

**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.**

PROPOSAL TRUSTEE'S FIRST REPORT TO THE COURT

DATED MAY 28, 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 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 expires on May 30, 2020.
3. The Company is not in a position to file a proposal to its creditors at this time and has applied to this Honourable Court for an extension of the stay and time for filing a proposal as provided for in paragraph 50.4(9) of the BIA from May 30, 2020 to July 15, 2020.
4. The purpose of the Proposal Trustee's First Report to the Court is to inform the Court of the following:
 - a. The background of these NOI proceedings;
 - b. The activities of the Company since the filing of the NOI;
 - c. The activities of the Proposal Trustee since the filing of the NOI,
 - d. The activities of the Interim Receiver (as defined herein) since being appointed;
 - e. The Interim Receiver's investigation into the Company's business affairs;
 - f. The Company's restructuring plan;
 - g. The Company's cash flow projection for the period from May 25, 2020 to July 19, 2020; and
 - h. The Company's request for an extension of the stay and time for filing a proposal from May 30, 2020 to July 15, 2020.
5. Information in respect of these proceedings are posted on the Proposal 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 Proposal 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 Proposal Trustee 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 Proposal 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
 - b. the Proposal Trustee 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.

C. Background

1. The Company is a foreign currency exchange dealer that has been in operations in British Columbia for approximately 20 years. Mr. Rana Khaliq is the sole director and shareholder of the Company. The Company operates from four store fronts in the lower mainland which are located in Vancouver, Surrey, White Rock and Abbotsford.
2. Prior to the filing of the NOI, on March 23, 2020, the Exchange Bank of Canada ("EBC") was granted a Garnishing Order before Judgment in the amount of \$1,412,465 (the "Garnishing Order") which was served on the Company's bank, Khalsa Credit Union. Upon receipt of the Garnishing Order, Khalsa Credit Union immediately froze the bank account and paid funds into Court to the credit of EBC's action. EBC's civil action against the Company was commenced on April 20, 2020, in which EBC claims a debt of \$1,000,000 USD (or approximately \$1,412,000) (*Exchange Bank of Canada v. B.C. Currency Exchange Inc.*, BCSC Action No. S-204090).

3. As a result of the freezing of the Company's bank account, the Company could not continue to operate and therefore closed its stores on April 22, 2020.
4. The Company commenced the NOI proceedings in order to provide time to consider its restructuring options.
5. 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.
6. On May 6, 2020, the Honourable Madam Justice Fitzpatrick granted an Order appointing McEown and Associates Ltd. as Interim Receiver (the "Interim Receiver Order").

D. Activities of the Company Since the Filing of the NOI

1. The Company has retained certain key staff to assist McEown and Associates Ltd. in its capacity as both Proposal Trustee and as Interim Receiver.
2. The assistance provided by the staff have included providing information on the banks the Company has accounts with, providing access to the books and records of the Company, updating the financial records/creditor information and providing background regarding the currency exchange business as well as a real estate project that Mr. Khaliq owns through a separate entity.
3. Further assistance will be required by the staff as the books and records are still not up to date.
4. Since the filing of the NOI, the Company has also been considering its restructuring options, which are discussed later in this report.

E. Activities of the Proposal Trustee Since the Filing of the NOI

1. The Proposal Trustee has performed its statutory duties in the NOI proceedings with respect to notifying creditors and reporting on the cash flow statement as well as fielding numerous calls from creditors.
2. The Proposal Trustee has made enquiries of the Company's staff, Mr. Khaliq and his independent legal counsel regarding the financial affairs of the Company and in particular the use of the Company's funds for other purposes which is discussed later in this report.

3. The Proposal Trustee has spoken to the Company's staff, Mr. Khaliq and his independent legal counsel regarding the prospect of resuming the Company's operations. It has been concluded that the Company's operations will be permanently shut down.
4. The Company is taking immediate steps to disclaim all leases and cancel all services that will no longer be required.
5. The Proposal Trustee has also been in numerous discussions with the Company's staff, Mr. Khaliq and legal counsel regarding a restructuring plan to repay the Company's creditors from a partially completed real estate project in Surrey and other properties that Mr. Khaliq owns or has an interest in personally or through his corporations. The restructuring plan is further commented on later in the report.

F. Activities of the Interim Receiver Since being Appointed

1. Upon its appointment, the Interim Receiver contacted the Company's two banks, the Khalsa Credit Union and Prospera Credit Union, and requested that the Company's accounts be immediately closed and all funds in the accounts paid to the Interim Receiver.
2. The Interim Receiver also arranged to secure the actual cash that was kept in the safes at the stores. Arrangements were made to have the cash, which were in numerous different currencies, picked up by the EBC and converted to Canadian dollars.
3. The Interim Receiver has now received and deposited into a trust account the actual cash (converted into Canadian dollars) and the funds in the Company's bank accounts at the Khalsa Credit Union and Prospera Credit Union. The funds in the Interim Receiver's Trust account can be summarized as follows:

Funds From the Khalsa Credit Union	\$ 432,823.15
Funds From Prospera Credit Union	\$ 74,236.27
Cash converted by Exchange Bank of Canada	\$ 427,939.08

4. Counsel for the Interim Receiver is in the process of having the funds paid into Court pursuant to the Garnishing Order paid to the Interim Receiver in trust pursuant to the Interim Receiver Order. The amount paid into Court is \$363,325.40.

G. Interim Receiver's Investigation into the Company's Business Affairs

1. The results of the Interim Receiver's preliminary investigation to date into the business affairs of the Company can be summarized as follows:

- a. The Company was dealing with a high volume of transactions in the currency exchange business and has advised that the annual amount of funds exchanged exceeded \$800 million;
- b. Mr. Khaliq intermingled the Company's funds with his other real estate businesses which appears to have resulted in millions of dollars of the Company's fund being used to fund the real estate businesses and to fund interest payments to the investors in Mr. Khaliq's real estate businesses;
- c. As a result of the significant funds that were taken from the Company it was necessary for Mr. Khaliq to find new investors and/or lenders to replenish the cash that had been taken so that the Company's currency exchange business could meet its obligations;
- d. Mr. Khaliq also negotiated terms with the Company's currency exchange customers that would give them preferred exchange rates if they delayed the payment of the exchanges funds for a few days, and in some cases even longer;
- e. The funds paid by the Company to the real estate businesses' investors on account of interest were often paid in cash and were not properly recorded in the Company's records;
- f. The books and records of the Company have not been kept up to date and will require significant effort and time to be brought up to date; and
- g. The preliminary estimate of the amount owed to Mr. Khaliq's real estate investors is approximately \$25,000,000, which amount does not include the Company's creditors.

H. Restructuring Plan

1. The Proposal Trustee is advised that Mr. Khaliq would like to make a proposal to the Company's creditors which would be funded through the sale and or refinancing of his real estate holdings.
2. The Proposal Trustee has spoken to one party, Promerita Capital Management Corp., which is interested in taking over the real estate project in Surrey, B.C. This party has indicated that available funds to repay Mr. Khaliq's real estate investors and the Company's creditors could exceed \$30,000,000.
3. Mr. Khaliq has advised the Proposal Trustee that he requires more time to consider the options available to maximize the return to his real estate investors and the Company's

creditors. Mr. Khaliq believes that a proposal to the Company's creditors will result in the higher return to not only the Company's creditors but also to the real estate investors.

I. Cash Flow Report

1. Attached to this report as Exhibit A is a cash flow report for the period from May 25, 2020 to July 19, 2020, which the Proposal Trustee has filed with the OSB.
2. The cash flow provides for payment of wages to the Company's staff in the extension period in the total amount of \$46,000. The Proposal Trustee feels that retaining the staff to assist with bringing the Company's books and records up to date is necessary and reasonable in the circumstances.

J. The Company's Request for an Extension

1. The Company is seeking a 45 day extension of the stay of proceeding from May 30, 2020 to July 15, 2020, during which time Mr. Khaliq intends to make a proposal to the Company's creditors.
2. The Proposal Trustee has considered the factors under Section 50.4(9) of the BIA in order for the Court to grant an extension of the stay of proceedings and time for filing of a proposal, namely 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.
3. Despite the actions taken by the Company and Mr. Khaliq preceding the commencement of the NOI proceedings, it appears that the Company, through its principal, Mr. Khaliq, have been acting in good faith and with due diligence with respect to seeking potential restructuring options that would see the Company's creditors receive a better return than in a bankruptcy.
4. In the event Mr. Khaliq is able to secure funding, the Trustee believes that the Company will be a position to present a proposal to its creditors.

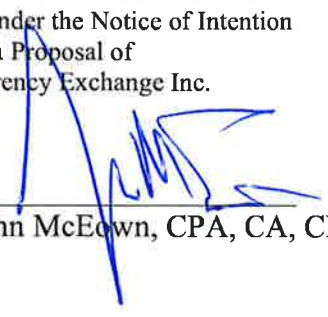
Proposal Trustee's First Report to the Court
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5. The Proposal Trustee does not believe that there will be any material prejudice to the Company's creditors if the extension were granted.

McEown and Associates Ltd.

Trustee under the Notice of Intention
to Make a Proposal of
B.C. Currency Exchange Inc.



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

Exhibit A
Cash Flow Report

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

-- FORM 29 --
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

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

The attached statement of projected cash flow of B.C. CURRENCY EXCHANGE INC., as of the 27th day of May 2020, consisting of projected cash inflows and cash outflows for the period of May 25 to July 19, 2020 has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by: the management and employees of the insolvent person or the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by: management or the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

(a) the hypothetical assumptions are not consistent with the purpose of the projection;

(b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or

(c) the projection does not reflect the probable and hypothetical assumptions.

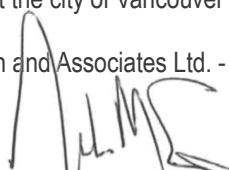
Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the city of Vancouver in the Province of British Columbia, this 27th day of May 2020.

McEown and Associates Ltd. - Licensed Insolvency Trustee

Per:



John McEown - Licensed Insolvency Trustee

1140 - 800 West Pender Street

Vancouver BC V6C 2V6

Phone: (604) 558-8020 Fax: (604) 558-8021

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

FORM 29 - Attachment
Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

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

Purpose:

The purpose of this projected statement of cash flow is to comply with S. 50.4(2) of the Bankruptcy and Insolvency Act.

Projection Notes:

The Trustee has reviewed the unaudited Statement of Projected Cash Flow for the period May 25 to July 19, 2020 prepared by management of B.C. Currency Exchange Inc. (the "Company"). The Trustee has not audited, or otherwise attempted to verify the accuracy or completeness of the information supplied.

Assumptions:

The Company operates a currency exchange with four (4) branches located in the Metro Vancouver area. The Company suspended operations in April 2020 due to a Garnishee Order that froze the bank account. The Company has determined that it will not be able to recommence operations and therefore has close the business permanently.

There are no cash inflows projected as the operations have ceased.

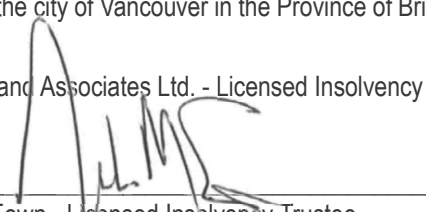
Cash outflows for wages, benefits and office expenses are based on management's estimated staffing costs for those staff that will continue to be employed for the purposes of bringing the books and records up to date and assisting with the restructuring plan.

Cash outflows for professional fees are based on estimates provided by the professionals engaged by the Company.

Cash inflows and outflows are shown net of goods & service tax and provincial sales tax.

Dated at the city of Vancouver in the Province of British Columbia, this 27th day of May 2020.

McEown and Associates Ltd. - Licensed Insolvency Trustee
Per:



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

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

- FORM 30 -
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

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

The Management of B.C. CURRENCY EXCHANGE INC., has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 27th day of May 2020, consisting of projected cash inflows and cash outflows for the period of May 25 to July 19, 2020

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the city of Vancouver in the Province of British Columbia, this 27th day of May 2020.



B.C. CURRENCY EXCHANGE INC.
Debtor

Name and title of signing officer

Name and title of signing officer

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

FORM 30 - Attachment
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

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

Purpose:

The purpose of this projected statement of cash flow is to comply with S. 50.4(2) of the Bankruptcy and Insolvency Act.

Projection Notes:

The Trustee has reviewed the unaudited Statement of Projected Cash Flow for the period May 25 to July 19, 2020 prepared by management of B.C. Currency Exchange Inc. (the "Company"). The Trustee has not audited, or otherwise attempted to verify the accuracy or completeness of the information supplied.

Assumptions:

The Company operates a currency exchange with four (4) branches located in the Metro Vancouver area. The Company suspended operations in April 2020 due to a Garnishee Order that froze the bank account. The Company has determined that it will not be able to recommence operations and therefore has close the business permanently.

There are no cash inflows projected as the operations have ceased.

Cash outflows for wages, benefits and office expenses are based on management's estimated staffing costs for those staff that will continue to be employed for the purposes of bringing the books and records up to date and assisting with the restructuring plan.

Cash outflows for professional fees are based on estimates provided by the professionals engaged by the Company.

Cash inflows and outflows are shown net of goods & service tax and provincial sales tax.

Dated at the city of Vancouver in the Province of British Columbia, this 27th day of May 2020.



B.C. CURRENCY EXCHANGE INC.

B.C. Currency Exchange Inc.
Statement of Projected Cash Flow
May 25 to July 19, 2020

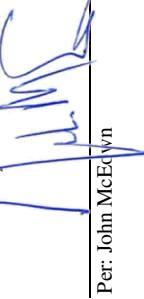
Week of	May 25	June 1	June 8	June 15	June 22	June 29	July 6	July 13	Total
Projected Cash Inflows									
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Projected Cash Outflows									
<i>Operations</i>									
Wages and Benefits	-	13,000	-	11,000	-	11,000	-	11,000	46,000
Office Expenses	300	300	300	300	300	300	300	300	2,400
Professional Fees	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	40,000
	5,300	18,300	5,300	16,300	5,300	16,300	5,300	16,300	88,400
Net Cash Inflow (Outflow)	(5,300)	(18,300)	(5,300)	(16,300)	(5,300)	(16,300)	(5,300)	(16,300)	(88,400)
Opening Cash Position on May 25, 2020 (Note 1)	906,124	900,824	882,524	877,224	860,924	855,624	839,324	834,024	906,124
Closing Cash Position	\$ 900,824	\$ 882,524	\$ 877,224	\$ 860,924	\$ 855,624	\$ 839,324	\$ 834,024	\$ 817,724	\$ 817,724

Note 1: The opening cash position of \$906,124 represents the funds held in trust by the Interim Receiver excluding the retainer funds.

This Statement of Projected Cash Flow of B.C. Currency Exchange 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 B.C. Currency Exchange Inc.



Per: John McEown

B.C. Currency Exchange Inc.



Per: Rana Wasif Khaliq