

**Estate No. 11-2993044**  
**District 03 – Vancouver Registry**

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

**IN THE MATTER OF THE BANKRUPTCY OF**

**IBOX PACKAGING LTD**

**TRUSTEE'S PRELIMINARY REPORT TO CREDITORS**

**DATED OCTOBER 19, 2023**

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**Introduction**

1. In May of 2016 the shares of Ibox Packaging Ltd. (“the Company”) were acquired by 08558957 BC Ltd. and Mr. David Ferguson became the General Manager.
2. According to Mr. Ferguson, sales increased during the first year following the share purchase and staffing levels were increased to accommodate the increased sales volume.
3. Less than a year into the new ownership, the previous owner, who had continued as a Director of the Company and still held a financial interest in the Company unexpectedly passed away.
4. From 2017 To 2020 there were significant increases in the cost of cardboard (almost 40%), volatility in the foreign exchange rate and increased competition which, according to Mr. Ferguson, resulted in a significantly decreased profit margin.
5. Efforts were made by Mr. Ferguson to restructure the bank financing, due in part to an unresolved ownership issue with the previous owner the Company was unsuccessful in its’ restructuring efforts.
6. In 2020 the night shift manager was forced to take medical leave that resulted in decreased efficiency and production quality which in turn resulted in certain key customers moving their business.
7. As well in 2020 COVID happened that further impacted efficiencies due to staff absences that also lead to more customers moving their business.
8. In June of 2022 the Company arranged to move to new location in Langley was found and arrangements to move were organized. Due to an unexpected delay in getting access to the

ne premise all machinery and inventory had to be put into storage for 45. Mr. Ferguson has advised that all remaining customers at that time had to find short-term supply solutions.

9. Once the Company became operational at its new premises the sales staff attempted to win back the customers that was only partially successful according to Mr. Ferguson.
10. The Company's main lender TD Bank called its loan in June 2022 due the Company being out of margin on its loan facility. As no other lenders were willing to provide financing, the shareholder had to step in and payout the TD Bank and provide further operating capital until the business regained profitability. The shareholders injected in excess of \$2 million during the next year.
11. The business was continuing to incur losses and the shareholder no longer had the ability to inject working capital to meet the Company's obligations and, therefore, was left with no alternative but to file for bankruptcy.
12. On September 29, 2023, the Company ceased operations and made an Assignment in Bankruptcy. McEown and Associates Ltd. was appointed as Trustee.
13. The purpose of the Trustee's preliminary report to creditors is to provide information relating to the following:
  - a) Conservatory Measures taken by Trustee;
  - b) The Company's assets;
  - c) The Company's liabilities;
  - d) Preferential payments and transfers at undervalue; and
  - e) Estimated Realization

### ***Disclaimer and Terms of Reference***

Except as specified, in preparing this report the Trustee 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 Trustee has reviewed external records and documentation including banking records, corporate searches and financial statements.

Except as otherwise described in this report, the Trustee 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

This report has been prepared solely for the purpose described and readers are cautioned that it may not be appropriate for other purposes.

**Conservatory Measures**

- 14. At the time of filing for bankruptcy the Company had inventory, packaging equipment and office furniture and fixtures at the business premises located in Langley B.C.
- 15. Just prior to the bankruptcy filing, the funds in the Company’s Toronto Dominion bank account in the amount of \$14,487 were wired to the Trustee.
- 16. The Trustee has secured the premises, taken an inventory of assets on the premises and arranged for the locks to be changed.
- 17. The Trustee has notified the Landlord of the bankruptcy and advised the landlord’s legal counsel that the Trustee’s intends to vacate the premises as soon as possible.
- 18. The Trustee has confirmed that liability insurance is in place but that this insurance will expire on 25<sup>th</sup> October 2023.
- 19. The Trustee has made arrangements to take possession of the books and records located at the Company’s premises and to obtain all electronically stored financial records.

**The Company’s Assets**

20. The assets of the Company as shown on the Statement of Affairs are as follows:

Inventory	\$ 50,000
Equipment	100,000
Furniture (including Computer & Equipment)	5,000
Vehicles	5,000
Cash	14,000
Accounts Receivable	<u>150,000</u>
Total Assets	<u>\$324,000</u>

- 21. As mentioned earlier in this report, the Trustee has received the funds in the Company’s TD bank account. The Trustee has also been in contact with the TD Bank and requested that all TD bank accounts be closed. A representative at the TD Bank has confirmed that the accounts have been closed and that the balance in the accounts of approximately \$2,500 is being sent to the Trustee.
- 22. The value of the inventory, equipment, furniture and fixtures and vehicle as shown on the Statement of Affairs is based on Mr. Ferguson’s estimate of the amounts that would be realized in a liquidation sale.
- 23. The Trustee arranged for Able Auctions to view that assets and provide an estimate of the liquidation value of the assets. The representative of Able Auctions indicated that a

liquidation of the assets could result in a net recovery and auctioneer commission and expenses of approximately \$100,000.

24. The Trustee has received several enquiries from parties that may be interested in purchasing the assets en bloc. These parties have not indicated any interest in taking over the lease of the premises. The Trustee has encouraged these parties to submit offers to the Trustee and has also requested auction proposals from several auctioneers.
25. The value of the accounts receivable shown on the Statement of Affairs is based on Mr. Ferguson's estimate of the collectible accounts receivable.

### **The Company's Liabilities**

26. The liabilities of the Company as shown on the Statement of Affairs are as follows:

CRA Deemed Trust	\$ 481,521
Secured Creditor – Employees	24,000
Secured Creditor 0859957B.C. Ltd.	2,600,000
Unsecured Creditors	<u>846,635</u>
 Total Liabilities	 <u>\$ 3,952,156</u>

#### *Canada Revenue Agency – Deemed Trust Claim (“CRA”)*

27. In a bankruptcy, the employee portion of the payroll source deductions represent a deemed trust claim that ranks in priority to all other creditors, including secured creditors.
28. According to the records of the Company, the amount owed to CRA for unremitted payroll source deductions is \$481,521.
29. To date CRA has not filed a deemed trust claim, however, the Trustee has reviewed an assessment notice from CRA that indicates an amount owed for the payroll account of in excess of \$1,100,000.
30. The Trustee will be investigating to determine why there is such a significant difference between the Company's records and CRA's records. The Trustee notes that part of the difference would likely relate to penalty and interest charges that are not reflected in the Company's records.

#### *0859957 B.C. Ltd. (“0859957”)*

31. The Company's liabilities include an amount owing to 0859957, the sole shareholder of ibox Packaging Ltd.
32. According to Mr. Ferguson, the shareholder advanced in excess of \$2,700,000 to keep the company operational.

33. Based on the Trustee's estimated realization from the sale of the Company's assets, there will be a shortfall to CRA, accordingly, it is not expected that there will be any recovery for the secured and unsecured creditors
34. The Trustee has not yet reviewed the security to determine if the security is properly registered and valid and enforceable.

Employees

35. Mr. Ferguson held a staff meeting on October 3<sup>rd</sup> to advise staff of the bankruptcy and that the business would be immediately shut down. The employees were advised that their employment was terminated effective immediately.
36. According to the Company's records, the employees the amounts owed to the employees were as follows:

Wages, commission and expenses	\$ 28,311
Vacation pay	<u>81,291</u>
	<u>\$109,602</u>

37. The amounts owed to employees is a secured claim to a maximum of \$2,000 per employee for the aggregate of the wages and vacation pay plus an amount of up to \$1,000 for expenses incurred for sales staff. The balance of the employee claim is unsecured.
38. The Company is also liable for amounts owing to employees for termination pay which claims rank as unsecured claims in the bankruptcy. The total termination pay owed to employees is \$84,567.
39. All Employees are eligible to make a claim for unpaid wages, vacation pay, qualifying expenses and termination pay through the Wage Earner Protection Program ("WEPP") to a maximum of approximately \$8,200 per employee. Upon payment to an employee, WEPP is entitled to an assignment of the employees' claim in the bankruptcy.
40. The Trustee has advised all employees of the amounts they are eligible to claim through WEPP and has provided documents and relevant information to the employees that are required to process their WEPP claims.
41. The Trustee is in the process of filing the employee claims with WEPP.

Landlord

42. The Company was current on it rent payments as at the date of the bankruptcy.

43. The Trustee has received an unsecured claim from the landlord in the amount of \$455,645 of which \$334,233 is a preferred claim.
44. The landlord's preferred claim in the bankruptcy ranks behind CRA's deemed Trust claim and the secured claims.
45. The Trustee has made arrangements with that landlord to occupy the premises until the end of November 2023 to allow time for the removal of the Company's assets from the premises. The Trustee is not required to pay occupancy rent during this time.

#### Unsecured Creditors

46. The total amount owed to unsecured creditors is \$846,635 as shown in the Statement of Affairs.

#### Property Claims

47. The Trustee has been advised that several customers have dies at the premises that were used to manufacture their boxes. According to Mr. Ferguson, most of these dies are owned by the customers.
48. The Trustee will be requesting that these customers submit property claims providing evidence of ownership before releasing the dies to them.

#### **Preferential Payments and Transfers at Undervalue**

49. At the date of this report the Trustee has not completed its review of the books and records to determine if there have been any preferential payments and/or transfers at undervalue.

#### **Trustee's Fee Arrangement**

50. The Trustee has received a third-party guarantee in the amount of \$25,000 to cover its fees and disbursements to administer the estate in the event there is insufficient recovery from the assets.

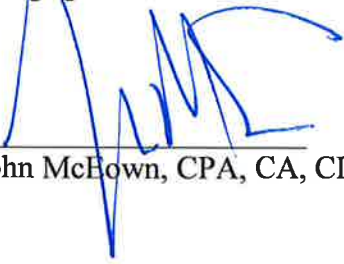
#### **Estimated Realization**

51. We attach as Schedule A hereto, a Statement of Estimated Realization. As the amount estimated to be realized after all expenses to administer the bankruptcy is considerably less than the amount owing to Canada Revenue Agency for its deemed Trust claim, the Trustee is not anticipating any recovery to the unsecured creditors.

Dated at the City of Vancouver this 19<sup>th</sup> day of October 2023.

**McEown and Associates Ltd.**

Trustee of the Estate of  
iBox Packaging Ltd

A handwritten signature in blue ink, appearing to be 'J. McEown', written over a horizontal line.

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



**In the Matter of the Bankruptcy of  
IBOX PACKAGING LTD.**

**Schedule A**

**Statement of Estimated Realization**

	<b>Low</b>	<b>High</b>
<b>Estimated Receipts</b>		
Cash in Bank	\$ 27,043	\$ 27,043
Net Proceeds from Sale of Assets	75,000	150,000
Accounts Receivable	100,000	150,000
	<u>202,043</u>	<u>327,043</u>
<b>Estimated Fees &amp; Disbursements</b>		
Trustee Fees	40,000	50,000
Trustee Disbursements	2,000	3,000
	<u>42,000</u>	<u>53,000</u>
<b>Estimated Funds Available for Distribution</b>	<u>160,043</u>	<u>274,043</u>
<b>Estimated Distribution</b>		
CRA Deemed Trust Claim	<u>\$ 160,043</u>	<u>\$ 274,043</u>
<b>Available for Secured Creditors and Unsecured Creditors</b>	<u>\$ -</u>	<u>\$ -</u>
Unsecured Claims (including shortfall to secured creditors)	<u>3,628,156</u>	<u>3,628,156</u>
<b>Estimated Dividend Percentage</b>	<u>0.00%</u>	<u>0.00%</u>