

April 8, 2024

**To all Creditors of Lotus Ventures Inc.**

**Re: In the Matter of the Proposal of Lotus Ventures Inc. (the “Company”)**

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On January 17, 2024, the Company filed a Notice of Intention to make a Proposal and on April 5, 2024, filed a Proposal to Creditors. MNP Ltd. was appointed Licensed Insolvency Trustee in the Proposal Proceedings.

Enclosed for your attention is a copy of the Creditor’s Package containing the following documents:

- Notice of Proposal to Creditors (Form 92);
- Proposal;
- Trustee’s Report to Creditors;
- First page of Statement of Affairs (Form 78);
- Proof of Claim with Proxy (Form 31 and Form 36) and Voting Letter (Form 37); and,
- Checklist for Completing a Proof of Claim Form.

The First Meeting of Creditors (“FMOC”) is scheduled to be held on April 18, 2024, at 2:00 pm (PDT). The FMOC will be conducted via conference call with the following call-in details:

Dial in: (877) 252-9279  
Passcode: 445171601#

The purpose of the FMOC is to consider the Company’s affairs and to vote on the Company’s Proposal to Creditors. Proven creditors may vote virtually at the FMOC or through a voting letter. In order to be eligible to vote at the FMOC, creditors must have completed and submitted a properly executed Proof of Claim including a proxy, if applicable, prior to the start of the FMOC to allow for sufficient time for the Trustee to review the claims.

Further information on the Proposal Proceedings can be obtained from the Trustee’s website at:  
<https://mnpdebt.ca/en/corporate/corporate-engagements/lotus-ventures-inc>

Should you require further information, including assistance with completing a Proof of Claim or Voting Letter, please contact us at 604-689-8939 or by email at [InsolvencyClaimsTBG@mnp.ca](mailto:InsolvencyClaimsTBG@mnp.ca).

Yours very truly,

**MNP Ltd.**

**In its capacity as Licensed Insolvency Trustee in the Proposal of Lotus Ventures Inc., and not in its personal capacity.**

District of: British Columbia  
Division No. 03 - Vancouver  
Court No. B240063  
Estate No. 11-3031837

FORM 92  
Notice of Proposal to Creditors  
(Section 51 of the Act)

In the Matter of the Proposal of  
Lotus Ventures Inc.

of the Municipality of Spallumcheen, in the Province of British Columbia

Take notice that Lotus Ventures Inc. of the City of Vancouver in the Province of British Columbia has lodged with me a proposal under the *Bankruptcy and Insolvency Act*.

A copy of the proposal, a condensed statement of the debtor's assets, and liabilities, and a list of the creditors affected by the proposal and whose claims amount to \$250 or more are enclosed.

A general meeting of the creditors will be held on the 18th day of April 2024 at 2:00 PM at Held via Teleconference, Vancouver, BC or (877) 252-9279 Phone conference ID: 445 171 601#.

The creditors or any class of creditors qualified to vote at the meeting may by resolution accept the proposal either as made or as altered or modified at the meeting. If so accepted and if approved by the court the proposal is binding on all the creditors or the class of creditors affected.

Proofs of claim must be lodged with me prior to the commencement of the meeting.

Proxies and voting letters intended to be used at the meeting may be filed at any time up until the moment a vote is called.

Dated at the City of Vancouver in the Province of British Columbia, this 1st day of April 2024.

MNP Ltd. - Licensed Insolvency Trustee



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PO Box 10203 LCD Pacific Centre  
Suite 1630 - 609 Granville Street  
Vancouver BC V7Y 1E7  
Phone: (604) 639-0001 Fax: (604) 904-8628

(A form of proof of claim, a form of proxy and a voting letter should be enclosed with each notice.)

District of: British Columbia  
 Division No. 03 - Vancouver  
 Court No. B240063  
 Estate No. 11-3031837

FORM 92 --- Continued

In the Matter of the Proposal of  
 Lotus Ventures Inc.  
 of the Municipality of Spallumcheen, in the Province of British Columbia

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
5008679 Ontario Ltd. (Albert Dwyann)	Attention: Gavin Cameron 2900 - 550 Burrard St Vancouver BC V6C 0A3		1,150,867.00
Addo Consulting Ltd.	415 Oakview Road Kelowna BC V1W 4K2		27,500.00
Air Liquide Canada Inc. -Western Region Dana Dumitrescu	10020 - 56 Avenue Edmonton AB T6E 5Z2		11,509.20
BC Hydro & Power Authority Credit Admin	333 Dunsmuir St, 7th floor Vancouver BC V6B 5R3		121,250.20
Carl Corriea	6880 Bryden Rd, Vernon BC V1B 3T3		89,688.00
Carl Corriea	6880 Bryden Rd, Vernon BC V1B 3T3		28,869.42
Chapman Mechanical Ltd.	901 Waddington Dr., Vernon BC V1T 9E2		29,842.94
Chrimson Opportunities Inc.	Unit #207 - 2906 West Broadway Vancouver BC V6K 2G9		18,342.00
Chroma Global Technologies Ltd.	Unit #207 - 2906 West Broadway Vancouver BC V6K 2G8 Vancouver BC V6K 2G9		27,900.00
Courtfield Group Holdings Limited	2111 Blenheim Street Vancouver BC V6K 0G5		52,500.00
CRA - Tax - Pacific	Surrey National Verification and Collection Centre 9755 King George Blvd Surrey BC V3T 5E1	GST	667,329.00
Crezo Construction Inc.	P.O. Box 531 Armstrong BC V0E 1B0		184,631.64
Dale McCleanaghan	708 - 1445 Marpole Ave. Vancouver BC V6H 1S5		180,106.48
Donevaile Holding Inc.	1371 Marina Way NanOOSE Bay BC V9P 9B8		79,926.53

District of: British Columbia  
 Division No. 03 - Vancouver  
 Court No. B240063  
 Estate No. 11-3031837

FORM 92 --- Continued

In the Matter of the Proposal of  
 Lotus Ventures Inc.  
 of the Municipality of Spallumcheen, in the Province of British Columbia

<b>List of Creditors with claims of \$250 or more.</b>			
<b>Creditor</b>	<b>Address</b>	<b>Account#</b>	<b>Claim Amount</b>
Fortis BC Energy Inc. - Natural Gas Collection Department	PO Box 6666, Station Terminal Vancouver BC V6B 6M9		262.75
Health Canada	Address Locator 0900C2 Ottawa ON K1A 0K9		27,998.71
High North Laboratories	241 Hanlan Rd Unit 7 Woodbridge ON L4L 3R7		9,876.00
Jason Brown	1527 40th St. Vernon BC V1T 8J6		141,400.00
Katie Correia	6880 Bryden Rd Vernon BC V1B 3T3		31,495.68
Kris Walton (Spectrum)	1480 Springhill Rd Parksville BC V9P 2T2		47,478.91
Legacy Holdings Ltd.	2750 Rupert Street Vancouver BC V5M 3T7		35,604.51
Lillian McClanaghan	2750 Rupert Street Armstrong BC V0E 1B0		473,518.15
Marsh Canada	550 Burrard St Suite 800, Vancouver BC V6C2K1		83,041.28
McClanaghan & Associates	2750 Rupert Street Vancouver BC V5M 3T7		257,301.00
Miller Thomson Lawyers	700 West Georgia Street Suite 2200 PO Box 10325 Vancouver BC V5N 1K8		10,548.91
Norton Rose Fulbright	1800-510 West Georgia Street Vancouver BC V6B 0M3		3,670.00
Orbis Express	Suite 200 6791 Elmbridge Way Richmond BC V7C 4N1		11,206.12
Pathogenia Laboratories	5055 Rue Fisher Saint Laurent QC H4T 1J8		1,238.00
SBD Management Ltd.	402 - 905 Pender Street Vancouver BC V5N 4A5		90,865.17

District of: British Columbia  
 Division No. 03 - Vancouver  
 Court No. B240063  
 Estate No. 11-3031837

FORM 92 --- Concluded

In the Matter of the Proposal of  
 Lotus Ventures Inc.  
 of the Municipality of Spallumcheen, in the Province of British Columbia

<b>List of Creditors with claims of \$250 or more.</b>			
<b>Creditor</b>	<b>Address</b>	<b>Account#</b>	<b>Claim Amount</b>
SDI Holdings Ltd.	2750 Rupert Street, Vancouver BC V5M 3T7		223,538.58
Sidel Transport Ltd.	2101 43rd St. Vernon BC V1T 6K7		14,567.00
Stellar Wholesale Inc.	19055 Airport Way Pitt Meadows BC V3Y 0G4		3,042.14
Stephen K Winters Law Corp.	2750 Rupert Street Vancouver BC V5M 3T7		341,637.00
Sterigenics Radiation Technologies Canada	1425 Kebet Way Port Coquitlam BC V3C 6L3		19,543.04
Steve Phillips	Suite 1010, 1030 West Georgia Street Vancouver BC V6E 2Y3		30,280.29
Terra Housing Consultants	2750 Rupert Street Vancouver BC V5M 3T7		56,556.61
Township of Spallumcheen	4144 Spallumcheen Way Spallumcheen BC V0E 1B6		169,422.76
Troy Fire and Safety Vanessa Gardner	1042 2nd Avenue East Owen Sound BC N4K 2H7		3,556.00
Valo Mechanical	. BC		4,500.00
Wade Simpson	1400 - 1125 Howe Street vancouver BC V6Z 2K8		28,000.00
William Spratt	3203 East 6th Ave. vancouver BC V5M 1S6		35,533.90
WorkSafeBC - Collections Department	PO Box 5350 Stn. Terminal Vancouver BC V6B 5L5		21,000.00
<b>Total</b>			<b>4,846,944.92</b>

ESTATE NO. 11-3031837  
COURT NO. B240063  
VANCOUVER REGISTRY

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

**IN THE MATTER OF THE PROPOSAL OF  
LOTUS VENTURES INC.**

**AMENDED PROPOSAL**

**OF**

**LOTUS VENTURES INC.**

**DATED FOR REFERENCE APRIL 5, 2024**

**MADE PURSUANT TO PART III DIVISION 1 OF THE  
*BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, C. B-3, AS AMENDED**

**ARTICLE I  
DEFINITIONS & INTERPRETATION**

**1.1 DEFINITIONS**

In this Proposal, including the attached schedules:

“**Approval Order**” means the court order made in the Proposal Proceeding approving the Proposal and directing the implementation of the Proposal.

“**BIA**” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 as amended.

“**Business Day**” means a date other than a Saturday, Sunday or statutory holiday in British Columbia.

“**Claim**” means a claim for an amount alleged by a person to be owed to it, or any obligation, enforceable right, duty or liability, contingent or otherwise, (including any claim whether contingent or accrued on behalf of His Majesty the King in right of the Dominion of Canada or any Province or any municipality), or any cause of action against the Company or its respective assets and property calculated either as at the Filing Date or in the case of claims under executory contracts arising subsequent to the Filing Date as a result of the termination of such contracts as at the date of such termination.

“**Classes**” means the classes of Creditors created under the Proposal.

“**Company**” means Lotus Ventures Inc., an Insolvent Person incorporated under the laws of British Columbia.

“**Court**” means the Supreme Court of British Columbia.

“**CRA**” means His Majesty the King in Right of Canada as represented by the Minister of National Revenue.

“**Creditor**” means a person having a Proven Claim.

“**Deferred Creditor**” means a creditor who elects to delay receipt of an interim distribution.

“**Disallowed Claimant**” means a person filing a Proof of Claim with the Trustee which is disallowed in whole or in part by the Trustee until either:

- (a) The time period for disputing the Trustee’s disallowance established in the Proposal expires without the filing of a motion to Court by such Disallowed Claimant, in which case the Disallowed Claimant shall not have a claim; or
- (b) A motion has been filed by the Disallowed Claimant disputing the disallowance and either:
  - (i) The Court has upheld the Trustee’s disallowance in which case the Disallowed Claimant shall not have a Claim; or
  - (ii) The Court has varied either in whole or in part, the Trustee’s disallowance, in which the case the amount established by the Court will become a Claim.

“**Filing Date**” means January 17, 2024, the date when the Notice of Intention to Make a Proposal was filed.

“**General Creditors**” means:

- a) Any Creditor who is not a Secured Creditor;
- b) Any Creditor who has any deficiency claim in connection with any security, mortgage, charge or encumbrance;
- c) Any Secured Creditor who has elected to file a proof of claim as an unsecured creditor under section 50.1(3) of the BIA.

“**Implementation Date**” means the first Business Day after the date the Court approves the Proposal.

“**Insolvent Person**” means that definition set out in Section 2 (1) of the BIA.

**“Meeting”** means the meeting of the General Creditors to be held pursuant to Section 51(1) of the BIA for the purpose of considering, and if thought fit, voting to approve the Proposal, as same may be amended at any such Meeting, and agreeing to the compromise and arrangement constituted thereby, and any adjournment thereof.

**“Post Filing Creditor Claims”** means all claims of Post Filing Creditors for amounts alleged to be owed to them arising after the Filing Date.

**“Post Filing Creditor”** means any person who has supplied goods or services to or who has an entitlement to receive sales or excise taxes, source deductions or assessments and premiums from the Company arising subsequent to the Filing Date in relation to any unpaid amounts relating thereto and extends to include the federal or provincial Crown for amounts owed in respect of federal or provincial sales or excise taxes collected subsequent to the Filing Date, or amounts owing in respect of source deductions on account of employee income tax, Canada Pension Plan contributions and Employment Insurance premiums arising subsequent to the Filing Date, and amounts payable to any Workers’ Compensation authority whether as to premiums or assessments accruing due subsequent to the Filing Date.

**“Preferred Creditors”** means all creditors entitled to priority over the General Creditors pursuant to section 136 of the BIA.

**“Proof of Claim”** means the prescribed form of document required under the BIA to evidence the Claim of a Creditor under Part III of the BIA prior to the date of the Meeting.

**“Proposal”** means this Proposal among the Company and the Creditors, as from time to time amended, modified or supplemented pursuant to an order of the Court, or pursuant to an agreement among the Company and any of the Creditors or Class, as provided for herein or pursuant to any Meeting of the Classes, and may be referred to as being the Proposal of the Company dated for reference March 28, 2024 and as amended on April 5, 2024.

**“Proposal Fund”** has the meaning given to it in Article III.

**“Proposal Proceeding”** means the proceeding commenced by the Company under the BIA in Action No. 11- 3031837 in the Vancouver Registry of the Court.

**“Proven Claim”** means a Claim that has been filed with the Trustee in accordance with the Proposal and has either been accepted and allowed by the Trustee and the Company or has been allowed by the Court, in whole or in part.

**“Related Parties”** means that definition set out in Section 4 (2) of the BIA.

**“Secured Creditor”** means those creditors holding perfected valid security interests against assets or property of the Company or holding a valid mortgage, charge or encumbrance in the assets or property of the Company.

**“Trustee”** means MNP Ltd., appointed as Licensed Insolvency Trustee in the Proposal Proceedings.



**ARTICLE II**  
**PURPOSE AND EFFECT OF THE PROPOSAL**

2.1 PURPOSE OF THE PROPOSAL

The purpose of the Proposal is to permit the Company to settle payment of its liabilities arising before the Filing Date and to compromise the indebtedness owed to General Creditors of the Company on a fair and equitable basis.

2.2 TRUSTEE UNDER THE PROPOSAL

The Trustee shall act as the administrator for all purposes connected with the Proposal including management of the claims process, administration of the Meeting and any adjournments thereto and distribution of dividends to Creditors.

**ARTICLE III**  
**CREDITOR CLASSES AND PAYMENTS**

3.1 CLASSES OF CREDITORS

There will be one Class of Creditors for the purpose of considering and voting upon the Proposal consisting of the General Creditors.

3.2 SECURED CREDITORS

Secured Creditors including outstanding property taxes shall be paid in accordance with the present arrangements existing between the Company and respective Secured Creditors, as amended from time to time, or as may be arranged in the future between the Company and each Secured Creditor respectively.

3.4 PAYMENT

3.4.1 The Company will pay a total of \$2,350,000 to the Trustee for the benefit of General Creditors and the Company's obligations pursuant to paragraphs 3.5 of the Proposal and pursuant to the provisions of the *BIA* (the "**Proposal Fund**") as follows:

- (a) \$2,350,000 to be paid by way of ten semiannual payments beginning on December 31, 2024, and ending on June 30, 2029.
- (b) A schedule of payments is set out below:  
  
December 31, 2024 - \$235,000

June 30, 2025 - \$235,000

December 31, 2025 - \$235,000

June 30, 2026 - \$235,000

December 31, 2026 - \$235,000

June 30, 2027 - \$235,000

December 31, 2027 - \$235,000

June 30, 2028 - \$235,000

December 29, 2028 - \$235,000

June 29, 2029 - \$235,000

3.4.2 The Trustee will distribute to General Creditors the Proposal Fund as follows:

- (a) Each of the General Creditors will be paid their proportionate *pro rata* share of the amount of the Proposal Fund which remains after each of the payments described in paragraph 3.5.
- (b) The Trustee will make interim distributions to the General Creditors following the receipt of each semiannual payment by the Company.
- (c) A General Creditor may elect to defer its prorata share of an interim distribution by notifying the Trustee in writing that it wishes to delay receipt of an interim distribution. The notice of deferral shall confirm the length of the deferral. Any interim distributions that are deferred by a General Creditor remain owing and payable. The interim distributions shall be prepared on a prorata basis excluding the claim of the Deferred Creditors, thus resulting in the General Creditors who did not elect to defer receiving a larger proportion of the interim distribution and a more expedient recovery. Upon the expiry of the deferral, the Deferred interim distributions shall be paid at the date of next interim distribution to the Deferred Creditors in priority to the General Creditors.
- (d) A General Creditor may elect to waive its share of an interim distribution, in full or in part, upon written notice to the Trustee. Interim distributions that are waived by a General Creditor extinguish the Company's obligation in respect of waived portion of the interim distribution.
- (e) The Company will pay the Trustee fees and costs directly (the "Trustee Fee Payments") in addition to the above payments. The Trustee will issue its monthly

invoices to the Company, and the Company will pay these invoices within 30 days of issuance. The Trustee Fee Payments will form part of the Proposal Funds and be shown as paid to the Trustee based on the priority discussed in section 3.5.2 of this Proposal.

3.4.3 Notwithstanding the foregoing, the Company is obligated to pay only the aggregate amount of all Proven Claims and amounts accruing due to the Trustee pursuant to paragraph 3.5 of the Proposal. If and when the Company pays in full the Proven Claims and amounts accruing due to the Trustee as a Preferred Claim pursuant to paragraph 3.5 of the Proposal, the Company shall be deemed to have fully performed this Proposal and the Company shall not be required to make any further payment to the Trustee.

3.4.4 The Company is at liberty to prepay, without penalty, any amounts payable under this Proposal.

### 3.5 PREFERRED PAYMENTS IN PRIORITY TO ALL OTHER CREDITORS UNDER THE PROPOSAL

3.5.1 His Majesty the King in Right of Canada or a Province shall be paid in full all amounts of a kind which could be subject to a demand under sub-section 224(1.2) of the *Income Tax Act* or under any substantially similar provision of provincial legislation and that were outstanding at the time of the Filing Date, within six months of the Approval Order.

3.5.2 Provision for payment of all proper fees, expenses and legal costs (the "Trustee's Fees") of the Trustee, and of the Company, of and incidental to the proceedings arising in the Proposal Proceeding together with such fees of the Trustee incidental to and arising from the preparation of this Proposal shall be paid in full in priority to the claims of all Creditors. In the event no Inspectors are appointed, the Trustee may take advances of the Trustee's Fees, subject to final taxation by the Court. Such advances may be taken on a quarterly basis, with the first advance commencing on or after the Implementation Date.

3.5.3 Immediately after Court approval of the Proposal, employees and former employees of the Company shall be paid amounts equal to the amounts they would be qualified to receive under paragraph 136(1)(d) of the *BIA* had the Company become bankrupt on the date of Court approval of the Proposal as well as wages, salaries, commissions or compensation for services rendered after the date of the Filing Date and the date of the Approval Order.

3.5.4 Preferred claims (which include claims of employees) are to be paid in priority to all claims of General Creditors pursuant to sections 60(1) and 136 of the *BIA*.

### 3.6 EFFECT ON CREDITORS

Effective as of the Implementation Date, upon satisfaction of the claims of Creditors in the manner described in this Proposal, the Company shall be released from all claims, liabilities and obligations to all General Creditors.

## **ARTICLE IV DELIVERY OF PROOFS OF CLAIM**

### **4.1 DELIVERING PROOFS OF CLAIM**

The Creditors shall deliver their Proofs of Claim for review by the Trustee and the Company by faxing the completed Proof of Claim to the Trustee at Fax No. (604) 685-8594, Attention: Seamus Boyle or by e-mailing the completed Proof of Claim to the Trustee at: [InsolvencyInfoTBG@mnp.ca](mailto:InsolvencyInfoTBG@mnp.ca) or mailing the Proof of Claim to the address of the Trustee set out in Article 10.2., or by depositing such a Proof of Claim with the Trustee prior to the commencement of the Meeting.

### **4.2 FAILURE TO FILE PROOFS OF CLAIM PRIOR TO MEETING**

If a Creditor fails to either deliver a Proof of Claim to be received by the Trustee prior to 5:00 pm on the day before the date for the Meeting for the Classes, or fails to deposit a Proof of Claim with the Trustee or his nominee on or before the time for commencement of the Meeting, the Creditor shall have no right to vote in respect of the Proposal. Subject to Article 4.3, failure by a Creditor to file a Proof of Claim by that deadline shall not disentitle such Creditor from receiving any future payment to be made under the Proposal.

### **4.3 DISPUTED PROOFS OF CLAIM**

4.3.1 In the event that the Company disputes any Proof of Claim as to entitlement to participate in the Classes or as to amount of the Claim set out in the Proof of Claim the Trustee may:

- (a) disallow the Proof of Claim;
- (b) allow the Proof of Claim as presented for the purposes of voting at the Meeting but disallow the Proof of Claim for distribution purposes; or
- (c) allow the Proof of Claim for voting and distribution purposes in such amount as it determines appropriate.

4.3.2 If the Trustee disallows a Proof of Claim for any reason or allows the Proof of Claim for an amount less than that set out in the Proof of Claim, the Creditor shall be deemed to accept the determination of the Company unless the Creditor shall have filed with the Court a motion to value its Claim within thirty (30) days of the date that the disallowance notice is forwarded to the Creditor by the Trustee.

## **ARTICLE V MEETING OF THE CREDITORS**

### **5.1 GENERAL**

5.1.1 At the Meeting of the Creditors held to consider this Proposal the Creditors may appoint one or more but not exceeding five inspectors (the “Inspectors”) under this Proposal whose duties will be restricted to the following:

- (a) to advise the Trustee in connection with its actions under this Proposal or any amendment thereto as the Trustee may, from time to time, request;
- (b) To advise the Trustee concerning any dispute which may arise as to the validity of claims of Creditors under this Proposal;
- (c) To advise the Trustee in respect of such other matters as may be referred to the Inspectors by the Trustee; and
- (d) If in the opinion of a majority of the Inspectors it is in the interests of the Creditors that the time for payment of their Proven Claims be extended, the Inspectors will be entitled, without further reference or notice to the Creditors, to extend the time for payment of their Proven Claims.

5.1.2 The Trustee, and the Inspectors, should any be appointed, shall be exempt from all personal liability in fulfilling any duties or exercising any powers conferred upon them by this Proposal or generally in carrying out of the terms of this Proposal by wrongful act, default or neglect.

5.1.3 Upon payment to the Trustee as provided in Article III, this Proposal shall be fulfilled and the Creditors shall have no further claims against the Company.

### **5.2 MEETING**

The Meeting shall be conducted in accordance with Division 1 – General Scheme for Proposals of the BIA.

### **5.3 VOTING**

Except as provided in paragraph 5.4, for the purposes of voting as a member of the Classes, each Creditor shall have one vote for the purposes of determining a majority in number and each Creditor shall be entitled to one vote for each \$1.00 of its Proven Claim.

### **5.4 PROXIES AND VOTING LETTERS**

Creditors will be entitled to vote at the Meeting by proxy or voting letter. The particulars with respect to voting by proxy or voting letter will be detailed in the Proof of Claim and will be binding upon all Creditors.

5.5 ADJOURNMENT OF MEETING

The chair of the Meeting may in his or her discretion adjourn the Meeting upon such terms as are considered appropriate by the chair of the Meeting upon notice to those persons present at the Meeting for the purposes of considering amendments to the proposal contemplated in Article VI.

**ARTICLE VI  
AMENDMENTS AND MODIFICATIONS**

6.1 AMENDMENT OF PROPOSAL

The Company reserves the right, with the consent of the Trustee, to amend the Proposal at any time and re-submit it to the Creditors and the Proposal may be amended among the Company and the General Creditors at the Meeting.

6.2 MODIFICATION OF PROPOSAL

After the Meeting, the Proposal may be modified by the Court at any time on application of the Company or the Trustee and upon notice to those determined by the Company to be directly affected by the proposed modification, whether a Creditor or not. On such application, the Proposal may be modified as may be reasonably necessary to ensure the successful reorganization of the Company in accordance with the purposes of the Proposal.

6.3 WAIVERS

Any provision of the Proposal may be waived, with the consent of the Trustee or by a Creditor if such provision affects only that Creditor.

**ARTICLE VII  
APPLICATION FOR APPROVAL ORDER**

7.1 APPLICATION FOR APPROVAL ORDER

Upon the conclusion of the Meeting if the Proposal has been approved by the General Creditors by the requisite percentages in relation both to numbers of Creditors and dollar amounts of Proven Claims of Creditors, the Company will forthwith apply to the Court for the Approval Order.

7.2 CONTINUATION OF THE STAY OF PROCEEDINGS

The stay of proceedings provided for in Section 69.1(1) of the BIA will be continued in full force and effect, save as is expressly provided herein.

### 7.3 COMPROMISE OF INDEBTEDNESS

Upon acceptance of the Proposal by the requisite numbers of Creditors, approval of the Proposal by the Court and payment to the Creditors on or following the Implementation Date as contemplated under the Proposal, the Creditors shall have no further rights to enforce their Claims except as provided in the Proposal.

### 7.4 RELEASE OF DIRECTORS

Effective upon the Implementation Date, the directors of the Company shall be released from any obligations of the Company where the directors are by law liable in their capacity as directors for the payment of such obligations but shall not include claims that:

- (a) relate to contractual rights of one or more creditors arising from contracts with one or more directors; or
- (b) are based on allegations of misrepresentation made by directors to creditors or of wrongful or oppressive conduct by directors.

## **ARTICLE VIII APPROVAL PROCEDURE**

### 8.1 PRECONDITIONS TO IMPLEMENTATION

The Proposal is expressly subject to all of the following conditions precedent:

- (a) approval by the requisite majority of the Creditors pursuant to the BIA;
- (b) approval of the Proposal by the Court; and
- (c) such other orders by the Court as may be required in order to completely implement the Proposal.

### 8.2 EFFECTIVENESS

The Proposal will become effective upon the Implementation Date and will apply to all Creditors and all Proven Claims against the Company both domestic and foreign irrespective of the jurisdiction in which such Creditors reside or where the Proven Claims arise.

### 8.3 IMPLEMENTATION

Subject to the conditions precedent set out in Article 8.1, payments to Creditors will occur as set out in Article III.

#### 8.4 EXECUTORY CONTRACTS

On or before the date of the Approval Order, the Company may, if necessary, seek an order from the Court confirming that:

- (a) all executory contracts to which the Company is a party at the date of such application, are in full force and effect and at the Implementation Date notwithstanding that the Company has commenced this Proposal Proceeding, filed a Proposal, or any compromises effected pursuant to the Proposal on the holders of such executory contracts; and
- (b) no party to such executory contracts shall be entitled to terminate, or repudiate its obligation under such executory contracts following the Implementation Date by reason of the commencement of the Proposal Proceeding, the contents of the Proposal, the non-payment of any Claim, or any compromises effected under the Proposal.

### **ARTICLE IX DISALLOWED CLAIMANTS**

#### 9.1 VALIDITY OF CLAIMS

If the Proposal is not approved by the requisite majority of the General Creditors voting at the Meeting as required by the BIA, and the sole reason for that non-approval is the vote of a Disallowed Claimant or Disallowed Claimants, the Company will apply to the Court, at the earliest convenient date for all parties, to determine the validity of the amount alleged due by such Disallowed Claimant or Disallowed Claimants.

#### 9.2 STATUS QUO

Until such time as the amount which is alleged to be owed by the Company to a Disallowed Claimant who has voted against the Proposal and whose vote, either alone or in conjunction with other Disallowed Claimants, has governed the Class of which it is a proper member is finally determined:

- (a) the Company will maintain the status quo;
- (b) the effect of the Proposal and all steps to be taken hereunder will continue with respect to all other Creditors pending the determination of the issues between the Company and the Disallowed Claimants; and
- (c) The Company will defer any application for the Approval Order until the dispute has been resolved by the Court.

### **ARTICLE X GENERAL**



## 10.1 HEADINGS

The division of the Proposal into Sections and the insertion of headings are for convenience only and do not form part of the Proposal and will not be used to interpret, define or limit the scope, extent or intent of the Proposal.

## 10.2 SECTION REFERENCE

Unless otherwise specified, references in the Proposal to “Sections” and “Schedules” are to sections of and schedules to the Proposal.

## 10.3 STATUTORY REFERENCE

Unless otherwise specified, each reference to a statute is deemed to be a reference to that statute and to the regulations made under that statute, as amended or re-enacted from time to time.

## 10.4 NUMBER AND GENDER

Unless otherwise specified, words importing the singular include the plural and vice versa and words importing gender include all genders.

## 10.5 CURRENCY

All references to amounts of money mean lawful currency of the Dominion of Canada unless otherwise expressly indicated. All Proofs of Claim submitted by Creditors in U.S. dollars will be converted to Canadian dollars at the rate of exchange applicable at the Filing Date.

## 10.6 FURTHER ACTIONS

The Company will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of the Proposal to give effect to the transactions contemplated hereby.

## 10.7 NOTICES

All notices, Proofs of Claim, and payments required or permitted or desired to be made pursuant to the Proposal shall be in writing and shall be delivered personally or by e-mail or mail by regular or registered or certified mail, return receipt requested, to the Company at the following address:

c/o MNP Ltd.  
*Licensed Insolvency Trustee in the Proposal*  
*Proceedings of Lotus Ventures Inc.*  
Suite 1630 609 Granville Street  
Vancouver, B.C. V7Y 1E7

Attention: Seamus Boyle

Telephone: (778) 372-5384  
Facsimile: (604) 685-8594  
E-mail: Seamus.Boyle@mnp.ca

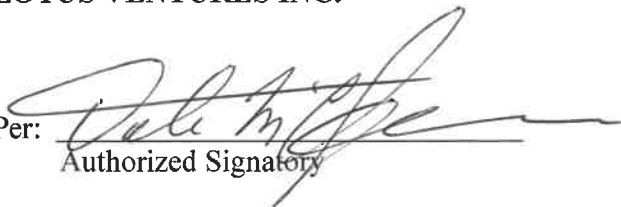
And if to a Creditor or Disallowed Claimant, at its address set forth in the last Proof of Claim deposited with the Company.

10.8 SUCCESSORS AND ASSIGNS

The Proposal is binding upon the Company, the Creditors, the Disallowed Claimants and their respective heirs, executors, administrators, successors and assigns.

DATED at the City of Vancouver, Province of British Columbia this 5<sup>th</sup> day of April 2024.

**LOTUS VENTURES INC.**

Per:   
Authorized Signatory

COURT NO. B240063  
ESTATE NO. 11-3031837

VANCOUVER REGISTRY

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

**IN THE MATTER OF THE PROPOSAL OF  
LOTUS VENTURES INC.**

**TRUSTEE'S REPORT TO CREDITORS**

**BACKGROUND**

Lotus Ventures Inc. ("**Lotus**", the "**Company**") is a British Columbia based licensed cannabis producer and was formed in British Columbia in November 2014 as a result of an amalgamation. The Company's Directors are Mr. Carl Correia, Mr. Maurice Creagh, Mr. Simon Davie, and Mr. Dale McClanaghan (also President and CEO) based on a search of the BC Companies Registry as of January 10, 2024. Lotus was incorporated for the purpose of growing premium cannabis which is carried in retail locations across BC and Ontario and sold through export markets. The Company operates from a production facility (the "**Production Facility**") located in Spallumcheen, British Columbia. The Production Facility is not subject to any encumbrances or mortgages and is wholly owned by the Company. Lotus is listed on the Canadian Securities Exchange (CSE:J) and on the OTC Markets (OTC:LTTSF). Further financial and other information reported by the Company can be found at: <https://thecse.com/listings/lotus-ventures-inc/sedar-filings/?page=1>

The Company reported net losses for the years ended August 31, 2022, and August 31, 2023. The Company reported a net loss of \$1,872,566 for the twelve months ended August 31, 2023, compared to a net loss of \$4,950,683 same period ending August 31, 2022. The Company's management (the "**Management**") reported that the net loss decreased by \$2,920,193 as compared to the prior year as a result of an increase in sales, gross margin, and no impairment of inventory in the most recent year. The Company incurred ongoing cash flow constraints through the end of 2023 which were projected to continue into 2024.

On January 16, 2024, 5008679 Ontario Ltd. (a company owned by a former director of Lotus) obtained a judgment (the "**Judgment**") against Lotus with regards to a loan totaling in excess of \$1 million. Management did not contest the amount owing to 5008679 Ontario Ltd.

As a result of the significant operating losses and the Judgment, Lotus lacked sufficient working capital to meet all of its obligations to its creditors resulting in Management deciding to seek creditor protection to permit a restructuring of Lotus' financial affairs. Management filed a Notice of Intention to Make a Proposal ("NOI") pursuant to the provisions of the *Bankruptcy and Insolvency Act* ("BIA") on January 17, 2024, and MNP Ltd. consented to act as Licensed Insolvency Trustee ("Trustee") in the proposal proceedings.

On February 12, 2024, the Company filed an application with the British Columbia Supreme Court (the "Court") seeking an extension of time to file its proposal to creditors and was granted an extension of time to April 1, 2024.

Lotus filed a proposal to its creditors on March 28, 2024 (the "Proposal"), which was amended on April 5, 2024. The amendment to the Proposal clarified that the Trustee's fees are being paid by the Company directly in addition to set payments intended for the benefit of the General Creditors.

In preparing this Trustee's Report to Creditors (the "Report") and making the comments herein, the Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, the Company's books and records, discussions with employees and management and information from other third-party sources (collectively, the "Information"). Except as described in this Report, the Trustee has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards or other standards established by the Chartered Professional Accountants of Canada.

Capitalized terms used in the Report are the same as those referenced in the Proposal. Unless otherwise stated herein, all references to currency are to Canadian currency.

## **SUMMARY OF PROPOSAL**

A summary and major terms of the Proposal are as follows:

- There will be one Class of Creditors for the purpose of considering the Proposal consisting of the General Creditors.
- The Company shall continue to pay the Secured Creditors in accordance with present arrangements, as amended from time to time, or as may be arranged in the future between the Company and each Secured Creditor respectively. Secured Creditors will not vote on this Proposal as their claims are not being compromised by the Proposal.
- The Company shall make certain payments (defined as the "Proposal Fund") to the Trustee for the benefit of the General Creditors as well as certain priority obligations

pursuant to the provisions of the BIA and as set out in the Proposal. These payments include specific payment amounts outlined in the Proposal, in addition to payment of the Trustee's fees and costs in this matter.

- In addition to the payment of the Trustee's fees and costs, the Company will pay the Trustee ten (10) payments totaling \$2,350,000, each of \$235,000 which are due to be paid by the Company to the Trustee on specified dates, as follows:
  - December 31, 2024;
  - June 30, 2025;
  - December 31, 2025;
  - June 30, 2026;
  - December 31, 2026;
  - June 30, 2027;
  - December 31, 2027;
  - June 30, 2028;
  - December 31, 2028; and
  - June 30, 2029.
  
- Canada Revenue Agency ("CRA") will be paid in full by the Proposal Funds within 6 months of Court Approval of the Proposal, for unremitted payroll source deductions.
  
- The Trustee's fees and expenses, and legal costs of the Trustee arising out of the Proposal shall be paid directly from the Company, in addition to the payments referenced above. These payments for Trustee fees and legal costs will be included in the Proposal Fund, and then paid to the Trustee in priority to the General Creditors.
  
- General Creditors will be paid a pro rata share of the remaining funds in the Proposal Fund.
  
- The Proposal contains provisions that allow for General Creditors to either defer their pro rata share of an interim distribution or waive its share of an interim distribution (in full or in part).
  
- The Proposal contains a provision that claims against the Company's Director are compromised after the approval of the Proposal by the Court.

## **OPERATIONS**

The Company has continued normal course operations subsequent to the filing of the Notice of Intention on January 17, 2024. The Company has also continued to carry on business with its suppliers on terms which are acceptable to Lotus and its suppliers.

Lotus currently employs approximately 24 full and part-time employees, in addition to four other parties on a contract basis. The Company's payroll is processed on a bi-weekly

basis and employees are being paid in accordance with the payroll schedule. The Company utilizes the services of ADP Canada to administer its payroll, and as such payroll withholdings are remitted to CRA directly by ADP Canada.

Management is of the view that Lotus will achieve profitability as they have reduced operating costs and continued in efforts to increase sales, particularly in respect of developing a focus on retail markets and exporting its products through bulk sales to international customers.

Management have transitioned from a wholesale focus to domestic retail sales by expanding their presence in the British Columbia and Ontario Cannabis Stores. The further focus on the export sales began in January 2024 after the company received Health Canada and international certification to be allowed to sell to international markets. Management reports that Lotus has obtained export accreditation and commenced international sales to Australia, the United Kingdom, and certain countries in Eastern Europe for its dried flower product.

Management is also of the view that they will be able to continue to grow revenues by focusing on higher yield and higher priced products. Management reports that they are operating at full capacity and have taken a harvest every 12 days sequentially from one of the grow rooms since the initial crop in September 2019.

Efforts with regards to costs reduction have been focused on reduction of Management compensation, and deferral of discretionary costs. Further, the Company's cost structure is such that many of their material costs do not vary significantly with changes in production.

## **ASSETS**

Management provided their Statement of Affairs ("**SOA**") which outlines the assets and liabilities of the Company. The SOA is included in the documents circulated to the creditors with this Report.

### ***Cash in Bank***

The SOA includes no material surplus cash on hand. The Company reported cash of approximately \$44,000 on their August 31, 2023 financial statements. The Company has provided support that there was minimal available operating funds at the time of filing of the Proposal on March 28, 2024, although that balance increased materially with a deposit soon thereafter and will continue to fluctuate daily.

For the basis of our analysis in this report we have assumed a cash balance of nil.

***Accounts Receivable***

The SOA shows no accounts receivable. The Company reported approximately \$400,000 in accounts receivable on the August 31, 2023, financial statements.

It is our understanding that the Company now sells its export product based solely on a cash on delivery (“**COD**”) basis. Further, the retail sales will lead to sales on terms, and accounts receivable amounts. However, as at the date of the Statement of Affairs, the Company had collected all material accounts receivable although is in the process of issuing invoices which will create a new account receivable of approximately \$50,000. As a result of the transition of the sales focus from wholesale to retail and export the level of accounts receivable is expected to be lower going forward than historically reported.

For the basis of our analysis in this report we have assumed a collectable accounts receivable balance of \$25,000.

***Inventory***

The SOA shows the Company's inventory (the “**Inventory**”) at a value of \$200,000. The Inventory was shown on the August 31, 2023, financial statements at \$840,000.

The Inventory is located at the Company's Production Facility in Spallumcheen, British Columbia. The reported Inventory balance has varied materially on the Company's financial statements over the last two years and is primarily dependent on the status of the harvest of crops and sale shipments leaving the Production Facility. Management's estimate of \$200,000 for the Inventory on the Statement of Affairs is based on a liquidation process by the Management.

The Trustee is of the view that the applicable Federal and Provincial legislation regarding the control and sale of cannabis would not allow a Trustee in Bankruptcy to possess and realize on the Inventory. Further, the Trustee would be required to comply with the regulations under the Cannabis Act and Environmental Management Act (and other applicable legislation) regarding the destruction and disposal of the Inventory. In summary, the Inventory would be a liability under a bankruptcy scenario and not a realizable asset.

Based on our initial review, we understand that significant time and costs would be required to correspond and coordinate with the appropriate governmental oversight authorities on this matter, along with specific costs related to the appropriate destruction and disposal of the Inventory. Such specific costs would include staffing costs for handling and destruction of the Inventory, transportation and disposal costs, in addition to the costs and fees of the bankruptcy trustee.

*Biological Assets*

The Company's financial statements include biological assets consisting of cannabis plants that have not yet been harvested and transferred to inventory. The fair value of these assets are subject to standard assumptions and estimates in accordance with the IFRS standards for agricultural assets (IAS 41). Similar to the Company's inventory, under a bankruptcy scenario the Trustee would be required to comply with all applicable regulations regarding the destruction and disposal of the biological assets and there would not be any expected realization from the biological assets.

As a result, we estimate that the net cost of appropriately dealing with the destruction and disposal of the Inventory and biological assets to be approximately \$40,000.

*Equipment*

The SOA shows no value for Company owned equipment. The Company's August 31, 2023, financial statements include approximately \$260,000 in net book value of the equipment, being included in the Property, Plant and Equipment reporting.

Lotus owns various office and production equipment to facilitate the Company's operations. Management have provided the Trustee with the Company's equipment listing (the "**Equipment**"), which we have reviewed on site and determined it is a reasonable listing of the equipment noted at the Production Facility. Management have determined no value for the Equipment based on material items forming part of the Production Facility (and therefore sold with the real property), and limited value of the remaining Equipment items.

The Trustee is of the view that a majority of the Equipment are attached to the Production Facility and would be sold with the building. However, there are certain items that are removable and therefore would be realizable as a separate equipment sale, such as the trimming machines, incubators, shredder, and rosin press. The Trustee estimates the realizable value for these removable items to be between \$20,000 and \$30,000. There are also a significant number of office items and smaller assets which would not be expected to yield material realization either individually, or in their aggregate.

There are no lease or financing agreements registered on the British Columbia Personal Property Registry with regards to specific items or serial number registrations that would attach a priority claim to specific equipment. There are potential general security agreements registered against all of the Company assets, which are discussed further under the Secured Creditors section of this report.

The net liquidation value of removable assets is anticipated to be approximately \$20,000 after taking into consideration auctioneer's commissions, potential transport costs from this remote location, and other selling costs that would be incurred.



***Real Property***

The Production Facility is located on a parcel of land that is approximately 23 acres in size and includes the cannabis production facility and an older single-family home. The cannabis facility consists of a single steel frame building of 22,192 square feet, broken into various cultivation rooms, processing, shipping/receiving, infrastructure and staff areas.

The property's overall assessment (BC Assessment) is \$6,229,200 as of July 1, 2023.

The Production Facility is shown on the SOA at a value of \$2,000,000. Further there is outstanding property taxes owing, which are to be paid by the Company's cash flow under the Proposal. However, they would form a priority lien against the property in the event of a bankruptcy scenario.

The Company engaged Colliers Canada ("**Colliers**") to provide a Broker's Opinion of Value with respect to the Production Facility. Colliers' material considerations included the market conditions with regards to a use specific facility in the cannabis industry, costs associated with alternative uses, location, and all within a forced liquidation scenario (less than six months) which would be applicable to a bankruptcy scenario.

Colliers concluded that their estimate of value to be "less than \$2,000,000" based on their assumptions, and as of March 22, 2024. Further, the recommended listing price for the Production Facility was \$1,995,000.

A January 15, 2024 search of the land titles registry related to the Production Facility shows expected easements and permits related to governmental rights. Further, there is a notice of interest under the builder's lien act dated November 2015. Management confirmed that this lien related to the build out of the Production Facility and has been paid in full.

To determine a net realizable value on the Production Facility, we have assumed the following adjustments to the Colliers recommended listing price:

<b>Lotus Ventures Inc. - Production Facility</b>	
<b>Net Realizable Value - Bankruptcy</b>	
Recommended Listing Price	1,995,000
Less:	
Estimated Reduction to Sales Price	- 99,750
Estimated Sales Price	<u>1,895,250</u>
Less:	
Commission - 8%	- 151,620
Unpaid Property Tax	- 170,000
Possession Costs - security / insurance	- 9,000
Estimated Net Realizable Value	<u><u>1,564,630</u></u>

## **LIABILITIES**

### **Secured Creditors**

The Trustee has not obtained an independent legal opinion on the validity or enforceability of the various security agreements and/or potential claims of the various secured creditors discussed in the Report.

The SOA shows no secured creditors. However, there are security registrations filed against the Company as shown on a January 10, 2024 search of the Personal Property Registry of British Columbia. These registrations include general security registrations for Kolab Project Inc. and Connect First Credit Union Ltd., along with a registration over cannabis inventory by 5008679 Ontario Limited, and a registration over a guaranteed investment certificate by the Bank of Montreal. Management is of the view that all of the claims with regards to the above registrations are either paid in full, or not valid secured claims.

The Trustee will be required to review and adjudicate any secured claims that are submitted in this Proposal. To the extent there are proven secured claims, section 3.2 confirms that such secured claims will be paid in accordance with the present arrangements. Any payments to proven secured creditors will be paid directly from the Company and will not form any claim against the Proposal Funds.

***Preferred Creditors***

**Employees**

Employees are preferred creditors pursuant to Section 136 of the *Bankruptcy and Insolvency Act*, and as such, their preferred claims must be paid in full before any payments are made to the general unsecured creditors. Each employee's preferred claim may not exceed \$2,000, relating to wages and vacation pay during the six-month period immediately preceding the initial date of filing. Amounts owing in excess of the threshold or relate to a period more than six months prior to the Notice of Intention, are general unsecured claims. Any claims relating to severance or termination pay are general unsecured claims.

In a bankruptcy scenario, preferred claims of employees (wages/vacation pay) become a secured charge over current assets, and takes priority over other secured creditors, with the exception of the claim of CRA pertaining to unremitted payroll withholdings. Claims for outstanding termination pay rank as general unsecured claims in a bankruptcy or proposal scenario.

The Trustee is not aware of any preferred amounts owing to present or former employees with regards to the Proposal. However, it is expected that there would be accrued wages and vacation pay, along with severance obligations owing under a bankruptcy scenario. For the purposes of this report we have assumed each employee would be owed a preferred claim of \$1,000, and a further \$2,000 unsecured claim.

**Unsecured Creditors**

The Company's Statement of Affairs indicates unsecured creditors of approximately \$4,846,500. Ultimately the amount owing to creditors will be based upon the proven claims filed in the Proposal proceedings.

Under a bankruptcy scenario we have assumed additional unsecured claim amounts related to the employees:

Employees Termination / Severance costs	\$48,000
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The voting rights or rights to participate in the Proposal Funds may be impaired if any claim is determined to be a Related Party Claim or a Non-Arm's Length Claim as defined within the BIA, or related legislation and regulations.

**CONDUCT OF THE DEBTOR**

Since the filing the NOI, and in preparation for its filing, the Company has been acting in good faith by organizing its affairs and investigating various options with a view to

formulating and presenting a proposal to its creditors. In particular, and as examples, the Company has:

- Reduced operating costs;
- Continued in its efforts to increase sales, particularly in respect of exporting its products through bulk sales to international customers;
- Assessed options for a sale of the business as a going concern; and
- Obtained an assessment of the forced liquidation value of its property as it relates to putting forth a proposal that would provide a greater return to its creditors than would be received under a bankruptcy scenario; and
- The Company is up to date with all of its filing and payment obligations to Canada Revenue Agency since the filing of the NOI and has continued to meet its obligations under the BIA, including the monitoring program set out by the Proposal Trustee at the outset of the engagement.

The Trustee undertook a material transaction (in excess of \$50,000) review covering the prior year to identify any potential material preferential payments or transactions at undervalue that may be pursued by a Trustee in bankruptcy. We identified 29 payments from the Company's bank account in excess of \$50,000 during this period. These payments were primarily related to payroll, payments to the local township, or repayment of short-term bridge funding. The Trustee continues to review these payments with Management and legal counsel, however as of the date of this report the Trustee has not identified material preferential transactions or transactions at under value that would likely be challenged by a Trustee in Bankruptcy pursuant to the provisions of the BIA.

#### **REMUNERATION OF THE TRUSTEE**

The costs of administration pertaining to the Trustee's fees and disbursements and legal costs incurred in relation to the Proposal are a preferred claim and will be paid from the Proposal Fund and will be subject to taxation by Court and approval of the Inspectors, if appointed, or the creditors should no Inspectors be appointed.

The Proposal includes that in the event no Inspectors are appointed, the Trustee may take advances of Trustee's Fees, subject to final taxation by the Court. Such advances shall not be taken less than on a quarterly basis, commencing after approval of the Proposal by Court. If any Inspectors are appointed, they must approve any advances to the Trustee for fees, in accordance with the BIA.

The estimated Trustee fees are included in the Statement of Estimated Realization. However, we note that due to the term of the Proposal, minor monthly changes in the expected costs will result in a material change over the full period of the Proposal.

The Trustee holds a third party retainer of \$75,000 related to this matter.

**CONSEQUENCES OF NON-APPROVAL OF THE PROPOSAL**

If the Proposal is not accepted by the creditors, the Company will be deemed to have made an assignment in bankruptcy on that date.

**ESTIMATED REALIZATION – BANKRUPTCY vs. PROPOSAL**

The Trustee has prepared a Statement of Estimated Realization (the “**Statement**”) which is attached as Schedule “A” to this Report and compares the estimated net realization in a bankruptcy versus proposal scenario. If the Proposal is not accepted by the creditors, the Company will be deemed to have made an assignment in bankruptcy on that date.

The Proposal will provide \$2,350,000 to the Proposal Fund over the term of the Proposal, if the Company complies with the specific payments required under section 3.4.1. The Statement outlines the expected funding under the Proposal, costs, and then distribution to the General Creditors. The Proposal includes that dividends will be paid to the General Creditors every six months (or as otherwise directed by the Inspectors). The General Creditors are expected to receive approximately 48% of their claims under the Proposal.

In a bankruptcy scenario, funds available will be primarily dependent on the asset realizations. While the Trustee has presented our reasonable expectations regarding these realizations in this Report, actual realizations may vary materially from these estimates. The timing on the payout to creditors under the bankruptcy is expected to be between six months and one year, as the primary Company asset is real estate. The creditors are expected to receive approximately 27% of their claims under a bankruptcy scenario.

This percentage of creditor recovery will vary from the above analysis as the actual payout will be dependent on proven claims accepted by the Trustee (or by the Court) in this process which may be higher or lower than the \$4,846,500 included in this analysis.

If the Company complies with the specific payments required under section 3.4.1, the Proposal will provide a significantly higher recovery (by approximately \$1,000,000) to the General Creditors than they would receive in a bankruptcy scenario. Accordingly, we recommend acceptance of this Proposal.

**DATED AT** the City of Vancouver, British Columbia this 8th day of April, 2024.

**MNP Ltd.**

In its capacity as Licensed Insolvency Trustee  
In the Proposal Proceedings of Lotus Ventures Inc.  
and not in its corporate capacity



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

**In the Matter of the Lotus Ventures Inc.**

**Statement of Estimated Realization (rounded)**

**Bankruptcy vs. Proposal**

**Schedule "A"**

	<b>Proposal</b>	<b>Bankruptcy</b>
<b>ESTIMATED RECEIPTS</b>		
Cash In Bank	\$ -	\$ -
Accounts Receivable	-	25,000
Inventory - Net Cost of Disposal	-	40,000
Equipment , Furniture and Fixtures	-	20,000
Real Property - Production Facility		1,564,630
Proposal Fund Payments		
Set Payments	2,350,000	-
Trustee Payments	288,750	
<b>Total Estimated Receipts</b>	<b>\$ 2,638,750</b>	<b>\$ 1,569,630</b>
<b>ESTIMATED DISBURSEMENTS</b>		
Trustee's Fees (including those of the Trustee's Legal Counsel)	275,000	200,000
GST on Above	13,750	
<b>Total Estimated Disbursements</b>	<b>\$ 288,750</b>	<b>\$ 200,000</b>
<b>AVAILABLE FOR DISTRIBUTION</b>	<b>\$ 2,350,000</b>	<b>\$ 1,369,630</b>
Preferred Creditors (Note 1)	-	24,000
General Creditors	2,350,000	1,345,630
	<b>\$ 2,350,000</b>	<b>\$ 1,369,630</b>
<b>Claims of General Creditors claiming pro rata share (Note 2)</b>	<b>\$ 4,846,500</b>	<b>\$ 4,894,500</b>
<b>Estimated % Dividend (Note 3)</b>	<b>48%</b>	<b>27%</b>

**Notes:**

1. There are no expected claims from employees within the Proposal. However, it is assumed that at any specific time wages and vacation pay will be accruing, which may for preferred claims under a bankruptcy scenario.
2. Additional unsecured creditors are assumed under the bankruptcy scenario due to employee severance costs.
3. The estimated dividend does not take into account the 5% levy payable to the Superintendent of Bankruptcy which is payable on all dividends. The levy is payable in either a proposal or bankruptcy.

District of: British Columbia  
 Division No. 03 - Vancouver  
 Court No. B240063  
 Estate No. 11-3031837

Original

Amended

\_Form 78\_  
 Statement of Affairs (Business Proposal) made by an entity  
 (Subsection 49(2) and Paragraph 158(d) of the Act / Subsections 50(2) and 62(1) of the Act)  
 In the Matter of the Proposal of  
 Lotus Ventures Inc.  
 of the Municipality of Spallumcheen, in the Province of British Columbia

To the debtor:

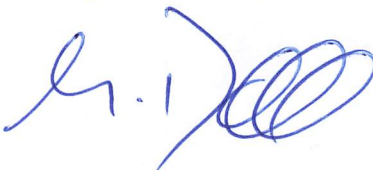
You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the filing of your proposal (or notice of intention, if applicable), on the 17th day of January 2024. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

LIABILITIES (as stated and estimated by the officer)		ASSETS (as stated and estimated by the officer)	
1. Unsecured creditors as per list "A" .....	4,846,947.92	1. Inventory .....	200,000.00
Balance of secured claims as per list "B" .....	0.00	2. Trade fixtures, etc. ....	0.00
Total unsecured creditors .....	4,846,947.92	3. Accounts receivable and other receivables, as per list "E"	
2. Secured creditors as per list "B" .....	0.00	Good .....	0.00
3. Preferred creditors as per list "C" .....	0.00	Doubtful .....	0.00
4. Contingent, trust claims or other liabilities as per list "D"	0.00	Bad .....	0.00
estimated to be reclaimable for .....		Estimated to produce .....	0.00
Total liabilities .....	4,846,947.92	4. Bills of exchange, promissory note, etc., as per list "F" . . .	0.00
Surplus .....	NIL	5. Deposits in financial institutions .....	0.00
		6. Cash .....	0.00
		7. Livestock .....	0.00
		8. Machinery, equipment and plant .....	0.00
		9. Real property or immovable as per list "G" .....	2,000,000.00
		10. Furniture .....	0.00
		11. RRSPs, RRFIs, life insurance, etc. ....	0.00
		12. Securities (shares, bonds, debentures, etc.) .....	0.00
		13. Interests under wills .....	0.00
		14. Vehicles .....	0.00
		15. Other property, as per list "H" .....	0.00
		If debtor is a corporation, add:	
		Amount of subscribed capital .....	0.00
		Amount paid on capital .....	0.00
		Balance subscribed and unpaid .....	0.00
		Estimated to produce .....	0.00
		Total assets .....	2,200,000.00
		Deficiency .....	2,646,947.92

I, Dale McClanaghan, of the City of Vancouver in the Province of British Columbia, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of the affairs of the Corporation on the 17th day of January 2024 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

SWORN (or SOLEMNLY DECLARED)  
 before me at the City of Spallumcheen in the Province of British Columbia, on this 17th day of April 2024.

Vancouver




Dale McClanaghan

**GEOFFREY H. DABBS**  
 Barrister & Solicitor  
 1201 - 1030 West Georgia Street  
 Vancouver BC V6E 2Y3  
 604.642.6422

District of: British Columbia  
Division No. 03 - Vancouver  
Court No. B240063  
Estate No. 11-3031837

FORM 31  
Proof of Claim  
(Sections 50.1, 81.5, 81.6, Subsections 65.2(4), 81.2(1), 81.3(8), 81.4(8), 102(2), 124(2), 128(1),  
and Paragraphs 51(1)(e) and 66.14(b) of the Act)

In the Matter of the Proposal of  
Lotus Ventures Inc.  
of the Municipality of Spallumcheen, in the Province of British Columbia

All notices or correspondence regarding this claim must be forwarded to the following address:

\_\_\_\_\_  
\_\_\_\_\_

In the matter of the proposal of Lotus Ventures Inc. of the City of Vancouver in the Province of British Columbia and the claim of \_\_\_\_\_, creditor.  
I, \_\_\_\_\_ (name of creditor or representative of the creditor), of the city of \_\_\_\_\_ in the province of \_\_\_\_\_, do hereby certify:

1. That I am a creditor of the above named debtor (or I am \_\_\_\_\_ (position/title) of \_\_\_\_\_, creditor).

2. That I have knowledge of all the circumstances connected with the claim referred to below.

3. That the debtor was, at the date of proposal, namely the 17th day of January 2024, and still is, indebted to the creditor in the sum of \$ \_\_\_\_\_, as specified in the statement of account (or affidavit) attached and marked Schedule "A", after deducting any counterclaims to which the debtor is entitled. (The attached statement of account or affidavit must specify the vouchers or other evidence in support of the claim.)

4. (Check and complete appropriate category.)

A. UNSECURED CLAIM OF \$ \_\_\_\_\_  
(other than as a customer contemplated by Section 262 of the Act)

That in respect of this debt, I do not hold any assets of the debtor as security and  
(Check appropriate description.)

Regarding the amount of \$ \_\_\_\_\_, I claim a right to a priority under section 136 of the Act.

Regarding the amount of \$ \_\_\_\_\_, I do not claim a right to a priority.  
(Set out on an attached sheet details to support priority claim.)

B. CLAIM OF LESSOR FOR DISCLAIMER OF A LEASE \$ \_\_\_\_\_

That I hereby make a claim under subsection 65.2(4) of the Act, particulars of which are as follows:  
(Give full particulars of the claim, including the calculations upon which the claim is based.)

C. SECURED CLAIM OF \$ \_\_\_\_\_

That in respect of this debt, I hold assets of the debtor valued at \$ \_\_\_\_\_ as security, particulars of which are as follows:  
(Give full particulars of the security, including the date on which the security was given and the value at which you assess the security, and attach a copy of the security documents.)

D. CLAIM BY FARMER, FISHERMAN OR AQUACULTURIST OF \$ \_\_\_\_\_

That I hereby make a claim under subsection 81.2(1) of the Act for the unpaid amount of \$ \_\_\_\_\_  
(Attach a copy of sales agreement and delivery receipts.)



District of British Columbia  
Division No. 03 - Vancouver  
Court No. B240063  
Estate No. 11-3031837

FORM 31 --- Concluded  
In the Matter of the Proposal of  
Lotus Ventures Inc.  
of the Municipality of Spallumcheen, in the Province of British Columbia

- E. CLAIM BY WAGE EARNER OF \$ \_\_\_\_\_
- That I hereby make a claim under subsection 81.3(8) of the Act in the amount of \$ \_\_\_\_\_,
- That I hereby make a claim under subsection 81.4(8) of the Act in the amount of \$ \_\_\_\_\_,
- F. CLAIM BY EMPLOYEE FOR UNPAID AMOUNT REGARDING PENSION PLAN OF \$ \_\_\_\_\_
- That I hereby make a claim under subsection 81.5 of the Act in the amount of \$ \_\_\_\_\_,
- That I hereby make a claim under subsection 81.6 of the Act in the amount of \$ \_\_\_\_\_,
- G. CLAIM AGAINST DIRECTOR \$ \_\_\_\_\_

*(To be completed when a proposal provides for the compromise of claims against directors.)*  
That I hereby make a claim under subsection 50(13) of the Act, particulars of which are as follows:  
*(Give full particulars of the claim, including the calculations upon which the claim is based.)*

- H. CLAIM OF A CUSTOMER OF A BANKRUPT SECURITIES FIRM \$ \_\_\_\_\_

That I hereby make a claim as a customer for net equity as contemplated by section 262 of the Act, particulars of which are as follows:  
*(Give full particulars of the claim, including the calculations upon which the claim is based.)*

5. That, to the best of my knowledge, I \_\_\_\_\_ (am/am not) (or the above-named creditor \_\_\_\_\_ (is/is not)) related to the debtor within the meaning of section 4 of the Act, and \_\_\_\_\_ (have/has/have not/has not) dealt with the debtor in a non-arm's-length manner.

6. That the following are the payments that I have received from, and the credits that I have allowed to, and the transfers at undervalue within the meaning of subsection 2(1) of the Act that I have been privy to or a party to with the debtor within the three months (or, if the creditor and the debtor are related within the meaning of section 4 of the Act or were not dealing with each other at arm's length, within the 12 months) immediately before the date of the initial bankruptcy event within the meaning of Section 2 of the Act: (Provide details of payments, credits and transfers at undervalue.)

7. (Applicable only in the case of the bankruptcy of an individual.)

- Whenever the trustee reviews the financial situation of a bankrupt to redetermine whether or not the bankrupt is required to make payments under section 68 of the Act, I request to be informed, pursuant to paragraph 68(4) of the Act, of the new fixed amount or of the fact that there is no longer surplus income.
- I request that a copy of the report filed by the trustee regarding the bankrupt's application for discharge pursuant to subsection 170(1) of the Act be sent to the above address.

Dated at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Creditor

Phone Number: \_\_\_\_\_  
Fax Number : \_\_\_\_\_  
E-mail Address : \_\_\_\_\_

NOTE: If an affidavit is attached, it must have been made before a person qualified to take affidavits.  
WARNINGS: A trustee may, pursuant to subsection 128(3) of the Act, redeem a security on payment to the secured creditor of the debt or the value of the security as assessed, in a proof of security, by the secured creditor.  
Subsection 201(1) of the Act provides severe penalties for making any false claim, proof, declaration or statement of account.

District of: British Columbia  
Division No. 03 - Vancouver  
Court No. B240063  
Estate No. 11-3031837

FORM 36  
Proxy  
(Subsection 102(2) and paragraphs 51(1)(e) and 66.15(3)(b) of the Act)

In the Matter of the Proposal of  
Lotus Ventures Inc.  
of the Municipality of Spallumcheen, in the Province of British Columbia

I, \_\_\_\_\_, of \_\_\_\_\_, a creditor in the above matter, hereby  
appoint \_\_\_\_\_, of \_\_\_\_\_, to be  
my proxyholder in the above matter, except as to the receipt of dividends, \_\_\_\_\_ (with or without)  
power to appoint another proxyholder in his or her place.

Dated at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Individual Creditor

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Name of Corporate Creditor

Per \_\_\_\_\_  
Name and Title of Signing Officer

Return To:

MNP Ltd. - Licensed Insolvency Trustee

1630 - 609 Granville Street, PO Box 10203 LCD Pacific Centre  
Vancouver BC V7Y 1E7  
Fax: (604) 689-8584  
E-mail: [InsolvencyClaimsTBG@mnp.ca](mailto:InsolvencyClaimsTBG@mnp.ca)

District of: British Columbia  
Division No. 03 - Vancouver  
Court No. B240063  
Estate No. 11-3031837

FORM 37

Voting Letter  
(Paragraph 51(1)(f) of the Act)

In the Matter of the Proposal of  
Lotus Ventures Inc.  
of the Municipality of Spallumcheen, in the Province of British Columbia

I, \_\_\_\_\_, creditor (or I, \_\_\_\_\_, representative  
of \_\_\_\_\_, creditor), of \_\_\_\_\_, a creditor in the above matter  
for the sum of \$ \_\_\_\_\_, hereby request the trustee acting with respect to the proposal of Lotus  
Ventures Inc., to record my vote \_\_\_\_\_ (for or against) the acceptance of the proposal as made on  
the 28th day of March, 2024 and amended on the 5th day of April, 2024.

Dated at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Individual Creditor

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Name of Corporate Creditor

Per \_\_\_\_\_  
Name and Title of Signing Officer

Return To:  
MNP Ltd. - Licensed Insolvency Trustee  
Per:

\_\_\_\_\_  
Greg Ibbott - Licensed Insolvency Trustee  
1630 - 609 Granville Street, PO Box 10203 LCD Pacific Centre  
Vancouver BC V7Y 1E7  
Fax: (604) 689-8584  
E-mail: [InsolvencyClaimsTBG@mnp.ca](mailto:InsolvencyClaimsTBG@mnp.ca)

# CHECKLIST FOR COMPLETING A PROOF OF CLAIM FORM

This checklist is provided to assist you in preparing a complete and accurate Proof of Claim form and, where required, a Proxy. A creditor who does not prove their claim is not entitled to vote or share in any distribution. Please check each requirement.

## GENERAL

- The form must be signed by the person completing the Proof of Claim and that person must be an authorized signatory.
- The signature of a witness is required.
- Give the complete address, including postal code, where any notice or correspondence is to be forwarded.
- The amount on the Statement of Account must correspond with the amount indicated on the Proof of Claim.

## PARAGRAPH 1

- The creditor must state the full and complete legal name of the company or firm.
- If the individual completing the Proof of Claim is not the creditor himself, he must state his position or title.

## PARAGRAPH 3

- A Schedule A or Statement of Account must be attached.
- The Schedule A or Statement of Account must be complete and detailed, showing the date, number and amount of all invoices or charges, together with the date, number and amount of all creditors or payments. A Statement of Account is not complete if it begins with an amount brought forward.
- If the claim is for a guarantee of a debt, a copy of the guarantee must be attached.

## PARAGRAPH 4

- An unsecured creditor must strike out sub-paragraphs B, C, D and E.
- A secured creditor must attach proof of registration of the security, including the date on which the security was given and the value at which you assess the security.
- A claim by a farmer, fisherman or aqua culturist must attach a copy of the sales agreement and delivery documents.
- Details of Section 136 are listed below.

## PARAGRAPH 5

- All claimants must indicate if they are or are not related to the debtor, as defined in Section 4 of the Bankruptcy and Insolvency Act.

## PARAGRAPH 6

- All claimants must attach a detailed list of all payments or credits received or granted as follows:
  - Within the three (3) months preceding the bankruptcy/proposal, in the case where the claimant and debtor are not related;
  - Within the twelve (12) months preceding the bankruptcy/proposal, in the case where the claimant and debtor are related.

## PROXY

The *Bankruptcy and Insolvency Act* permits a Proof of Claim to be made by a duly authorized agent of a creditor, however, this does not give such a person power to vote at the First Meeting of Creditors or to act as the proxy of the creditors unless the proxy form is completed by the creditor appointing the authorized agent as proxy.

- A creditor may vote either in person or by proxy.
- The Trustee may be appointed as a proxy for any creditor.
- A Corporation may vote by an authorized agent at a meeting of creditors.
- Debtors may not be appointed a proxy to vote at any meeting of their creditors.
- In order for a duly authorized person to have a right to vote, they must be a creditor themselves or be the holder of a property executed proxy, showing the name of the creditor.

## SECTION 136 (Condensed Priority of Claims)

Subject to the rights of secured creditors, the proceeds realized from the property of a bankrupt shall be applied in priority of payment as follows:

- The cost of administration of the estate in the following order:
  - Expenses and fees of the trustee
  - Legal costs
- Wages, salaries, commissions or compensation for services rendered in the six months immediately preceding the date of bankruptcy, to a maximum of \$2,000 per person together with, in the case of a travelling salesman, disbursements incurred by the salesman during this same period to a maximum of \$1,000;
- Alimony, support or maintenance for a spouse or child for periodic amounts accrued in the year before the date of bankruptcy plus any lump sum amount;
- Municipal taxes assessed or levied within the two years immediately preceding the bankruptcy which do not constitute a lien or charge on real property of the bankrupt but this claim is restricted to the interest in the property held by the bankrupt;
- Landlord for rent arrears in the three months immediately preceding the date of bankruptcy and accelerated rent for three months following the bankruptcy if provided for in the lease but this claim is restricted to the realization from the property and any accelerated rent paid by the Trustee must be credited against the amount payable by the Trustee for occupation rent;
- A solicitor's bill of costs, including sheriff's and land registration fees, for the first creditor to attach or execute against the property of the bankrupt but this claim is restricted to the amount realized from the applicable property;
- Claims resulting from injuries to employees of the bankrupt in which the *Workers' Compensation Act* does not apply but this claim is restricted to the amount of moneys received from persons guaranteeing the bankrupt against damages for those claims.

A creditor whose rights are restricted by this section are entitled to rank as an unsecured creditor for any balance remaining on their claim.