

IN THE COURT OF KING'S BENCH OF SASKATCHEWAN
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE BANKRUPTCY OF
WAREHOUSE BREWING COMPANY INC.

ORDINARY ADMINISTRATION

TRUSTEE'S PRELIMINARY REPORT TO CREDITORS

BACKGROUND

Warehouse Brewing Company Inc. (“**Warehouse**” or the “**Company**”) is a provincially registered corporation and operated a craft brewery located in Regina, SK. A search of the Saskatchewan Corporate Registry Performed on November 2, 2022 indicated that Company’s directors are Thomas Woods and Danny Goel (the “**Directors**”). Warehouse operated from the iconic Weston Building in the warehouse district of Regina. Warehouse began operating in 2020 and offered a variety of Warehouse branded craft beer, cocktails and pub style food. The Company also offered off-sales and its products were sold in local liquor stores. The Company operated from leased premises and incurred significant expense to renovate and retrofit the space into a fully functional microbrewery, kitchen and dining area.

ASSIGNMENT IN BANKRUPTCY

The Company was not able to sustain a profitable business model and the various investors did not want to advance further funding to sustain the operations. The Company’s directors explored options for external investment and to sell the business as a going concern but none of these preliminary discussions materialized into a deal that would allow the Company to continue its operations. The Company made a voluntary assignment in bankruptcy pursuant to the provisions of the *Bankruptcy and Insolvency Act* effective December 1, 2022. MNP Ltd. was appointed as the Licensed Insolvency Trustee of the Bankrupt Estate (the “**Trustee**”), subject to creditor affirmation at the First Meeting of Creditors.

Notice of the Assignment in Bankruptcy and First Meeting of Creditors was sent to all known creditors on December 5, 2022.

ASSETS

According to the Statement of Affairs filed in the bankruptcy, the Company’s assets include:

Statement of Affairs

Accounts Receivable	16,000.00
Cash	50,000.00
Machinery & Equipment	115,000.00
Inventory	<u>1.00</u>
	<u>181,001.00</u>

Accounts Receivable

The Trustee sent demand letters to each of the Company’s customers with outstanding accounts owing to the Company on December 16, 2022. As of the date of this report, the Trustee has recovered \$766.50.

Cash in Bank

The cash in bank reported on the Statement of Affairs represents the estimated cash balance as of the date of bankruptcy. Canadian Western Bank sent \$43,391.44 to the Trustee representing the full amount of funds in the Company’s bank account.

Machinery & Equipment

The value reported on the Company’s Statement of Affairs for machinery and equipment includes, brewing and kitchen equipment, a forklift, and restaurant furniture.

Inventory

Inventory represents finished beer that has been canned or is in a keg and various unopened bottles of liquor. There is inventory being stored at the Company’s premises and also inventory being stored offsite with District Brewing Co. in Regina and Saskatoon. The Trustee has made contact with the Saskatchewan Liquor and Gaming Authority regarding its ability to sell the controlled substances.

The Trustee determined that the Food inventory left on site as of the date of bankruptcy had no realizable value and it was donated to a local food bank.

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, four proofs of claim have been filed with the Trustee and represents \$985,334.05 in total creditor claims.

	Statement of Affairs	Filed
Secured creditors	\$175,674.85	Nil
Preferred creditors	Nil	\$19,844.44
Unsecured creditors	\$3,080,665.28	\$965,489.61
Total	<u>\$3,256,340.13</u>	<u>\$985,334.05</u>

The only significant difference between the claims filed and claims listed on the statement of affairs relates to the claim filed by the Company’s former landlord. The Trustee is in the process of reviewing this claim asserted by this creditor.

The Trustee has received Reclamation of Property claims from various parties. The Trustee is reviewing these claims and will make arrangements to return these items to the proven claimants.

SECURED CREDITORS

According to a Saskatchewan Personal Property Registry search performed on November 2, 2022, Canadian Western Bank has a registered security agreement covering specific assets and all personal property of the Company.

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 Directors indicated that as of the date of bankruptcy, the Company was current in terms of its remittances for payroll source deductions.

Any debt owing to CRA for unremitted goods and service tax at the date of bankruptcy will rank as a general, unsecured claim.

To date, a proof of claim has not been received from CRA in relation to the unremitted payroll source deductions. The Trustee will engage in correspondence with CRA for the purpose of confirming the deemed trust amounts owing to CRA, if any.

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, accounts receivable and inventory).

The Directors provided information regarding amounts owing to employees as of the date of bankruptcy. The Trustee provided notice regarding the Wage Earners Protection Program (“WEPP”) to all employees, and the Trustee is in the process of administering the claims of employees through WEPP.

The estimated priority claim for wages and compensation is estimated to be \$11,483.63.

PREFERRED CREDITORS

Employees

Employees are afforded a 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 priority claims from employees for unpaid compensation over and above their claims through WEPP.

Landlords

Landlords are afforded a priority for unpaid rent for a period of three months immediately preceding the bankruptcy and accelerated rent for a period not exceeding three months following the bankruptcy if entitled to accelerated rent under the lease. The Company’s landlord, Warehouse Properties Ltd., has filed a preferred claim in these proceedings in the amount of \$19,844.44.

UNSECURED CREDITORS

The Statement of Affairs reports total unsecured creditors of \$3,080,665.28. Ultimately the amounts owing to the unsecured creditors will be based on proofs of claim filed by the creditors and admitted by the Trustee.

SALE OF ASSETS

The Trustee researched the craft brewery market in Regina and the surrounding areas to gain an understanding of the Company’s competitors and to compile a list of parties that may be interested in purchasing the Company’s assets. The Trustee also requested that the Directors provide contact information for the parties who had previously expressed an interest in assets. Notice of the opportunity to purchase the Company’s assets was also provided to all MNP partners and managers in Saskatchewan so that their clients could be made aware of the opportunity. The Trustee made contact with MNP’s food and beverage niche service leader for the purpose of assessing the value of the opportunity and so the opportunity could be widely canvassed across the region.

The Trustee prepared an invitation for offers to purchase all of the Company’s assets (the “Invitation”). The Invitation was sent to all potentially interested parties discovered from the Trustee’s processes described above. The Invitation’s bid submission deadline of December 21, 2022, and three bids were received by the Trustee.

The Trustee has selected the bid from Warehouse Properties Ltd. as the highest and best bid. Subject to the approval of the inspectors, the Trustee anticipates closing the transaction with Warehouse Properties Ltd. as contemplated in their Offer to Purchase.

The Trustee is of the view that the market has been properly canvassed and that the offer from Warehouse Properties Ltd. adequately represents the fair market value of the assets.

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.

Legal Proceedings

The Trustee has not commenced any legal proceedings at the date of this report.

Conservatory and Protective Measures

The Trustee changed the locks to the Company’s premises on the date of bankruptcy in order to secure the premises and protect the assets. The brewing tanks were drained and cleaned in the days immediately following the bankruptcy to preserve their value.

Preferences, and Transactions at Under Value

The Trustee will undertake a review of 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

Danny Goel and Thomas Woods have provided the Trustee with a retainer in the amount of \$30,000 to be used for the Trustee’s professional fees.

ESTIMATED REALIZATION

The only expected realizations over and above the proceeds from the sale transaction with Warehouse Properties Ltd. and the cash previously collected from Canadian Western Bank is from the collection of accounts receivable. The total recovery from accounts receivable is unknown at this time.

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 22nd day of December, 2022.

MNP Ltd.

In its capacity as Licensed Insolvency Trustee
of the Bankrupt Estate of
Warehouse Brewing Company Inc.
and not in its personal capacity



Seamus Boyle, CPA, CIRP, LIT
Vice President