unsecured creditors.

SECURED CREDITORS AND PRIORITY CREDITORS

The Trustee is not aware of any parties that may have priority over the claims of unsecured creditors.

UNSECURED CREDITORS

The Company's records indicate that there are unsecured creditors with total claims of approximately \$25,000.

LEGAL ACTIONS

The Trustee is not aware of any ongoing litigation. The Trustee has not commenced or continued any actions on behalf of the Company.

REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

The Trustee has conducted a preliminary review of the information available and has not identified any transactions which could be regarded as preference transactions or transfers at undervalue to date. Further investigations may be conducted which could reveal such transactions.

CONFLICT OF INTEREST

On March 1, 2023, MNP Ltd. was appointed as Receiver of the Company pursuant to an Order of the Supreme Court of British Columbia. The Trustee obtained an independent legal opinion to confirm that the security of 486 BC Ltd. is valid and enforceable.

CONCLUSION

There are no assets to be realized upon and available to unsecured creditors. Accordingly, there will be no recovery to unsecured creditors.

MNP Ltd.

In its capacity as the Licensed Insolvency Trustee of the bankrupt estate of Sunny Beach Motel Inc., and not in its personal capacity.

Per:



Mario Mainella, CPA, CA, CIRP, LIT