



No. **VLC-S-B-200207**
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.

NOTICE OF APPLICATION

Names of Applicant: B.C. Currency Exchange Inc. (the "Applicant")
To: Kuzco Lighting Inc.
And To: McKeown & Associates Inc.
And To: Exchange Bank of Canada and HSBC Bank (Canada)

TAKE NOTICE that an application will be made by the Applicants to the presiding Judge or Master at the Courthouse at 800 Smithe Street, Vancouver, BC, V6Z 2E1 on Friday, May 29, 2020 at 9:45 am for the Orders set out in Part 1 below.

PART 1: ORDERS SOUGHT

1. An order abridging the time for service of this Notice of Application and the materials herein such that the application is properly returnable on May 29, 2020; and
2. An order extending the stay of proceedings and the time for the filing of a proposal by the Company to July 15, 2020.

PART 2: FACTUAL BASIS

1. The Applicant, B.C. Currency Exchange Inc., ("BCCE" or the "Company"), filed a Notice of Intention to make a Proposal (the "NOI") pursuant to the *Bankruptcy and Insolvency Act* (the "BIA") on April 30, 2020.
2. BCCE is a foreign exchange dealer that has been in operations in British Columbia for approximately 20 years. Mr. Rana Khaliq is the sole Director and Shareholder of BCCE. It operates its business across 4 stores in the lower mainland which are located in Vancouver, Surrey, White Rock and Abbotsford.

3. The NOI appointed McEown and Associates Ltd. as Trustee and it provided for a 30 day stay of proceedings which expires on May 30, 2020. The Company filed the NOI for the purpose of considering its restructuring options.

4. On May 6, 2020, Kuzco Lighting Inc., ("Kuzco") applied for and the Honourable Justice Fitzpatrick granted an Order appointing McEown & Associates Inc. ("McEown") as Interim Receiver (the "the Interim Receiver Order").

5. The Company now seeks an extension of the stay of proceedings for a further 45 days after the expiry of the current stay period so that its principal can continue discussions with interested parties in relation to an expression of interest to acquire real estate assets owned the Company's principal which could be included in the current Proposal process being administered by McEown and Associates Ltd.

Background

6. According the Interim Receiver, the total amount owed to creditors is \$21,631,347.46 (combined Canadian and USD amounts). USD have not been converted the Canadian dollars.

7. Kuzco's claim is \$9,000,000 CDN. Kuzco is the largest single creditor of the Company. The claims of the Exchange Bank of Canada ("EBC") total \$1,000,000 USD, or approximately \$1,412,000 CDN.

8. On March 23, 2020 a Garnishee Order was granted in favour of the Exchange Bank of Canada in the amount of \$1,412,000 CDN and was served on the Company's bank account, Khalsa Credit Union. Upon receipt of the Garnishee Order the Company's bank account were immediately frozen, and as a result the Company could not continue to operate and therefore closed its stores on March 23, 2020.

9. Since filing the NOI, the Company has retained certain internal key staff to assist McEown in its capacity as both Trustee under the NOI and Interim Receiver. The Company is providing McEown with financial information on the Company's bank accounts, access to the Company's books and records and is providing background on the currency exchange business as well as a real estate development project Mr. Khaliq owns through a separate entity (described more fully below).

10. According to Mr. Khaliq, the Company's financial insolvent circumstances were created by mismanagement and lack of proper financial controls. According to Mr. Khaliq, funds flowed back and forth through the Company to a real estate entity owned and controlled by himself. According to Mr. Khaliq, the Company also suffered some market losses in respect of active currency exchange trades that were open at the end of April, 2020.

The Company's Restructuring Efforts

11. The Company has been diligently working with the Interim Receiver to update the Company's records to produce a fulsome accounting of the Company's cash flows, including transfers back and forth flowing between the Company and separate entities owned by Mr. Khaliq.

12. Mr. Khaliq is well established businessman in the Indo-Canadian business community and, as such, he attracted many investors to his business ventures.

13. During the course of the Company operations, significant amounts of funds invested or loaned to the Company by private lenders and entities (the arrangements are not yet clear) were transferred, at Mr. Khaliq's direction, into real estate projects owned by by Conian Developments Inc, ("CDI") and two related entities, Conian Development (La Voda) Inc. and Conian Development (La Voda II) Inc. (together, the "**La Voda Development**").

14. Mr. Khaliq made agreements with private lenders to replenish the cash transferred from the Company's business in order to meet the Company's obligations.

15. Mr. Khaliq is the sole shareholder and director of Conian Developments Inc, ("CDI") and Conian Development (La Voda II) Inc. CDI of is the sole owner of Conian Development (La Voda) Inc. and Mr. Khaliq is its sole director.

16. The La Voda Development involves a number of building development sites organized into in two phases. Phase One is approximately 35% partially completed and has approximate value of \$35 million, based recent Quantity Surveyor Reports. Phase II is just land and has with Development Proposal that has been submitted to the City of Surrey. The approximate current value of Phase 11 is \$16 or million. The potential finished total value of the La Voda Development may be in excess of \$100 million.

17. During the period from May 6, 2020, when the Interim Receiver Order was granted, until the date of this application, the Company has been exploring restructuring proposals to bring funds from back from the La Voda Development into a pool of funds for the creditors in this intended Proposal process.

18. The Company and Mr. Khaliq are in the process of negotiating a transaction with Promerita Capital Management Corp. ("Promerita"), and potentially other interested parties, that could see significant funds in excess of in the range of \$12 million to \$30,000 returned to Mr. Khaliq's investors and creditors of the Company. The structure of this transaction could include a sale of Phase 1 and a profit-sharing arrangement concerning the development of Phase 11.

19. Promerita has declared its current intention to work with Rana Khaliq to make a Proposal to the creditors of BC Currency Exchange.

20. If that Proposal is accepted, Mr. Khaliq and Conian Developments Inc. are prepared to assign the equity they have in the La Voda Development to McEown, Trustee for the benefit of the creditors of the Company and the persons and/or entities whose funds flowed the Company into the La Voda Development.

21. The Company, the Promerita Group are continuing to engage in meaningful discussions to formulate an agreeable proposal in these proceedings with respect to the debt.

The Interim Receiver's Efforts:

22. Since the appointment of the Interim Receiver on May 6, 2020, the Interim Receiver has:

- (a) Secured the cash that was located at safes at the stores;
- (b) Deposited into its trust account cash (converted into Canadian dollars) along with Company funds from its bank accounts at the Kahlsa Credit Union and Prospera Credit Union, as follows:
 - (i) Kahsala Funds - \$432,823.15;
 - (ii) Prospera Funds - \$74,236.27; and,
 - (iii) Cash Converted by Exchange Bank of Canada - \$427,939.08; and,
- (c) Engaged in Company's principal, Mr. Khaliq to conduct a fulsome accounting and to explore restructuring options.

PART 3: LEGAL BASIS

1. The Company relies on section 50.4(9) of the BIA.

The insolvent person may, before the expiry of the 30-day period referred to in subsection (8) or of any extension granted under this subsection, apply to the court for an extension, or further extension, as the case may be, of that period, and the court, on notice to any interested persons that the court may direct, may grant the extensions, not exceeding 45 days for any individual extension and not exceeding in the aggregate five months after the expiry of the 30-day period referred to in subsection (8), if satisfied on each application that

- (a) the insolvent person has acted, and is acting, in good faith and with due diligence;
- (b) the insolvent person would likely be able to make a viable proposal if the extension being applied for were granted; and
- (c) no creditor would be materially prejudiced if the extension being applied for were granted.

2. The Company has acted, and is acting, in good faith and with due diligence in respect of coordinating with the Promerita Group and making a proposal to its creditors.

3. No creditor or stakeholder will be materially prejudiced if the extension being applied for were granted.

4. The Company submits that, in the circumstances, the extension sought is appropriate and necessary.

5. The Court has the power to abridge the time for service pursuant to Rule 6(4).

Bankruptcy and Insolvency General Rules, CRC, c 368, r 6(4)

6. The Applicants will rely on section 183 of the BIA, Rule 3 of the BIA Rules, Rule 22-5(8) of the *Supreme Court Civil Rules* and the inherent jurisdiction of this Honourable Court.

PART 4: MATERIAL TO BE RELIED ON

1. Affidavit # 1 of Mr. Khaliq, sworn on May 27, 2020.

2. The pleadings and materials filed herein.

3. Such further and other materials as counsel may advise and this Honourable Court may allow.

The Applicants estimate that the application will take 30 minutes.

This matter is within the jurisdiction of a Master.

This matter is not within the jurisdiction of a Master.

TO THE PERSONS RECEIVING THIS NOTICE OF APPLICATION: If you wish to respond to this Notice of Application, you must, within 5 business days after service of this Notice of Application or, if this application is brought under Rule 9-7, within 8 business days after service of this Notice of Application:

(a) file an Application Response in Form 33;

(b) file the original of every Affidavit, and of every other document, that:

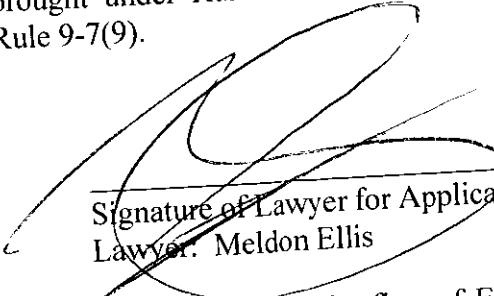
(i) you intend to refer to at the hearing of this application, and

(ii) has not already been filed in the proceeding; and

- (c) serve on the Applicant 2 copies of the following, and on every other party of record one copy of the following:
- (i) a copy of filed Application Response;
 - (ii) a copy of each of the filed Affidavits and other documents that you intend to refer to at the hearing of this application and that has not already been served on that person;

- (iii) if this application is brought under Rule 9-7, any notice that you are required to give under Rule 9-7(9).

Date: May 27, 2020


Signature of Lawyer for Applicants
Lawyer: Meldon Ellis

This NOTICE OF APPLICATION is prepared by Meldon Ellis of the firm of Ellis Business Lawyers whose place of business is 400 – 1681 Chestnut Street, Vancouver, British Columbia, V6J 4M6 (Direct #: 604.671-7374, Fax #: 604.737-1140 Email: meldon@ellislawyers.com)

To be completed by the court only:

Order made

- in the terms requested in paragraphs _____ of Part 1 of this Notice of Application
- with the following variations and additional terms:

Date: _____
[dd/mmm/yyyy]

Signature of Judge Master

APPENDIX

[The following information is provided for data collection purposes only and is of no legal effect.]

THIS APPLICATION INVOLVES THE FOLLOWING:

- discovery: comply with demand for documents
- discovery: production of additional documents
- other matters concerning document discovery
- extend oral discovery
- other matters concerning oral discovery
- amend pleadings
- add/change parties
- summary judgment
- summary trial
- service
- mediation
- adjournments
- proceedings at trial
- case plan orders: amend
- case plan orders: other
- experts