

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

**IN THE MATTER OF THE BANKRUPTCY OF
THE DECK STORE LTD.**

TRUSTEE'S REPORT TO CREDITORS

February 15, 2024

BACKGROUND AND INSOLVENCY EVENTS

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

The Company was incorporated in Alberta on December 1, 2013, and the Company's sole director as at the date of bankruptcy is Mr. Jim Slater. The Deck Store owned and operated a specialty decking supply and construction business operating in Edmonton and Calgary. The Company operated out of leased premises located at 11140 – 155 Street in Edmonton, Alberta. The Company's Calgary operations were sold in early 2023.

We understand the Company ran into financial difficulties due to increased costs and challenges resulting from Covid. The Company was not able to meet its financial obligations as they generally became due and on December 11, 2023, the Company's landlord initiated distress proceedings and seized the Company's assets. The Deck Store has not operated since the seizure.

The Company made an assignment into bankruptcy on January 30, 2024. MNP Ltd. consented to act as the Licensed Insolvency Trustee.

FINANCIAL SITUATION

Table 1 summarizes the statement of operations for the fiscal year ending November 30, 2023. The financial statements were management prepared and are the most current financial statements available.

Table 1	
	Period Ended Nov. 30, 2023
Revenue	1,820,756
Cost of sales	<u>(1,028,544)</u>
Gross profit	792,212
Operating and admin expenses - Edmonton	1,016,889
Operating and admin expenses - Calgary	<u>155,565</u>
Total expenses	1,172,453
Gain on sale of capital assets - Calgary	(150,401)
Net Income (loss)	<u>(229,840)</u>

The Company incurred a net loss of \$229,840 for the fiscal year ending November 2023.

Table 2 summarizes the balance sheet for the fiscal year ending November 30, 2023. These financial statements were management prepared and are the most current financial statements available.

Table 2

	As at Nov. 30, 2023
Assets	
Undeposited funds	38,685
Accounts receivable	484,150
Inventory	208,639
	<u>731,474</u>
Security deposit	36,846
Capital assets	79,488
	<u>116,334</u>
Total Assets	<u><u>847,807</u></u>
Liabilities and Shareholders' Deficiency	
BMO line of credit	566,596
Accounts payable	442,723
Other current liabilities	1,803,186
	<u>2,812,505</u>
Long term debt - CEBA, loan	64,031
	<u>2,876,536</u>
Shareholder's equity (deficit)	(2,028,729)
Total Liabilities and Equity	<u><u>847,807</u></u>

The Company generally ceased operations in December 2023 and as a result, the bookkeeping has not been completed from December 1, 2023, to the date of bankruptcy.

CONSERVATORY AND PROTECTIVE MEASURES

The Company leased space municipally described as 11140 – 154 Street NW, Edmonton, Alberta (the “**Leased Premises**”). Prior to the date of bankruptcy the Company’s landlord, Gregg Properties Co. Ltd. (“**Gregg**”) initiated landlord distress proceedings. As part of this process, certain Company assets were moved to other properties under the control of Gregg (the “**Gregg Properties**”). On January 30, 2024, the Trustee sent correspondence to Gregg demanding the production of the property under seizure in accordance with s. 73.4 of *The Bankruptcy and Insolvency Act* (the “**BIA**”). On February 8, 2024, the Trustee attended the Leased Premises to obtain books and records and inventory the assets located in the Leased Premises. On February 12, 2024, the Trustee attended the Gregg Properties and inventoried the assets located in the Gregg Properties. On February 12, 2024, the Trustee advised Gregg it intended to take possession of the Leased Premises and pay occupation rent. The Trustee is working with Gregg to return certain seized property back to the Leased Properties. The Trustee intends to auction the Company’s assets from the Leased Premises. All utilities have been transferred into Gregg’s name and will be reimbursed by the Trustee while it occupies the Leased Premises.

The Trustee understands that all employees were terminated prior to the date of bankruptcy. The Trustee is assisting employees with the preparation of Wage Earner Protection Program (“**WEPP**”) claims. The Trustee has engaged Ceridian, the Company’s payroll provider, to prepare the 2023 T4s and ROEs. The Trustee will provide copies to the employees.

The Trustee sent correspondence to the Bank of Montreal (“**BMO**”) requesting the Company’s bank accounts be frozen and any funds remaining be forwarded to the Trustee. BMO has confirmed the account is frozen and the account was overdrawn as at the date of bankruptcy.

The Company processed customer credit card payments through Moneris. The Trustee understands there may be undeposited funds owing to the Company from Moneris as at the date of bankruptcy. The Trustee has contacted Moneris and is waiting for an accounting of the transactions.

The Company had no insurance coverage as at the date of bankruptcy. The Trustee has coordinated and placed property and liability coverage with HUB International Insurance for the next 90 days while an auction of the Company’s assets is conducted.

BOOKS AND RECORDS

The Trustee has taken possession of certain books and records of the Company, including financial statements and bank statements.

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 & PREFERRED CLAIMS

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

			Table 3
Creditor	Description of Claim	Estimated Claim (\$000's)	
Pattison Sign Group	Secured - certain signage	Unknown	
Dechant Farms Ltd.	Secured - GSA, all present and after-acquired property	Unknown	
Bank of Montreal	Secured - GSA, all present and after-acquired property	500	
Gregg Properties Co. Ltd.	Landlord Seizure	125	
James Robert Wagner	Sale of Goods - specific collateral	Unknown	
Canada Revenue Agency	Property claim for source deductions	20	
Wage Earner Protection Program	Property claim over current assets	2-4	

Pattison Sign Group (“Pattison”) has registered a security interest as it relates to two signage contracts. The Company has confirmed there are no amounts owing to Pattison. Pattison has not filed a Proof of Claim as at the date of this Report.

BMO has a secured claim for a loan extended to the Company. The indebtedness is secured by a general security agreement over all present and after-acquired property. BMO has not filed a

Proof of Claim as at the date of this report; however, the books and records indicate an amount owing to BMO of approximately \$500,000.

Dechant Farms Ltd. ("**Dechant**") has a secured claim for a loan extended to the Company. The indebtedness is secured by a general security agreement over all present and after-acquired property. We understand Dechant has postponed and subordinated their security interest in favor of BMO. Dechant has not filed a Proof of Claim as of the date of this report.

As discussed earlier, Gregg has a registration at PPR related to a landlord seizure. Pursuant to s. 73 (4) of the BIA Gregg is given a preferred claim under s. 136 (1)(f) and a secured claim limited to the costs of distress. The preferred claim is limited arrears of rent for a period of three months immediately preceding the bankruptcy and accelerated rent for a period of three months following the bankruptcy if entitled to under the lease and less any amounts paid for occupation rent. The Trustee is working with Gregg to finalize their claim.

James Robert Wagner ("**Wagner**") has a registration at PPR related to the *Sale of Goods Act* for items paid for but never received. Wagner has not filed a Proof of Claim or Property Claim as at the date of this Report.

WEPP has security for unpaid wages, vacation pay, and severance pay up to a maximum of \$2,000 per employee over current assets. The Trustee has provided all employees with individual calculations of their entitlement under WEPP.

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.

UNSECURED CREDITORS

Based on the Company's books and records, the Trustee is aware of 30 unsecured creditors owed approximately \$1,055,838. Table 4 outlines the major unsecured creditors.

Creditor	Table 4 Estimated Claim
Darrell Schwab	300,000
Sylvaniz Decking	195,000
Canada Revenue Agency	135,000
Canadian Western Bank	60,000
Hadrick Rentals	50,000
Jason Clouter	16,000

IDENTIFICATION AND VALUATION OF ASSETS

As at the date of bankruptcy, the Company's assets consist of accounts receivable, undeposited funds, inventory, vehicles, and equipment. Table 5 provides a preliminary estimate of the realizable value of the assets of the Company.

Table 5

	Per Statement of Affairs as at January 29, 2024	Estimated Realization	
		Low	High
	(000's)	(000's)	
Receivables	20	10	20
Undeposited funds (Moneris)	55	-	55
Inventory	230	50	75
Equipment and vehicles	250	100	150
	555	160	300
CRA - property claim for source deductions		20	15
WEPP claims		4	2
Occupation rent		36	24
Auction commissions and costs		25	20
Recovery costs - utilities, insurance		15	10
Professional fees		40	30
		140	101
Recovery to BMO (estimated secured claim \$500,000)		20	199
Total unsecured creditors		1,056	1,056
Estimated recovery per \$1 of unsecured claim		-	-

As at the date of bankruptcy, the Company advised they had approximately \$90,000 of accounts receivable, \$70,000 of which is doubtful. The Trustee will send demand letters and take further actions as required to collect outstanding accounts receivable.

The Trustee is in the process of obtaining proposals for the auction of the Company's inventory, equipment, and vehicles. The Trustee will seek further instruction from the Inspector regarding the liquidation of the Company's assets. The Trustee anticipates the auction will be held in early April 2024.

The Trustee has sent correspondence to Moneris regarding any undeposited funds and is awaiting a response and an accounting of transactions.

LEGAL ACTIONS

The Trustee is aware of a Statement of Claim filed by Sylvanix Outdoor Products Inc. (“**Sylvanix**”) against the Company for unpaid amounts and breach of agreement. The action is stayed as a result of the bankruptcy and Sylvanix may file a claim in the estate with the Trustee.

REVIEW OF RECORDS & CONDUCT OF THE DEBTOR

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, 2023, to January 31, 2024, when the bank account was frozen, and management prepared financial statements to November 30, 2023

The Trustee will seek instructions from the Inspector, 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 BIA.

TRUSTEE’S INTENTION TO ACT FOR SECURED CREDITOR

MNP Ltd. has entered into an agency agreement with BMO in respect of their security. Pursuant to s. 13.4(1) of the BIA the Trustee has obtained a written opinion from independent legal counsel that BMO’s security is valid and enforceable against the estate.

CONCLUSION

Based on the review of the books and records of the Company and discussions with management and auctioneers we estimate the recoveries will be insufficient to repay secured claims in full. As such, we do not anticipate a recovery to unsecured creditors.

MNP Ltd.

Licensed Insolvency Trustee of The Deck Store Ltd.

Per:



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Senior Vice President