

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

**IN THE MATTER OF THE BANKRUPTCY OF
SOLO GI NUTRITION INC. (the “Company” or “Solo”)**

ORDINARY ADMINISTRATION

MINUTES OF THE FIRST MEETING OF CREDITORS

MINUTES OF THE FIRST MEETING OF CREDITORS HELD VIA TELECONFERENCE ON TUESDAY, THE 3RD DAY OF AUGUST, 2021 AT 10:00 AM AT THE OFFICE OF THE TRUSTEE LOCATED AT 1021 WEST HASTINGS STREET, SUITE 1600, VANCOUVER, BRITISH COLUMBIA.

Present: As per attendance list; which is attached hereto, and forms part of these minutes.

CALL TO ORDER

At 10:00 AM, Greg Ibbott declared the meeting properly called and a quorum being present, duly constituted. Mr. Ibbott proceeded to introductions of those present and thanked the creditors for attending by way of teleconference given the restrictions imposed by the COVID-19 pandemic.

Mr. Ibbott then advised that he was acting as Chairperson (the “**Chairperson**”) of the meeting under authority of Section 105(1) of the *Bankruptcy and Insolvency Act* and that the following documents were maintained by the Trustee at its office and/or on the Trustee’s website:

- Bankruptcy Order;
- Certificate of Appointment of Trustee;
- Statement of Affairs;
- Trustee's Preliminary Report;
- Proof of Publication;
- Notice to Creditors of Bankruptcy and First Meeting of Creditors; and
- Affidavit of Mailing of Notice of First Meeting of Creditors.

The Chairperson explained that the purpose of the meeting was to consider the affairs of the bankrupt, to affirm the appointment of the Licensed Insolvency Trustee (the “**Trustee**”) or appoint another Trustee, to appoint Inspectors, and to provide direction to the Trustee in respect of the administration of the Estate.

TRUSTEE'S PRELIMINARY REPORT TO CREDITORS

Seamus Boyle reviewed the Trustee's Preliminary Report at the meeting (which is attached and forms part of these minutes) and advised the creditors that the Trustee's Preliminary Report and other documents were available for review on a website maintained by the Trustee for the bankruptcy proceedings.

QUESTION PERIOD

Saul Katz indicated that he had reviewed the Statement of Affairs further and believes the reported amount owing to LeBeau Excel Ltd. may be overstated. Seamus Boyle responded stating that LeBeau Excel Ltd. was notified of the bankruptcy and the amount owed to LeBeau Excel Ltd. would be determined by the examination of a proof of claim, if filed with the Trustee.

Saul Katz questioned why Genoa Katz was listed as a director of the Company and stated that she shouldn't be listed as a director. Seamus Boyle responded that the corporate registry search dated July 15, 2021 indicated that she was listed as a director of the Company.

Saul Katz explained that the majority of the Company's inventory was sold to United Natural Foods Inc. The Chairperson responded that MNP would be reviewing the details of this transaction to assess whether it was a proper transaction.

Saul Katz asked why the Royal Bank of Canada ("RBC") and Economic Trust Southern Interior claims were listed as unsecured and secured. Seamus Boyle responded that the unsecured claims represent the deficiency of the value of their security in relation to the secured claim amounts.

Saul Katz stated that due to the nature of the business, the collection of accounts receivable will likely be much less than 50% as estimated on the Company's statement of affairs.

Saul Katz asked if RBC had given up its security in order to pursue a Bankruptcy Order. The Chairperson responded that RBC was able to make an application for a Bankruptcy Order without giving up its security because it was estimated that their unsecured claim related to the deficiency from its security was greater than \$1,000.

Saul Katz stated that he would be willing to assist the Trustee in marketing the Company's assets.

Chester Fong asked if the Trustee had obtained a valuation for the Company's intellectual property. Seamus Boyle responded that a valuation had not been obtained. The Chairperson expanded that subject to inspector approval the Trustee would market the Company's assets through a public tender process.

There were no further questions.

AFFIRMATION OF APPOINTMENT OR SUBSTITUTION

A motion was made by Jay Dee Hall that MNP Ltd. be affirmed in its appointment as Licensed Insolvency Trustee of the bankrupt estate.

IT WAS UNANIMOUSLY RESOLVED THAT MNP Ltd. be affirmed in its appointment as Trustee of the Estate.

APPOINTMENT OF INSPECTORS

The Chairperson informed the meeting of the duties of an Inspector and the eligibility requirements provided by the Act. The Chairperson advised those present that an Inspector acts in a fiduciary capacity for the general body of creditors, and must not be in a position of conflict at the time of their appointment, or allow themselves to become in a position of conflict while continuing to act as Inspector.

The Chairperson called for the nomination of candidates. Jay Dee Hall confirmed he would act as Inspectors for this estate.

IT WAS UNANIMOUSLY RESOLVED THAT Jay Dee Hall be appointed as Inspector of the Estate.

INSTRUCTIONS TO TRUSTEE

There were no additional instructions given to the Trustee.

ADJOURNMENT

There being no further business on the agenda, the meeting was adjourned at 10:40 AM.



Greg Ibbott, Chairperson

Attachments:

Attendance List

Trustee's Preliminary Report to Creditors

Estate No. 11-2753214
Vernon Registry

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SOLO GI NUTRITION INC.**

ORDINARY ADMINISTRATION

TRUSTEE'S PRELIMINARY REPORT TO CREDITORS

BACKGROUND

Solo GI Nutrition Inc. (“Solo” or the “Company”) is a producer of energy bars and snacks (the “Products”) marketed towards health-conscious customers with active lifestyles. The Products are meant to provide sustained energy and are considered to be a low glycemic alternative to comparable energy bars. The products were distributed in the United States and in Canada by United Natural Foods Inc. (“UNFI”).

Two Alberta corporations named New Era Nutrition Inc. and Solo GI Nutrition Inc. amalgamated in April 2011 to form a new corporation that took on the name New Era Nutrition Inc. (“New Era”). On May 30, 2016, New Era was extra-provincially registered in British Columbia under the name Solo GI Nutrition Inc. New Era was also federally incorporated on October 4, 2019 under the name Solo GI Nutrition Inc. and the federal corporation also completed an extra-provincial registration in British Columbia under the name Solo GI Nutrition Inc. The Trustee is advised that the reason for the federal incorporation and extra-provincial registration was due to another unrelated company in British Columbia with the name of New Era Nutrition Inc.

Solo incurred net operating losses for the years ending June 2019 and June 2020. The Company’s manufacturer ceased operating as a result of the COVID-19 Pandemic (the “Pandemic”) which further exacerbated the Company’s financial problems. Solo ceased operations on or around July 2020.

On February 17, 2021, Royal Bank of Canada (“RBC”) and Economic Trust Southern Interior (“ETSI”) each issued a formal demand letters and Notices of Intention to Enforce Security in accordance with Section 244 of the *Bankruptcy and Insolvency Act* (“BIA”).

A corporate registry search dated July 15, 2021 indicated that the Company's Directors are Saul Katz and Genoa Katz, however we have been informed by Saul Katz (the "Former Director") and the Company's legal counsel that on or about March 31, 2021 the Company's directors had resigned.

BANKRUPTCY ORDER

On April 22, 2021, RBC filed a notice of motion with the Supreme Court of British Columbia seeking a Bankruptcy Order against Solo. The Bankruptcy Order was granted on July 13, 2021 (the "**Date of Bankruptcy**") and MNP Ltd. was appointed Licensed Insolvency Trustee (the "**Trustee**") of the Bankrupt Estate subject to creditor confirmation at the First Meeting of Creditors.

Notice of the Bankruptcy Order and First Meeting of Creditors was sent to all known creditors on July 20, 2021.

ASSETS

According to the Statement of Affairs filed in the bankruptcy, the assets of Solo include:

Statement of Affairs

Inventory	1
Accounts Receivable	88,516
Trademarks	1
Total Assets	<u>\$ 88,518</u>

The Former Director advises that the Company's equipment, office furniture and a 2012 Ford Transit was sold upon vacating its previously leased premises. The Company's equipment, office furniture was sold to the new tenant for approximately \$1,100 and the 2012 Ford was sold for approximately \$5,000.

Inventory

The Company's remaining inventory at the date of bankruptcy is located at UNFI, and is shown on the Company books at approximately \$374,000. The Former Director confirmed that UNFI was previously provided a listing of the Company's customers so that they could sell the inventory as the vendor of record. It is also our understanding that the inventory has primarily expired, and no further realization on the recorded inventory is expected.

Accounts Receivable

The Company's Statement of Affairs reported total accounts receivable of \$88,516, of which \$44,258 was considered collectible. Subsequent to the bankruptcy, the Trustee wrote to the various outstanding trade accounts advising of the bankruptcy and directing payment to the Trustee's office.

Trademarks

The Former Director advises that the Company's trademarks and intellectual property may have value to a producer of similar products. At this time, the Trustee has not determined an estimate for the possible value of the trademarks and intellectual property.

PROVABLE CLAIMS

It is the duty of the Trustee to examine and satisfy itself as to the validity and priority of all claims filed in the Estate. As of the date of this report, 2 proofs of claim have been filed with the Trustee and represents approximately \$721,194.73 in total creditor claims.

As at the date of this report, there have been no significant differences between the claims listed on the Amended Statement of Affairs and the claims filed to date with the Trustee.

SECURED CREDITORS

Canada Revenue Agency ("CRA")

CRA has a "deemed trust" claim or property claim equal to the amount of payroll deductions withheld from employees' compensation and not remitted to CRA. This claim comes in priority to the claims of all other creditors. The Former Director indicated that all payroll deductions withheld from employees had been paid prior to the Company's operations being discontinued. The Company provided the Trustee with a statement of account for current source deductions dated January 18, 2021 which indicates that the balance is in a credit position. 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.

Claims of Wage Earners

Pursuant to Section 81.3(1) of the BIA, claims of employees who are owed wages, vacation pay, and other compensation for services rendered in the six-month period preceding the Date of Bankruptcy are secured, to the extent of \$2,000, by security over the Company's current assets (cash and accounts receivable).

The Former Director has advised that all employee wages, vacation pay, and other compensation has been paid in full, and as such, the Trustee does not anticipate receiving claims under Section 81.3(1).

Economic Trust Southern Interior

ETSI advanced funds to Solo under a demand loan facility and was granted a secured charge over all of the Company's assets and property, which was registered in the Personal Property Registry of British Columbia on July 22, 2016. A notice of priority agreement was also registered in the Personal Property Registry of British Columbia which provides priority over the previously registered security in favour of RBC. As of April 20, 2021, the Company is indebted to ETSI in the amount of \$180,255 with interest and costs still accruing.

Royal Bank of Canada

RBC advanced funds to Solo under a Canada Emergency Business Account Agreement and a Royal Bank of Canada Credit Agreement. RBC was granted general security agreement and a cash collateral agreement as security for the Royal Bank of Canada Credit Agreement, the security was registered in the Personal Property Registry of British Columbia on July 12, 2016. As of April 20, 2021, the Company is indebted to RBC in the amount of \$540,940.08 with interest and costs still accruing.

PREFERRED CREDITORS

Employees

Employees are afforded priority for wages and compensation that are not paid by virtue of Section 81 of the BIA. Claims of employees that relate to the period more than six months preceding the date of bankruptcy are general, unsecured claims and will share ratably with the claims of other creditors. As reported, we do not anticipate receiving claims from employees for unpaid compensation.

UNSECURED CREDITORS

The Statement of Affairs reports total unsecured creditors of \$ 1,018,192, including the estimated deficiency claims of secured creditors.

Ultimately the amounts owing to the unsecured creditors will be based on proofs of claim filed and admitted by the Trustee.

SALE OF ASSETS

The Trustee, with the approval of Inspectors appointed, will take steps to realize upon the Company's trademarks and collect the Company's outstanding accounts receivable.

OTHER MATTERS

Books and Records

The Trustee is in possession of certain books and records at the date of bankruptcy that were provided by the Company's director, RBC and ETSI. The Trustee has been in contact with Solo's former bookkeeper and has gained access to its accounting software.

Legal Proceedings

The Trustee has not commenced any legal proceedings at the date of this report over and above the initial application to Court with respect to the administration of the first meeting of creditors and the claims process.

Conservatory and Protective Measures

As of the Date of Bankruptcy, the Company did not have a physical head office location, as such the Trustee was not required to take traditional conservatory measures (i.e. taking possession of and changing locks at a physical head office location).

Preferences, and Transactions at Under Value

The Trustee will review the Company's books and records preceding the date of bankruptcy in order to ascertain whether or not any preferential payments and/or reviewable transactions have occurred within the last three months or, where related parties are involved, within the last twelve months.

Directive 16 Third-Party Deposits and Guarantees

Pursuant to a written agreement between the Trustee and RBC, RBC has agreed to pay the Trustee its reasonable fees and expenses incurred in administering the bankruptcy. ETSI has acknowledged and agreed that the Trustee's reasonable fees and disbursements may be paid from realization within the bankrupt estate and claimed in priority to all secured and other priority claims which may be asserted by ETSI against Solo and its property.

ESTIMATED REALIZATION

The total realization will depend on recovery of the outstanding accounts receivable and the proceeds the sale of the Company's intellectual property and trademarks. It is unknown at this time what funds may be realized by the Trustee from these assets.

All dividends payable by the Trustee to creditors are subject to a 5% levy payable to the Office of the Superintendent of Bankruptcy.

This concludes the Trustee's Preliminary Report to Creditors.

DATED at the City of Vancouver, in the Province of British Columbia, this 3rd day of August, 2021.

MNP Ltd.

In its capacity as Licensed Insolvency Trustee
of the Bankrupt Estate of Solo GI Nutrition Inc.
and not in its personal capacity

p.p. 

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