

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

**IN THE MATTER OF THE PROPOSAL OF
TOP DRAW INC.**

TRUSTEE'S REPORT TO CREDITORS

June 10, 2024

1. PURPOSE

On May 7, 2024, Top Draw Inc. (the "**Company**" or "**Top Draw**") filed a Notice of Intention to file a Proposal (the "**NOI**"). A proposal to creditors (the "**Proposal**") was filed on June 5, 2024. MNP Ltd. has consented to act as Licensed Insolvency Trustee (the "**Trustee**").

The purpose of this report is to provide the creditors with the following:

- a) Background and financial situation of the Company;
- b) Summary of the Proposal;
- c) Summary of the Company's assets and liabilities;
- d) Estimated realization under a bankruptcy scenario compared to the realization in the Proposal; and,
- e) Trustee's recommendation to accept the Proposal.

2. BACKGROUND AND FINANCIAL SITUATION

Company Background

Top Draw is an Edmonton based digital marketing agency specializing in creating immersive digital brand experiences with SEO, PPC, and social media. The Company's director is Mr. Ken Jurina. The Company currently employs approximately 10 people. The Company was incorporated on October 13, 1995, pursuant to the laws of Alberta. The Company's assets include accounts receivable, equipment, and deposits in financial institutions.

Financial Situation

In 2018 the Company hired an individual whose role was to manage the Company's finances, including payment of GST and payroll source deductions to the Canada Revenue Agency (the "CRA"). It was under this individual's oversight the Company neglected to keep its payroll and GST accounts current. Further, as a result of challenges arising from the Covid-19 pandemic Top Draw's financial statements reflect a net loss of \$40,265 for the 2023 fiscal year, following a record loss of \$734,410 for the 2022 fiscal year.

Despite, prior period losses the Company has continued to manage its ongoing obligations to creditors while attempting to make payments toward reducing the CRA debt. However, due to current interest rates and penalties that continue to accrue on the CRA debt, the Company determined it was necessary to file a NOI to negotiate a realistic payment plan. The Company is optimistic about future business prospects and is committed to retiring the CRA debt in full from future earnings.

3. SUMMARY OF PROPOSAL

The purpose of the Proposal is to enable the Company to continue its operations as a going concern while compromising, in an orderly fashion, the debts owed by the Company. The Proposal contemplates the following:

- a) Upon approval of the Proposal, the Company shall make a lump sum payment of \$119,115, or such sum as agreed to by both parties pursuant to a filled Proof of Claim, to the CRA in full and final satisfaction of the Company's GST arrears;
- b) Following the aforementioned payment and Court approval of the Proposal, the Company shall make an immediate \$50,000 lump sum payment to be applied to its CRA payroll indebtedness;
- c) The Proposal Fund (the "**Proposal Fund**") will be funded by monthly payments made to the Trustee from the Company throughout a 60-month period (the "**Proposal Period**"). In accordance with "Schedule A" attached to the Proposal and summarized in Table 1 below;

	Table 1					
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Initial lump sum - GST	119,115	-	-	-	-	119,115
Initial lump sum - Payroll	50,000	-	-	-	-	50,000
Proposal fund monthly payments	60,000	60,000	60,000	60,000	60,000	300,000
Final lump sum	-	-	-	-	445,058	445,058
	<u>229,115</u>	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>505,058</u>	<u>914,173</u>

- d) The Trustee will make annual distributions from the Proposal Fund to the proven creditors on the anniversary of the Court approval of the Proposal; and,
- e) A final balloon payment to pay any remaining Payroll indebtedness in full in the 60th month following the approval of the Proposal.

For greater certainty, the Proposal is only being made to CRA in respect of the Company's Certain Crown Claims, as defined in the Proposal. The Proposal is not being made to other unsecured or secured creditors and the Company will continue to manage its obligations to these creditors in the normal course and pursuant to the existing agreements in place.

The Proposal assumes all CRA payroll and GST claims will be satisfied within 60 months of Court approval, with payments of approximately \$169,115 to be made immediately after Court approval.

Creditors must file a valid Proof of Claim with the Trustee within 3 months of Court approval.

Notwithstanding the distribution scheme set out above, the Company shall be at liberty to pay any and/or all payments contemplated in the Proposal prior to the corresponding dates for such payments, with the permission of the Trustee and Inspectors, if any, appointed pursuant to section 56 of the Bankruptcy and Insolvency Act ("BIA").

Cash Flow

The Trustee has reviewed the Company's cash flow projections in the context of the proposed payments to be made to the Proposal Fund and believes the projections are reasonable and achievable based on prior year financial performance and discussions with management. The Trustee believes the Company will be able to make the payments contemplated in the Proposal.

4. CREDITOR CLAIMS

Certain Crown Claims

The Company is indebted to CRA for pre-filing source deductions and GST in the amount of \$795,086 and \$119,115, respectively. The Company has requested the CRA extend the period required to pay all Crown Priority Claims outstanding as at the date of filing the Proposal beyond the six months required per subsection 60(1.1) of the BIA. The Company anticipates full repayment within 60 months of Court approval, with payments of approximately \$169,115 to be made immediately after Court approval. The Trustee believes this is a reasonable period based on the Company's long-term cash flow projections.

Secured Creditors

Table 2 provides a listing of secured claims as provided by the Company and per review of the Personal Property Registry;

Creditor	Assets Secured	Table 2 Estimated Claim (\$000's)
ATB Financial	General Security Agreement - all present and after-acquired property	95,412

ATB Financial is unaffected by the Proposal and as such, no payments will be made to them from the Proposal Fund. ATB Financial will be paid in accordance with the existing agreement.

Preferred Creditors

The Company is not aware of any indebtedness to preferred creditors. Preferred creditors are excluded from the Proposal.

Unsecured Creditors

The Company continues to manage its current obligations as they become due and is not aware of any unsecured creditors, besides amounts due to shareholders. Unsecured creditors are excluded from the Proposal and will be paid in the normal course.

5. IDENTIFICATION OF ASSETS AND STATEMENT OF ESTIMATED REALIZATION

Table 4 compares the estimated recovery to creditors under a bankruptcy scenario compared to the Proposal.

Table 4			
	Per Statement of Affairs	Bankruptcy	Proposal
	(\$000's)		
Assets			
Cash	17	17	-
Accounts receivable	169	150	-
Equipment	3	3	-
Proposal Fund		-	914
Trustee Retainer		15	15
	189	185	929
Recovery costs		25	-
Professional fees		25	15
		50	15
Net funds available for distribution		135	914
CRA Crown Claims		914	914
Shortfall to CRA		(779)	-

Cash on hand represents the Company's bank account balance as of the date of filing the Proposal.

Receivables represent outstanding amounts owing to the Company based on the books and records. In a bankruptcy, the Company estimates that \$18,900 will not be collectible.

Equipment consists of computer hardware and software.

Based on our review of the Company's current assets and liabilities and our discussions with the Company's management, in the event of bankruptcy, it is our view that the liquidation of the Company's assets would result in a shortfall to CRA of approximately \$779,000. There would be no recovery to other secured or unsecured creditors.

6. CONDUCT OF THE DEBTOR

We have reviewed prior financial information and bank statements of the Company. We are not aware of the Company being party to any reviewable transactions or fraudulent preferences as set out in the BIA.

7. LEGAL ACTIONS

The Trustee is not aware of the Company being party to any legal proceedings.

8. CONFLICT OF INTEREST

The Trustee is not aware of any conflict of interest.

9. REMUNERATION OF THE TRUSTEE

The Trustee has received an initial retainer from the Company in the amount of \$15,000 for payment of Trustee fees and fees of the Trustee's legal counsel (if required). The Trustee estimates total fees and disbursements to be approximately \$15,000.

10. CONCLUSION

The Proposal offers CRA a greater recovery than they would otherwise receive in a bankruptcy. Consequently, the Trustee recommends acceptance of the Proposal.

MNP Ltd.



Licensed Insolvency Trustee under the Proposal of Top Draw Inc.