

**Estate No. 11-2642694
Court No. B200207
Vancouver Registry**

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

**IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF
B.C. CURRENCY EXCHANGE INC.**

INTERIM RECEIVER'S FIRST REPORT TO THE COURT

DATED JUNE 24, 2020

A. Introduction

1. On April 30, 2020, B.C. Currency Exchange Inc. (the "**Company**") filed a Notice of Intention to Make a Proposal ("**NOI**") pursuant to paragraph 50.4(1) of the *Bankruptcy and Insolvency Act* ("**BIA**"). McEown and Associates Ltd. was appointed as proposal trustee (the "**Proposal Trustee**") in the NOI proceedings.
2. On May 4, 2020, the Company's largest creditor, Kuzco Lighting Inc. ("**Kuzco**"), commenced a civil action against the Company for amounts due of approximately \$9,000,000 (*Kuzco Lighting Inc. v. B.C. Currency Exchange Inc.*, BCSC Action No. S-204368). Upon being advised of the stay and the NOI proceedings, Kuzco made an application to the Court to have McEown and Associates Ltd. appointed as interim receiver ("**Interim Receiver**") in the NOI proceedings. On May 6, 2020, the Honourable Madam Justice Fitzpatrick granted an Order appointing McEown and Associates Ltd. as Interim Receiver (the "**Interim Receiver Order**").
3. On May 8, 2020 the Company filed a Projected Cash-Flow Statement with the Office of the Superintendent of Bankruptcy (the "**OSB**") as required pursuant to paragraph 50.4(2) of the BIA. The stay of proceedings and the time for filing a proposal in the NOI proceedings was to expire on May 30, 2020.
4. On May 28, 2020 the Proposal Trustee filed its First Report to the Court dated May 27, 2020 in response to the Company's application to Court to request an extension of the stay and time for filing a proposal (the "**Proposal Trustee's First Report**"). The Proposal Trustee's First Report included information with respect to the Interim Receiver's activities and investigations.
5. On May 29, 2020, the Honourable Mr. Justice Sewell granted an Order extending the stay of proceedings in the NOI proceedings to June 29, 2020, on certain conditions including that Mr. Rana Khaliq deliver his shares of the La Voda Project Companies (as defined below) to the Proposal Trustee as security for Mr. Khaliq's undertaking to assign the equity in the La Voda Project Companies for the benefit of the Company's creditors.
6. Mr. Khaliq is the sole director and shareholder of the La Voda Project Companies.
7. On June 9, 2020, Conian Developments Inc., Conian Developments (La Voda) Inc. ("**La Voda**"), Conian Development (La Voda II) Inc. and FLII Construction Ltd. (collectively referred to as the "**La Voda Project Companies**") each filed a NOI pursuant to the BIA. McEown and Associates Ltd. was appointed as proposal trustee in each of the La Voda Project Companies' NOI proceedings.

8. The La Voda Project Companies are in the business of developing a multi-residential rental complex located in Surrey, BC (the "**La Voda Project**").
9. On June 19, 2020, the La Voda Project Companies each filed a Projected Cash-Flow Statement with the Office of the Superintendent of Bankruptcy (the "**OSB**") as required pursuant to paragraph 50.4(2) of the BIA. The stay of proceedings and the time for filing a proposal in their respective NOI proceedings expires on July 11, 2020
10. The purpose of the Interim Receiver's First Report to the Court is to inform the Court of the following:
 - a. The recent activities of the Interim Receiver, including with respect to the La Voda Project Companies and the La Voda Project; and
 - b. The Interim Receiver's application to this Honourable Court to authorize the Interim Receiver to make the following payments from the funds of BCCE to La Voda:
 - i. \$20,000 for office and payroll costs;
 - ii. \$30,000 for insurance;
 - iii. \$12,000 for security; and
 - iv. \$30,000 as a retainer to legal counsel to the La Voda Companies.
11. Information in respect of these proceedings are posted on the Trustee's website at <https://www.mceownassociates.com/b-c-currency-exchange-inc>.

B. Disclaimer and Terms of Reference

1. Except as specified, in preparing this report the Interim Receiver has obtained and relied upon unaudited, draft and/or internal information which the Company advises has been compiled from the Company's books and records. Where available, the Interim Receiver has reviewed external records and documentation including post-filing banking records, corporate searches and financial statements.
2. Except as otherwise described in this report:
 - a. the Interim Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information which has been provided in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountant Canada Handbook; and

- b. the Interim Receiver has not conducted an examination or review of any financial forecast and projections in a manner that would comply with the procedures described in the Chartered Professional Accountant Canada Handbook.
3. This report has been prepared solely for the purpose described and readers are cautioned that it may not be appropriate for other purposes.
4. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.
5. Capitalized terms shall have the same meaning ascribed to them in the Proposal Trustee's First Report unless otherwise defined.

C. Recent Activities of the Interim Receiver

1. The background and further information with respect to the Company, its NOI proceedings and the Interim Receiver's initial investigation can be found in the Proposal Trustee's First Report. As described in the Proposal Trustee's First Report, following its appointment, the Interim Receiver secured all funds in the Company's bank accounts and the cash held at the retail premises.
2. Since the date of the Proposal Trustee's First Report to the Court, the Interim Receiver has received the funds paid into Court pursuant to the Garnishing Order in the amount of \$363,325.40 and is holding those funds in its trust account.
3. Attached as Appendix A to this report an Interim Statement of the Receipts and Disbursements to the date of this report.
4. As set out in the Proposal Trustee's First Report, the Interim Receiver determined that the Company intermingled funds from its currency exchange business with funds from the La Voda Project, resulting in millions of dollars of the Company's funds being used to fund the La Voda Project and to fund interest payments to lenders and investors in the La Voda Project.
5. The funds provided by the individuals and companies were initially deposited into the accounts of the Company and then either later transferred to the La Voda Project or used to pay interest to lenders and investors. Mr. Khaliq was using funds received from new lenders and investors to pay interest to existing lenders and investors as well as to pay creditors of the Company.
6. To date, the Interim Receiver has not received any documentation in relation to the advance of the funds to the Company or to the La Voda Project. Accordingly, it has been

difficult for the Interim Receiver to further investigate, review or provide comments with respect to the details and nature of these transactions.

7. The Company intermingled its funds with those of the La Voda Project and it will take considerable effort and time to sort out and determine the respective claims of the different creditors, investors and lenders.
8. The Interim Receiver, with the assistance of Mr. Khaliq and the Company's staff, has further updated the Company's creditor list and prepared a separate list of individuals and companies that loaned funds to Mr. Khaliq that were intended to be for the La Voda Project.
9. The Interim Receiver has been monitoring the activities of the La Voda Project in order to preserve and protect the property as an asset of the Company's stakeholders.

D. La Voda Project Companies' Restructuring Plan and Preservation of Assets

1. Mr. Khaliq would like to repay the creditors of the Company and the La Voda Project Companies from equity in the La Voda Project and believes that to maximize the recovery a sales and investment process (the "SISP") for the La Voda Project must be implemented quickly as the value of the partially completed project will diminish if delayed.
2. On June 9, 2020, the La Voda Project Companies each filed an NOI to provide a stay of proceedings so that they can proceed with the SISP.
3. The Interim Receiver is aware of at least three different groups that are interested in purchasing or investing in the La Voda Project. The Interim Receiver has reviewed recent appraisals of the La Voda Project and has spoken to interested parties. Based on this, there likely will be funds available to creditors of both the Company and the La Voda Project Companies from a sale or refinancing after payment in full of secured lenders and lien claimants.
4. The La Voda Project Companies have advised the Interim Receiver that they would like to initiate the SISP so that funds will be available for distribution to both their creditors and the creditors of the Company which would be funded through the sale or refinancing of the La Voda Project.
5. The La Voda Project Companies require funds imminently to protect the La Voda Project and move forward with their restructuring plan. Attached as Appendix B to this report is the Cash Flow Projection for La Voda for the period from June 15, 2020 to July 12, 2020, which has been filed with the OSB. The Cash Flow Projection has been prepared by the proposal trustee of La Voda. The Cash Flow Projection for the other three La Voda

Project Companies is nil as they were combined with the Cash Flow Projection for La Voda.

6. The Cash Flow Projection includes an anticipated GST refund of \$220,000 that is expected to be received in the next couple of weeks, however there is no certainty with respect to the payment or its timing.
7. The La Voda Project Companies urgently require funds to pay essential expenses, including the costs of securing and insuring the La Voda Project, office and payroll payments and fees and expenses of counsel to the La Voda Project Companies. Based on the Cash Flow Projection, the La Voda Project Companies require the following funds for the period to July 12, 2020:
 - a. \$20,000 for office and payroll, which includes wages to the La Voda Project Companies' Controller;
 - b. \$30,000 for insurance;
 - c. \$12,000 for security; and
 - d. \$50,000 for the fees and disbursements of the restructuring professionals, however it is proposed that only \$30,000 be advanced to counsel to the La Voda Project Companies as a retainer at this time.
8. The Interim Receiver has applied to this Honourable Court for an Order authorizing it to advance a total of \$92,000 to the La Voda Project Companies to be disbursed as set out above, in accordance with its powers and duties under the Interim Receiver Order.
9. The Interim Receiver believes that the advance of the funds is in the best interest of the Company's stakeholders as it will preserve and protect the assets for their benefit.
10. The La Voda Project Companies have advised that they will be bringing an application in the near future to initiate the SISP, commence a claims process and seek approval of interim financing as necessary to allow it to move forward with the restructuring for the benefit of stakeholders. The Interim Receiver understands that this may include appointing an interim receiver over the La Voda Project.
11. The Interim Receiver believes that it will be in the best of all stakeholders that a court-appointed officer be appointed over the assets of the La Voda Project Companies as part of the restructuring to preserve and protect the interest of the stakeholders.

E. Conclusions and Recommendations

1. The Interim Receiver recommends that the Court authorize the Interim Receiver to advance a total of \$92,000 to the La Voda Project Companies to be disbursed as set out above.

McEown and Associates Ltd.

in its capacity as Court-Appointed Interim Receiver



Per: John McEown, CPA, CA, CIRP, LIT

APPENDIX A
INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

District of British Columbia
 Division No. 03 - Vancouver
 Court No. B200207
 Estate No. 11-2642694

**In the matter of the Notice of Intention to Make a Proposal of
 B.C. CURRENCY EXCHANGE INC.
 of the city of Surrey
 in the Province of British Columbia**

Form 12

Interim Statement of Receipts and Disbursements

Interim

RECEIPTS

1. Asset Realization		
Cash in bank	935,010.50	935,010.50
2. Miscellaneous		
Wage Subsidy	33,444.35	
Funds from Court	363,325.40	396,769.75
TOTAL RECEIPTS		1,331,780.25

DISBURSEMENTS

3. Fees Paid		
To official receiver	70.00	70.00
4. Federal and Provincial taxes		
GST paid on disbursements exclusive of fees	134.89	
QST paid on disbursements exclusive of fees	173.77	308.66
5. Miscellaneous		
Bank charges	34.00	
Telephone	116.04	
Payroll deductions	6,320.64	
Courier	87.07	
IT services	2,494.66	
Wages	29,778.09	
Receiver's fees and costs	23,515.26	
Ascend License Fee	275.00	
GST on Ascend License Fee	13.75	
GST on Receiver's fees and cost	1,175.77	
PST on Ascend License Fee	19.25	63,829.53
TOTAL DISBURSEMENTS		64,208.19

Note: How much of the total disbursements was paid for services provided by persons related to the trustee?

0.00

Amount available for distribution

1,267,572.06

6. Levy payable under section 147 of the Act

0.00

7. Unsecured creditors

 Proved claims of 0.00

8. Amount retained in the Trust account by the Trustee:

1,267,572.06

Dated at the city of Vancouver in the Province of British Columbia, this 23rd day of June 2020.

McEown and Associates Ltd. - Licensed Insolvency Trustee
 Per: 

John McEown - Receiver
 1140 - 800 West Pender Street
 Vancouver BC V6C 2V6
 Phone: (604) 558-8020 Fax: (604) 558-8021

APPENDIX B
LA VODA CASH FLOW PROJECTION

**Conian Developments (La Voda) Inc.
Statement of Projected Cash Flow
June 15 to July 12, 2020**

	Week of					Total
	June 15	June 22	June 29	July 6	July 6	Total
Projected Cash Inflows						
Advance from Interim Receiver B.C. Currency Exchange	\$ 60,000	\$ -	\$ -	\$ -	\$ -	\$ 60,000
Goods & Service Tax Refund	60,000	-	220,000	-	-	220,000
						280,000
Projected Cash Outflows						
<i>Operations</i>						
Office and Payroll	-	10,000	-	10,000	-	20,000
Insurance	-	15,000	15,000	-	-	30,000
Security Expenses	3,000	3,000	3,000	3,000	-	12,000
Professional Fees & Disbursements	10,000	10,000	15,000	15,000	-	50,000
	13,000	38,000	33,000	28,000	-	112,000
Net Cash Inflow (Outflow)	47,000	(38,000)	187,000	(28,000)		168,000
Opening Cash Position on June 15, 2020	692	47,692	9,692	196,692		692
Closing Cash Position	\$ 47,692	\$ 9,692	\$ 196,692	\$ 168,692	\$ 168,692	\$ 168,692

This Statement of Projected Cash Flow of Conian Developments (La Voda) Inc. is prepared in accordance with the requirements of S. 50.4(2) of the *Bankruptcy and Insolvency Act* and should be read in conjunction with the Trustee's Report on the reasonableness of the Statement of Projected Cash Flow.

McEown & Associates Ltd.

Trustee in the Matter of the Notice of Intention to Make a Proposal of Conian Developments (La Voda) Inc.



Per: John McEown

Conian Developments (La Voda) Inc.



Per: Rana W. Khaliq