

COURT NO. B210455
ESTATE NO. 11-2772140

VANCOUVER REGISTRY

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

**IN THE MATTER OF THE PROPOSAL OF
LEGENDARY DEVELOPMENTS (SOUTH SURREY) LTD.**

PROPOSAL TRUSTEE'S REPORT TO CREDITORS

BACKGROUND

Legendary Developments (South Surrey) Ltd. (“**Legendary**” or the “**Debtor**”) was incorporated on June 28, 2017 and is a real estate developer based in Surrey, British Columbia.

A corporate registry search dated July 27, 2021 indicated that the Debtor’s sole Director is Gurdeep Dhaliwal (the “**Mr. Dhaliwal**” or the “**Director**”).

The Director advises that Legendary ceased day-to-day operations in June 2019.

Legendary was unable to meet its obligations as they generally became due and made a voluntary assignment in bankruptcy (the “**Bankruptcy**”) pursuant to the provisions of the *Bankruptcy and Insolvency Act* (the “**Act**”) effective October 6, 2021 (the “**Date of Bankruptcy**”). MNP Ltd. was appointed Licensed Insolvency Trustee (the “**Trustee**”) and was affirmed by the creditors at the first meeting of creditors. Harjeet Judge and Henry Sangha were appointed as inspectors (the “**Bankruptcy Inspectors**”) at the first meeting of creditors.

With the approval of the Bankruptcy Inspectors, the Trustee filed a proposal to Legendary’s creditors on January 4, 2022 (the “**Proposal**”) and MNP Ltd. consented to act as Licensed Insolvency Trustee in the proposal proceedings (the “**Proposal Trustee**”).

In preparing this Proposal Trustee’s Report to Creditors (the “**Report**”) and making the comments herein, the Proposal Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, the Debtor’s books and records, discussions with management and information from other third-party sources (collectively, the “**Information**”). Except as described in this Report, the Proposal 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:

- Acceptance of the Proposal by the creditors, approval of the Proposal by the Court, and full completion of the Proposal terms operates to annul the Bankruptcy and revest in the Debtor all the right, title and interest of the Trustee in the property of the Debtor.
- There will be one Class of Creditors for the purpose of considering and voting upon the Proposal.
- A Proposal Sponsor has agreed to advance the Proposal Fund totaling \$700,000.
- The Proposal Trustee's fees and expenses, and legal costs of the Proposal Trustee arising out of the Proposal shall be paid from the Proposal Fund in priority to the Claims of General Creditors.
- The Claims of all Creditors will be paid a distribution equal to their *pro rata* share of the Proposal Fund based on their Proven Claim
- Upon the Court Approval of the Proposal, the Proposal Trustee will issue 30 day notices to any known creditor that has not submitted their Claim. If a creditor does not submit and prove their Claim within 30 days after the sending of the notice, the Proposal Trustee will proceed to declare a dividend or final dividend without regard to that Creditor's Claim.
- The Proposal contains a provision that Claims against the Debtor's Director are compromised after the filing of the Certificate of Full Performance provided for in section 65.3 of the Act.
- The Proposal contains a provision that sections 95 to 101 of the Act and any provincial statute relating to preference, settlement, fraudulent conveyance or the like will not apply to any dealings by the Debtor during the period prior to the Date of Bankruptcy.

OPERATIONS

As previously reported, the Debtor ceased day-to-day operations in June 2019 and will remain inactive until the Proposal is fully performed.

ASSETS

According to the Statement of Affairs filed in the bankruptcy, the Debtor does not have any assets.

The Debtor's Director reported that the Debtor had accumulated tax losses of approximately \$14,000,000. The tax losses of a bankrupt corporation do not have any value and were therefore not reported on the Statement of Affairs. As of the date of this report, there has not been any changes with respect to the Company's assets.

LIABILITIES

Secured Creditors

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

CRA

The Director indicated that the Debtor does not have any employees. We do not anticipate a debt owing to CRA in relation to payroll withholdings.

Any debt owing to CRA for unremitted Goods and Service Tax at the Date of Bankruptcy will rank as a general, unsecured Claim. The Director advised that there is not any unpaid Goods and Service Tax and that all returns, and remittances are current.

Other Secured Creditors

A Personal Property Registry search performed by the Trustee, dated July 27, 2021 showed that 1075472 B.C. Ltd, AEI Holding Corp., CTJ Investments Inc., and Majoris Investments Ltd. have registered security agreements against the Debtor. As previously reported the Debtor does not have any assets, therefore the estimated value of the security for each of the above-named creditors is \$0 and each of these debts have been classified as unsecured on the Statement of Affairs.

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.

The Trustee is not aware of any preferred amounts owing to former employees.

Unsecured Creditors

The Statement of Affairs reports total unsecured creditors of \$25,117,016. However, Mr. Dhaliwal has advised the Proposal Trustee that he will not be making a claim for amounts showing owing to him of approximately \$2.7 million. Therefore, the total unsecured creditors that may submit claims is expected to be \$22,401,461.

Ultimately the amounts owing to the unsecured creditors will be based on proofs of Claim ("POC") filed and admitted by the Trustee. The Proposal allows that POC's filed by creditors in connection with the bankruptcy of the Debtor are included as filed in this Proposal. Creditors do not need to file again if they have filed their POC in the bankruptcy proceeding.

As of the date of this report ten proofs of Claim have been filed with the Proposal Trustee and represents approximately \$21,754,181 in total creditor Claims. There have been no significant differences between the Claims listed on the Statement of Affairs and the Claims filed with the Proposal Trustee to date.

CONDUCT OF THE DEBTOR

Preferences and Transactions at Under Value

The Trustee reviewed various financial documents including the Company's trial balance and tax returns for the years ending 2019 and 2020. From the Trustee's review of the books and records, there were no preferential transactions or transactions at under value identified that would likely be challenged by a Trustee in Bankruptcy pursuant to the provisions of the *Bankruptcy and Insolvency Act*.

REMUNERATION OF THE PROPOSAL TRUSTEE

The costs of administration pertaining to the Proposal 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.

The Proposal states that in the event no Inspectors are appointed, the Proposal Trustee may take advances of its Fees, subject to final taxation by the Court. If any Inspectors are appointed, they must approve any advances to the Proposal Trustee for fees, in accordance with the *Bankruptcy and Insolvency Act*.

Essence Properties Inc. provided the Trustee with a third party deposit in the amount of \$70,000 to cover the Trustee's professional fees for the administration of the bankruptcy process and as a retainer related to the proposal process.

ESTIMATED REALIZATION – BANKRUPTCY vs. PROPOSAL

The Proposal 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 Debtor's bankruptcy will not be annulled.

Pursuant to the terms of the Proposal, \$700,000 will be paid into the Proposal Fund by the Proposal Sponsor and it is estimated that the creditors may receive a dividend of approximately 3%.

In a bankruptcy, the Trustee does not anticipate any proceeds to be realized and does not expect any realization for the Debtor's creditors.

CONSEQUENCES OF NON-APPROVAL OF THE PROPOSAL

If the Proposal is not accepted by the creditors, the Debtor's bankruptcy will be sustained. In a bankruptcy scenario we do not expect the creditors to receive a dividend.

Accordingly, we recommend acceptance of this Proposal.

DATED AT the City of Vancouver, British Columbia this 7th day of January, 2022.

MNP Ltd.

In its capacity as Licensed Insolvency Trustee
In the Proposal Proceedings of Legendary Developments (South Surrey) Ltd.
and not in its corporate capacity

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

**In the Matter of the Proposal of
 Legendary Developments (South Surrey) Ltd.**

Statement of Estimated Realization (rounded)

Bankruptcy vs. Proposal

	Schedule "A"	
	Proposal	Bankruptcy
ESTIMATED RECEIPTS		
Asset Realization	\$ -	\$ -
Proposal Sponsor Funding	700,000	-
Total Estimated Receipts	\$ 700,000	\$ -
ESTIMATED DISBURSEMENTS		
Proposal Trustee's Fees	38,095	-
GST on Above	1,905	-
Total Estimated Disbursements	\$ 40,000	\$ -
AVAILABLE FOR DISTRIBUTION	\$ 660,000	\$ -
Secured Creditors		
Canada Revenue Agency	\$ -	\$ -
Secured Claims of Employees	-	-
Preferred Creditors	-	-
General Unsecured Creditors	660,000	-
	\$ 660,000	\$ -
Estimated Claims of General Creditors	\$ 22,401,016	\$ 25,117,016
Estimated % Dividend (Note 1)	3%	0%

Notes:

1. 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.
2. With no funds available from company assets in the Bankruptcy process, the Bankruptcy Trustee Fees are paid by way of Third Party Retainer.