

**Estate No. 11-253984  
Estate No. 11-253983  
Court No. B-160364  
Court No. B-160363  
Vancouver Registry****IN THE MATTER OF THE BANKRUPTCIES OF  
VIRGINIA MARY TAN & PATRICK ENG TIEN TAN****TRUSTEE'S PRELIMINARY REPORT TO CREDITORS**

**VIRGINIA MARY TAN** (“Mrs. Tan”) and **PATRICK ENG TIEN TAN** (“Mr. Tan”) (collectively, the “Tans”) were adjudged bankrupt by the Supreme Court of British Columbia on April 29, 2016 pursuant to a Petition filed by RSC Enterprise Canada Inc. Boale, Wood & Company Ltd. was appointed as Trustee in Bankruptcy of each of the estates of Mr. Tan and Mrs. Tan (collectively, the “Estates”).

This report has been prepared by Boale, Wood & Company Ltd., in its capacity as Trustee of the Estates, to provide preliminary information available as at May 25, 2016 to the creditors of the Estates.

**BACKGROUND**

The Trustee has been advised by the Tans that in the late 1990s they commenced a business referred to as Letan Investments (“Letan”). Letan was incorporated under the name 405454 B.C. Ltd. (“405454”) in the B.C. Corporate Registry. In 2005, 405454 was struck from the B.C. Corporate Registry. The Trustee understands from the Tans that the business continued as a sole proprietorship of Mrs. Tan after 405454 was struck

The Tans’ legal counsel has provided the following statement in relation to the Tans business activities:

*“Beginning in the 1990s and continuing until the end of 2012, Virginia Tan was in the business of making short-term, high interest loans to individuals and to companies. The exact forms of these loans varied with the situation. Sometimes they were made in the nature of “bridge financing”, as in the case of prospective real estate transactions. Sometimes they were “payday loans”. Sometimes they involved “factoring”, or lending money to a company against the security of one or more of that company’s accounts receivable.*

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*Other parties, typically friends or relatives of Virginia Tan, invested in Virginia Tan's business. They provided money to Virginia Tan in the expectation that they would receive a substantial return on their investments. Their investments were structured as loans and secured by promissory notes signed in all cases by Virginia Tan and, in some cases, also by Patrick Tan.*

*Before the end of 2012, returns on investment came from the interest payments made by the borrowers as well as Virginia and Patrick Tans' own funds. Some of those friends, including more than one of Virginia Tan's current creditors, obtained investments for Virginia Tan's business from their own friends and acquaintances, and received a commission for securing those additional investments.*

*Virginia Tan's accounting practices were rudimentary at best. Funds received from investors were commingled with funds belonging to Virginia Tan and her husband, Patrick, and with the interest payments received from borrowers. However, the returns which Virginia Tan's business provided to these parties were clearly satisfactory to the investors, as the investors rolled their investments back into the business in the expectation of continuing to receive such high returns. This process became more or less automatic, such that there was no discussion after 2012 between Virginia Tan and any of the investors as to the precise nature of Virginia Tan's business.*

*By the end of 2012, that business was in the process of changing. Virginia Tan was finding the administrative burdens of this business to be overwhelming when compared to her actual profits. She began looking for bigger projects than short-term loans to invest in. She looked at some real estate opportunities and some business opportunities, but in the end did not actually use any of the investors' money to invest in any of them. In the meantime, however, she ceased to make more short-term loans, and the interest payments from short-term borrowers dried up.*

*Patrick Tan had no direct role in the operation of this business beyond signing some of the promissory notes."*

During the past year investors have become increasingly concerned as a result of not receiving their interest payments and/or principal repayments.

The BCSC is investigating this matter. While conducting its investigation the BCSC will not

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make any comments on their findings until their investigation is complete.

According to the BCSC website, bank accounts linked to Mr. & Mrs. Tan have been frozen. According to BC Land Title documents, the BCSC has registered liens against properties owned by Mr. & Mrs. Tan, Marcus Tan, TLD Investments Inc., and 0994439 B.C. Ltd.

The Tans have been sued by numerous investors that resulted in a Mareva Injunction Order and Bankruptcy Order being issued against them by the Supreme Court of B.C.

There have been numerous allegations that the Tans were operating a Ponzi scheme by which they would pay returns to investors from monies obtained from later investors rather than from any real profits of a business, however to date there has not been a legal determination of this.

If it is determined that the Tans were operating a Ponzi scheme, the Trustee will consider various available remedies to recover funds for those investors who lost money, including recovery of preferential payments and recovery from those investors who have profited from their investments with the Tans. There is also the possibility of commencing class action lawsuits against the various financial institutions that the Tans used for their business.

#### **CONSERVATORY MEASURES**

Immediately following its appointment as Trustee over the Estates, the Trustee attended at the Tans' residence in West Vancouver, took possession of their books and records and arranged for the imaging of the Tans' computers to preserve any information stored on them.

The Trustee has also communicated with all banks and brokerage companies that the Tans had conducted business with to request that any accounts in the name of the Tans be immediately frozen and any residual funds in these accounts be forwarded to the Trustee. The Trustee has confirmed that the properties owned by the Tans are properly insured.

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## ASSETS

### *Cash & Securities*

As mentioned earlier in this report, the Trustee has notified all banks that the Tans conducted business with to request that any accounts in their names or in the name of Letan be frozen immediately and that any residual funds in these accounts be forwarded to the Trustee. It should be noted that most of the banks notified had already frozen the accounts as a result of the freeze orders issued by the BCSC.

Based on its preliminary investigation, the Trustee believes that the Tans' bank accounts are either overdrawn or have nominal balances in them. The Tans have estimated the total cash held in bank accounts on their Statement of Affairs to be approximately \$2,000 each.

At the date of the bankruptcy the Trustee took possession of two Royal Bank of Canada bank drafts in the name of Virginia and Patrick Tan totaling \$1,504.12 and has deposited these into the Estates' trust accounts.

The Tans advised the Trustee that all investments held in their brokerage accounts were sold and the funds realized were transferred to their bank accounts and used in the business.

### *Household Furniture, Fixtures and Personal Effects*

The declared value for the Tans furniture, fixtures and personal effects on the Statement of Affairs are as follows:

Furniture & Fixtures	\$4,000
Clothing	\$1,000

The Trustee has obtained photos of the furniture and fixtures but has not yet attained a formal appraisal. However, based on the Trustee's preliminary review it expects that the value of the furniture and fixtures will fall within the exemption amounts pursuant to the *Court Order Enforcement Act*, R.S.B.C. 1996 c. 78 and the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3. The Trustee and the Estates' creditors will not be entitled to exempt property.

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***Life Insurance***

The Tans held numerous life insurance policies which the Trustee is in the process of confirming the status of to determine whether there is any cash surrender value associated with these policies.

The Trustee has been advised by the Tans that the insurance policies were term policies and not whole life policies. We understand that the policies have lapsed as a result of the Tans' failure to pay the premiums. It is unlikely that there will be any recovery from the policies for the Estates.

***Registered Retirement Savings Plans (RRSPs)***

The Tans have advised the Trustee that they do not have nor have they ever held any RRSPs.

Based on the Trustee's preliminary investigation of the books and records of the Tans there is no evidence of any RRSPs in their name.

***Investment/Loan in TJ132 Ventures Ltd.***

Mrs. Tan has included on her Statement Affairs an investment in TJ132 Ventures Ltd. ("TJ132") in the amount of \$325,000.

Mrs. Tan is a director of TJ132 along with Randall Jang. The Trustee has been advised by Mrs. Tan that 60% of the shares of TJ132 are owned by Marcus Tan and 40% of the shares are owned by Randall Jang.

The Trustee understands that TJ132 is involved in the redevelopment of certain properties in Surrey, British Columbia registered in the name of Marcus Tan.

The Trustee intends to pursue recovery of any investment made in TJ132 for the benefit of Mrs. Tan's estate.

***Loan due from Warren Vargas***

Mrs. Tan has included an amount of \$1,500 due from Warren Vargas on her Statement of

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Affairs. This is in relation to an outstanding personal loan made to Mr. Vargas.

The Trustee will take steps to realize on this asset for the benefit of Mrs. Tan's estate.

***Loans/Investments in other Companies***

The Statements of Affairs of the Tans reference several companies that the Trustee understands the Tans were involved in.

The Trustee will be investigating the companies to determine what the Tans involvement is and if there are any assets in these companies that could be recovered for the Estates.

***Real Properties registered in the name of the Tans***

The real properties registered in the name of the Tans can be summarized as follows:

***1. 955 Greenwood Road, West Vancouver, BC (the "West Vancouver Property")***

The West Vancouver Property is registered in in the name of Mrs. Tan and is the Tans' primary residence. The Trustee has been advised that the residence was purchased by Mrs. Tan for \$200,000 in 1985.

We are advised by the Tans that Mrs. Tan entered into an Agreement of Purchase and Sale (the "Agreement") in October 2015. A copy of the Agreement was provided to the Trustee indicating a sale price of \$3,250,000 with a \$350,000 deposit due in February 2016 and the balance due on the sale's closing date of September 30, 2016. According to Mrs. Tan, the \$350,000 was received and put into the business.

The Trustee will review the West Vancouver Property sale transaction to confirm whether it is a bona-fide sale for fair market value. The Trustee will also review the mortgages registered on title to ensure they are valid and enforceable and that funds were properly advanced thereunder.

Based on the Trustee's preliminary review, there are two mortgages registered against the West Vancouver Property which appear to have a total amount owing of approximately \$2,900,000. Accordingly, if is determined that the sale is bona-fide and for fair market value

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at the time the Agreement was entered into, there will be no equity available to Mrs. Tan's estate upon completion of the sale.

2. 410 29<sup>th</sup> Street W, North Vancouver, BC (the "North Vancouver Property")

The North Vancouver Property which is registered in the name of Mr. and Mrs. Tan was purchased in 2011 for \$1,000,005. The Tans have provided the Trustee with documentation that indicates that this property is held in trust for Marcus Tan.

There are three mortgages registered against the property with face amounts totaling \$1,350,000. The current market value of the property is estimated to be approximately \$1,800,000.

The Trustee intends to review the purchase transaction to determine the source of funds used to acquire this property. If it is determined that investors' funds were used to acquire the property the Trustee intends to pursue recovery of these funds from the equity in the property, which likely exceeds \$400,000, for the benefit the Estates.

3. 226-19677 Meadow Gardens, Pitt Meadows, BC (the "Pitt Meadows Property")

Mrs. Tan is the registered owner of a ½ interest in the Pitt Meadows Property, which was purchased in 2007 for \$321,630.

There is a mortgage registered against the Pitt Meadows Property in the face amount of \$227,500. The 2016 assessed value of the Pitt Meadows Property is \$287,000.

The Trustee will pursue recovery of Mrs. Tan's portion of the equity in the Pitt Meadows Property for the benefit of Mrs. Tan's estate.

4. 209 – 9298 University Crescent, Burnaby, BC (the "Burnaby Property")

Mr. Tan is the registered owner of the Burnaby Property, which was purchased in 2004 for \$181,900. The 2016 assessed value of this property is \$244,000.

The Tans have provided the Trustee with a documentation that indicates that this property is held in trust for Marcus Tan.

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There are two mortgages registered against the Burnaby Property with a total amount owing of approximately \$367,500. The second mortgage in the amount of \$167,500 is registered *inter alia* against another unit in a similar development that is registered in the name of Marcus Tan.

If the mortgagee realizes equally on both properties covered by its security, there may be some equity in the Burnaby Property.

The Trustee intends to review the purchase transaction to determine the source of funds used to acquire this property. If it is determined that the investors' funds were used to acquire the property the Trustee will take the necessary steps to ensure that any equity in the property is recovered for the benefit of the Tans estates.

5. 2611 – 80 John Street, Toronto, ON (the "Toronto Property")

Mr. Tan is the registered owner of the Toronto Property, which the Trustee believes was purchased in 2011. The Toronto Property was listed for sale this year and recently sold for \$492,000.

At the time of the sale, there were two mortgages registered against the property with amounts owing totaling approximately \$410,000.

The net sale proceeds of \$51,344 after payment of the mortgages, sales commission and legal fees is being disbursed to the Trustee for the benefit of Mr. Tan's estate.

6. Fort McMurray, AB (the "Alberta Properties")

The Tans own nine properties in Fort McMurray that we believe were purchased for approximately \$3,000,000 between 2006 and 2007.

The Tans have provided the Trustee with documentation that indicates that five of these properties are being held in trust for Marcus Tan. These are the "Penhorwood Properties" that we understand were demolished and do not likely have any value.

There are mortgages registered against the Alberta Properties. The Trustee has not yet determined the mortgage balances.



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The Trustee will review the Alberta Properties, but is not optimistic that there will be any equity available for the benefit of the Estates given the recent downturn in the Alberta economy.

***Other Real Properties***

In addition to the real properties registered in the names of the Tans discussed above, there are numerous other properties that the Tans have been involved with in some capacity but that are owned by either Marcus Tan or other companies. The Tans have advised the Trustee that they do not own shares in any of these other companies. The Trustee will be investigating the purchases of these other properties to determine if investor funds were used to purchase any of these properties.

These other properties can be summarized as follows:

*Fort St. John, BC Properties*

TLD Investments Inc. ("TLD") and 0994439 B.C. Ltd. ("0994439") own a total of 24 properties in Fort St. John. The Trustee has been advised by Mrs. Tan that Marcus Tan owns 50% of the shares of TLD and 0994439 and Michael Donelson owns the other 50%. The Trustee believes that these properties were purchased between 2013 and 2015.

The aggregate value of these properties based on the 2016 BC Assessment is \$6,138,800.

There are mortgages registered against these properties, however the Trustee has not yet determined the outstanding mortgage balances.

The Tans have advised the Trustee that they advanced approximately \$700,000 to TLD in trust for Marcus Tan.

The Trustee will conduct a review of these properties to determine if investor funds were paid or loaned to these companies and if so will pursue recovery of these funds for the benefit of the Estates.

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132<sup>nd</sup> Street, Surrey, BC Properties

Marcus Tan is the registered owner of six properties in Surrey, BC that the Trustee believes were purchased between 2011 and 2012.

The Trustee understands that five of these properties were acquired for purposes of redevelopment pursuant to a joint venture agreement with Randall Jang. The Trustee will be looking into the terms of the joint venture agreement.

There are several mortgages registered against the properties. The mortgages include first mortgages totaling approximately \$1,600,000, a mortgage in the name of Mrs. Tan in the amount of \$600,000 and a recent mortgage registered in February 2016 in the amount of \$750,000. Mrs. Tan has advised the Trustee that the \$750,000 was deposited to one of her accounts and used in the business. As well the Trustee has been advised that the funds for the \$600,000 mortgage were never advanced.

The Trustee has not yet determined the current market value of these properties and any increase in value anticipated upon redevelopment.

The Trustee will conduct a review of these properties to determine if investors' funds were used to acquire these properties and if so will pursue recovery of these funds for the benefit of the Estates. The Trustee will also make enquiries of the Tans with respect to the use of the \$750,000 mortgage proceeds received in February.

***Vehicles***

2011 Toyota Sienna

The Tans jointly own a 2011 Toyota Sienna. The Black Book value of the vehicle is approximately \$25,000. The Trustee has made arrangements to collect the vehicle and realize on this asset for the benefit of the estates.

2015 Toyota Highlander

Mr. Tan owns a 2015 Toyota Highlander which has a loan registered against it in favour of Toyota Credit Canada. The loan appears to have been properly registered in the Personal



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Property Registry and the amount owing on the loan is estimated at \$24,000 on the Statement of Affairs of the bankrupt.

The Black Book value of the vehicle is approximately \$34,000. The Trustee has made arrangements to have the vehicle appraised in order to determine if there is any equity available for the benefit of Mr. Tan's estate.

Pursuant to the *Court Order Enforcement Act*, R.S.B.C. 1996 c. 78 and the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, the Tans are each entitled to an exemption of \$5,000 for a vehicle.

**PROVABLE CLAIMS**

The Trustee has performed a preliminary review of the claims filed to date which are summarized below:

<b>Virginia Mary Tan</b>		
	<b>As Per Statement of Affairs</b>	<b>Claims Filed to date</b>
Secured Creditors	\$4,454,788	\$1,500,000
Unsecured Creditors	\$30,875,551	\$30,909,892
Totals	\$35,330,339	\$32,409,892

<b>Patrick Eng Tien Tan</b>		
	<b>As Per Statement of Affairs</b>	<b>Claims Filed to date</b>
Secured Creditors	\$1,490,284	\$23,288
Unsecured Creditors	\$10,459,872	\$10,691,257
Totals	\$11,950,156	\$10,714,545

**SECURED CREDITORS**

The Tans' Statement of Affairs lists many secured creditors. The secured creditors include mortgages against real properties and vehicle financing.

The Trustee will be reviewing all security agreements and documents supporting the

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advances made to confirm their validity, enforceability and amounts due.

## **UNSECURED CREDITORS**

### *Amounts owed to investors*

Based on its preliminary review, the Trustee has identified 177 investors with currently outstanding promissory notes exceeding \$40 million.

### *Other Unsecured Creditors*

The other unsecured creditors of the Estates include credit card debts and expenses related to the real properties owned by the Tans. These amounts total \$172,682 on the Statements of Affairs of the Tans.

### *Related Party*

Additionally, an amount of \$702,869 is included on the Statement of Affairs as an amount owed to Marcus Tan.

## **TRUSTEE'S FEE ARRANGEMENT**

The Trustee has received a third party deposit from RCS in the amount of \$15,000 towards payment of its fees and disbursements. Fees will otherwise be paid from the realization of the assets of the Tans in accordance with the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3.

## **PREFERENTIAL PAYMENTS & TRANSFERS AT UNDERVALUE**

As of the date of this report the Trustee has not completed its review of the books and records of the Tans to determine whether there were preferential payments and/or transfers at undervalue in the three month period prior to the date of bankruptcy, and where related parties are concerned, the twelve month period prior to the date of bankruptcy.

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### **FIRST MEETING OF CREDITORS**

The First Meeting of Creditors will be held on May 26, 2016 at 2:00 PM. The purpose of this meeting is as follows:

- Consider the affairs of the Tans which will include a review of the Trustee's Preliminary Report and answering any questions asked by meeting attendees;
- Affirm the appointment of Boale, Wood & Company Ltd. as Trustee or substitute another in place thereof; and
- Appoint up to five inspectors that will represent the creditors at large and will give directions to the Trustee as the creditors may see fit with reference to the administration of each of the Estates.

The Trustee has been in contact with various lawyers that represent a significant number of the investors and anticipates that some of these lawyers may wish to be inspectors of the Estates.

Following the First Meeting of Creditors, the Trustee will promptly organize a meeting of the appointed inspectors to discuss in detail how best to proceed with the administration of the Estates. This is a large and complex administration that will require cooperation of various parties involved to expedite and maximize the recovery to the investors and creditors.

### **ESTIMATED REALIZATION**

The Trustee at this preliminary time is not in a position to provide any meaningful estimate of the realization.

Creditors should be aware that the ability of the Trustee to pursue the recovery of monies for the benefit of the Estates will be dependent on funds being available to do so. Currently, the only assets that the Trustee can realize on, without considerable costs to the Estates, are the equity in the Tans vehicles, the equity in the Properties owned by the Tans that are not held in Trust for Marcus Tan, and the small amount of cash the Trustee will recover from the Tans bank accounts.

The Trustee will initially focus on assets that can be recovered cost effectively in order to



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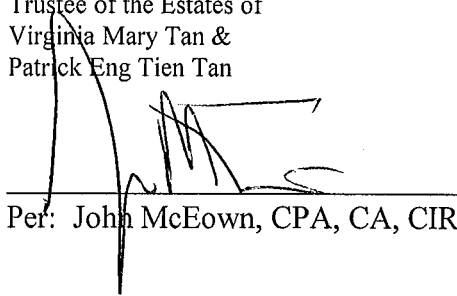
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fund the litigation that will be necessary to recover monies from third parties.

DATED at the City of Vancouver, British Columbia this 25<sup>th</sup> day of May, 2016.

**Boale, Wood & Company Ltd.**

Trustee of the Estates of  
Virginia Mary Tan &  
Patrick Eng Tien Tan



Per: John McEown, CPA, CA, CIRP