

COURT FILE NUMBER 2101-08877
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

Clerk's Stamp

PLAINTIFF ATB FINANCIAL

DEFENDANTS 732482 ALBERTA LTD., HAN SEUNG YOO, JAI HYUN YOO,
HYE YOUNG YEO, JIN OK YEO, GAB BUN KIM, OK SOON
KIM, SE JIN KIM, SUNG YEON KIM, YOUNG OK KIM and YO
SUP KIM

DOCUMENT **SECOND REPORT OF THE RECEIVER
BDO CANADA LIMITED
APRIL 25, 2022**

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

RECEIVER
BDO Canada Limited
110, 5800 - Second Street SW
Calgary, Alberta T2H 0H2
Attention: Kevin Meyler / Breanne Barker
Phone: 403-536-8526 / (403) 213-5432
Fax: 403-640-0591
Email: kmeyler@bdo.ca / bbarker@bdo.ca

RECEIVER'S COUNSEL
Dentons Canada LLP
15th Floor, 850 - 2nd Street SW
Calgary AB T2P 0R8 Canada
Attention: Derek Pontin
Phone: 403-268-6301
Fax: 403-268-3100
Email: derek.pontin@dentons.com

**SECOND REPORT OF THE RECEIVER
BDO CANADA LIMITED
APRIL 25, 2022**

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INTRODUCTION

1. On September 3, 2021, ATB Financial (“**ATB**”) sought and obtained an Order (the “**Receivership Order**”) from the Court of Queen’s Bench of Alberta (the “**Court**”) appointing BDO Canada Limited (“**BDO**”) as receiver (the “**Receiver**”) of the current and future assets, undertakings and properties of 732482 Alberta Ltd. (the “**Company**”).
2. On July 19, 2021, Mr. Brian Spilchen of ATB filed an Affidavit (the “**Spilchen Affidavit**”) in support of ATB’s application for the appointment of a Receiver.
3. On October 8, 2021, the Receiver filed its first report (the “**First Report**”) in this matter seeking and obtaining, *inter alia*, the approval of a sale of the Hotel and Condo (each as defined herein) to 2377142 Alberta Ltd. (“**237 AB**”) and Emma Thomas, respectively.
4. On April 8, 2022, upon application by ATB, a Bankruptcy Order was issued with respect to the Company and BDO was appointed as Licensed Insolvency Trustee (the “**Trustee**”) of the Company, pending affirmation by its creditors at the First Meeting of Creditors scheduled which has been scheduled for April 25, 2022. A copy of the Certificate of Filing issued by the Office of the Superintendent of Bankruptcy confirming the Trustee’s appointment is attached as **Appendix “A”**.
5. The purpose of this report (the “**Second Report**”) is to provide this Honourable Court with:
 - a. Information pertaining to the Company, including its financial position and material assets;
 - b. A summary of the material activities of the Receiver subsequent to the First Report;
 - c. A statement of receipts and disbursements to completion;
 - d. Details of the professional fees incurred and forecasted to be incurred by the Receiver and its counsel with respect to this matter;
 - e. Details of the proposed distribution of the net proceeds of the Receivership;
 - f. Information on the Receiver’s proposed discharge and request to terminate the proceedings, as outlined herein; and
 - g. The Receiver’s recommendations in respect of the foregoing, as applicable.
6. Capitalized terms not defined in this Second Report are as defined in the Receivership Order, the Spilchen Affidavit or the First Report, as the context may require.

7. All references to currency are in Canadian dollars unless otherwise noted.
8. This document, together with other information regarding these proceedings, will be posted by the Receiver to its website at: <https://www.bdo.ca/en-ca/extranets/732alberta/>

TERMS OF REFERENCE

9. In preparing this Second Report, the Receiver has relied upon unaudited financial information and books and records of the Company and discussions with Licensed Realtors, ATB and Mr. Yosup Kim (“**Mr. Kim**”) in his capacity as former management of the Company (collectively, the “**Information**”). The Receiver has not performed an audit, review or other verification of this Information. Accordingly, the Receiver does not express an opinion or any other form of assurance on the information presented herein.

CORPORATE STRUCTURE AND FINANCIAL POSITION

Corporate Structure

10. A search of the Alberta Corporate Registry System as at September 7, 2021 indicates that the Company is a private company that was registered in Alberta on March 20, 1997 with the directors and shareholders being the parties listed as the Defendants in this matter.

Assets

11. The Company’s material assets, as at the date of the Receivership Order, along with the respective unaudited book values for each, are summarized in the table below according to the Company’s incomplete books and records and / or as known to the Receiver.

Asset	Book value
Accounts Receivable	\$ 48,010
Hotel, land and building	3,948,949
Condominium	135,000
Vehicle	NA
	\$ 4,131,959

12. Further details on these assets are as follows:
 - a. Accounts receivable – this relates to amounts owing at the date of the Receivership Order from corporate guests of the Hotel;
 - b. Hotel land and building – the Company’s most material asset is a 61 room limited service hotel (the “**Hotel**”) located at the civic address of 5610 44 Street, Lloydminster, Alberta operating as the Ramada – Lloydminster through a franchise agreement with Wyndham Hotel Group Canada, ULC (“**Wyndham**”);

- c. Condominium – this relates to a residential condominium located at the civic address of 112A 5101 18th Street, Lloydminster Alberta (the “**Condo**”); and
- d. Vehicle – this relates to a 2018 Honda CRV (the “**Vehicle**”) for which Honda Canada Finance (“**Honda**”) holds a registered security interest.

Liabilities

Creditors claiming a security interest

- 13. Based on both a personal property registry search and land title search of the Hotel and Condo dated September 7, 2021, the following creditors have registered security interests against the assets of the Company:

ATB

- 14. ATB registered security on May 28, 1997 in the Alberta Personal Property Registry (“**PPR**”) over all present and after-acquired personal property and a Land Charge over the real property of the Company.
- 15. ATB has registered the following mortgages at the Alberta Land Titles Registry:
 - a. A mortgage registered against the Hotel on December 9, 2014 in the original principal amount of \$5,800,000; and
 - b. A mortgage registered against the Condo on March 5, 2021 with an original principal amount of \$223,500.
- 16. An affidavit sworn by Mr. Brian Spilchen in connection with ATB’s bankruptcy application affirms that as of March 16, 2022, the Company was indebted to ATB for at least \$5,310,929, plus accruing interest and costs.
- 17. The Receiver’s independent legal counsel, Denton’s Canada LLP (“**Dentons**”), has provided an opinion, subject to the customary qualifications, that the ATB security over the assets of the Company is valid and enforceable.

Calvert Home Mortgage Investment Corporation

- 18. Calvert registered at the Alberta Land Titles Registry a first position collateral mortgage against the Condo on March 5, 2018, with an original principal amount of \$73,000. Based on a pay-out statement provided by Calvert, \$73,988.91 is owing as at October 1, 2021 with a \$20.03 per diem.

19. Dentons has provided an opinion, subject to the customary qualifications, that the Calvert mortgage creates a valid and enforceable first priority charge as against the Condo.

Honda Canada Finance Inc.

20. Honda registered a security agreement in the PPR on November 21, 2017 claiming a security interest over the Vehicle. Given the lack of equity in the Vehicle, the Receiver instructed Mr. Kim who was in possession of the vehicle to return it to Honda.

Blue Chip Leasing Corporation

21. Blue Chip Leasing Corporation (“**Blue Chip**”) registered a security agreement in the PPR on April 26, 2019 claiming a security interest over, *inter alia*, all telecommunications equipment financed by the secured party, as lessor, to the Company as lessee. The Receiver facilitated discussions between Blue Chip and 237 AB such that the Receiver understands that 237 AB (or a related entity) assumed the Company’s interest in the leased assets.

Canada Revenue Agency (“**CRA**”) – Source deductions and Goods and Services Tax (“**GST**”)

22. CRA registered a writ of enforcement in the PPR in the amount of \$79,787.59 on March 20, 2020.
23. CRA has confirmed that with respect to source deductions that it is owed approximately \$255,718.25 for employee related income tax, Canada Pension Plan contributions as well as employment insurance premiums, with \$153,737.42 of this amount constituting trust funds pursuant to applicable deemed trust legislation (the “**Payroll Deemed Trust**”).
24. CRA has confirmed that the Company owes \$27,462.76 in GST. Given the aforementioned bankruptcy of the Company, this amount does not have priority status over either of ATB or Calvert.

Workers Compensation Board of Alberta

25. The Workers Compensation Board of Alberta registered a charge in the PPR in the amount of \$17,357.04 on July 20, 201 claiming an interest in all present and after-acquired property. Given the aforementioned bankruptcy of the Company, this amount does not have priority status over either of ATB or Calvert.

Receiver's Borrowings

26. The amounts advanced by ATB pursuant to the Receiver's Borrowing Charge have been repaid in full, as such payment is permissible without the approval of the Court as per the terms of the Receivership Order.

City of Lloydminster

27. Outstanding property taxes owing on the Hotel and the Condo were satisfied concurrent with the closing of the applicable sales.

Unsecured creditors

28. Based on the Company's incomplete books and records, approximately \$362,987 is estimated to be owing to the Company's unsecured creditors. Given the lack of available funds to distribute to unsecured creditors, the Receiver will not be incurring the time or cost to complete a claims process.

ACTIVITIES OF THE RECEIVER

29. Subsequent to the First Report, the Receiver has, *inter alia*:
- a. Continued to administer the accounts payable, human resources, accounts receivable and banking functions on behalf of the Companies during the period of its operation of the Hotel until the closing of the sale with 237 AB;
 - b. Attended to the closing of the transactions for each of the Hotel and the Condo, including transferring operations to 237 AB and finalizing post-closing adjustments and accounts with suppliers;
 - c. Completed applications for various government subsidies arising from the support measures for businesses in the COVID-19 pandemic;
 - d. Reviewed the respective known priority claims as against the Company's assets;
 - e. Provided updates to stakeholders as required; and
 - f. Attended to various other administrative matters as it pertains to the Receivership.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

30. The Receiver has attached a statement of receipts and disbursements for the period September 3, 2021 to completion (the “**Final SRD**”) as **Appendix “B”** to this Second Report illustrating that the Receiver is holding \$2,929,370 as of April 25, 2022.
31. Included in the above balance is \$125,402 which is being held by Dentons in its capacity as legal counsel to the Trustee representing the net funds arising from the sale of the Condo which was being held pending resolution of entitlement to same as between ATB, Calvert and CRA.
32. Also included in the Final SRD is approximately \$225,609 which was received in the Company’s pre-receivership bank account held at ATB. Given the relatively short period of time from the Receivership date to the anticipated closing of the transaction with 237 AB as compared to historical time periods experienced by the Receiver in other hospitality mandates required to amend the banking arrangements, the Receiver determined that it was commercially reasonable to instruct ATB to freeze third party payments from the Company’s pre-receivership bank account, but to allow continuing deposits from the point of sale systems which automatically deposited room revenues paid by credit/debit cards into the Company’s bank account. The Receiver has reconciled this amount with records provided by ATB.

PROFESSIONAL FEES

33. The Receiver and its counsel have rendered billings as follows:
 - a. Receiver’s fees of approximately \$112,835; and
 - b. Receiver’s counsel’s fees of approximately \$56,249.
34. The Receiver believes the foregoing fees are appropriate and reasonable in the circumstances given, *inter alia*:
 - a. The involvement of the Receiver in the operation of the Hotel over the approximately two month period;
 - b. The negotiation and finalization of the sale of each of the Hotel and the Condo;
 - c. The completion of the statutory CRA audits and various application and receipts for various government incentives; and
 - d. The incomplete nature of the books and records complicating each of the above.

35. It is the Receiver's opinion that its counsel's services have been necessarily incurred and duly authorized and rendered and that the hours and rates charged are in the Receiver's opinion fair and reasonable in the circumstances.
36. The Receiver and its counsel have estimated costs to complete these proceedings of approximately \$10,000 and \$20,000 respectively, plus \$1,500 GST for an aggregate of \$31,500 (the "**Professional Fees Holdback**").
37. The invoices of the Receiver and of the Receiver's counsel are available and can be provided upon request by the Court.

PROPOSED DISTRIBUTION

38. As described above, the Receiver is currently holding \$2,929,370. Following payment of the Professional Fees Holdback the Receiver will be holding \$2,897,870 in distributable proceeds (the "**Distributable Proceeds**").
39. The Receiver and its counsel have reviewed the respective security interests held by ATB and Calvert in light of timing of the Payroll Deemed Trust obligation and determined that notwithstanding the existence of a portion of the source deduction arrears at the time of the registration of the Calvert mortgage, the quantum of the net condo sales proceeds is sufficient that Calvert would be paid its indebtedness in its entirety.
40. As a result, the Receiver is proposing the following distribution (the "**Proposed Distribution**") of the Distributable Proceeds, which is also shown on the Final SRD:
 - a. CRA – \$153,737.42 on account of the Payroll Deemed Trust;
 - b. Calvert – \$79,765.76 (based on an anticipated payout date of May 6, 2022);
 - c. ATB – remainder of approximately \$2,664,367 on account of its secured indebtedness.
41. While the Receiver is not anticipating any material further recoveries, it would seek Court approval to distribute any further funds that come into its possession directly to ATB on account of its security interest, up to the amount of the ATB indebtedness, without the need for further Court order.

DISCHARGE OF THE RECEIVER

42. Following the distribution of the net proceeds of the Receivership, as the Receiver will have substantially completed its administration of the receivership with primarily administrative tasks remaining, it is therefore seeking the Court's approval for its discharge as Receiver of the Company and termination of the proceedings, upon the filing of a discharge certificate with the Court.

DESTRUCTION OF RECORDS

43. The Receiver is holding certain books and records of the Company. Therefore, the Receiver is proposing that it keep these records for a period of 30 days from the date a copy of the related order is posted to the Receiver's website, for any entitled party to claim possession and take transfer, after which the Receiver shall be entitled to destroy any of the books and records remaining in its possession or control.

RECOMMENDATIONS

44. The Receiver respectfully recommends that this Honourable Court:
- a. Approve the activities of the Receiver as currently before the Court;
 - b. Approve the Final SRD;
 - c. Approve the professional fees of the Receiver and its counsel and the Professional Fees Holdback;
 - d. Approve the Proposed Distribution;
 - e. Approve the discharge of the Receiver and termination of the proceedings; and
 - f. Approve the destruction of Company records as outlined.

All of which is respectfully submitted this 25th day of April 2022.

BDO Canada Limited

In its capacity as Receiver of 732482 Alberta Ltd.
and not in its personal or corporate capacity.

Per:



Kevin Meyler, CPA, CIRP, LIT
Senior Vice President



Breanne Barker, CPA, CIRP, LIT
Vice President

APPENDIX “A”



Industry Canada

Office of the Superintendent
of Bankruptcy Canada

District of ALBERTA
Division No. 01 - Edmonton
Court No. 24-2821292
Estate No. 24-2821292

Industrie Canada

Bureau du surintendant
des faillites Canada

In the Matter of the Bankruptcy of:
732482 Alberta Ltd.

Debtor

BDO CANADA LIMITED / BDO CANADA LIMITÉE

Licensed Insolvency Trustee

ORDINARY ADMINISTRATION

Security: \$*,***

Date of Bankruptcy: April 8, 2022, 14:54
Meeting of Creditors: April 25, 2022, 10:00
5800 2nd Street SW, Suite 110
Calgary, ALBERTA

Chair: Trustee

Designated Person: Yo Sup Kim

CERTIFICATE OF FILING OF A BANKRUPTCY ORDER - Section 43

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify, that:

- the aforementioned trustee, filed for my endorsement, a bankruptcy order appointing the trustee under section 43(9) of the Bankruptcy and Insolvency Act, Trustee of the Estate of the aforementioned Debtor;
- provisions for the avoidance of certain settlements and preferences where applicable, begin before the initial bankruptcy event date and end on the date of bankruptcy, both dates included.

The designated person is required:

- to perform all duties imposed upon a bankrupt by the Bankruptcy and Insolvency Act and in particular, attend the first meeting of creditors and upon request appear before the Official Receiver for examination.

The said trustee is required:

- to serve upon the designated person, a copy of the bankruptcy order bearing the Official Receiver's endorsement and where applicable a notice of examination;
- to provide to me, without delay, security in the aforementioned amount;
- to send to all creditors, within five days after the date of the trustee's appointment, a notice of the bankruptcy; and
- when applicable to call in the prescribed manner, a first meeting of creditors, to be held at the aforementioned time and place or at any other time and place that may be later requested by the Official Receiver.

Date: April 12, 2022

E-File / Dépôt électronique

Official Receiver

Canada Place Building, 9700 Jasper Avenue NW, Suite 725, Edmonton, ALBERTA, T5J 4C3, 877/376-9902

APPENDIX “B”

In the Matter of the Receivership of
732482 Alberta Ltd. (o/a Ramada Inn Lloydminster)
Final Schedule of Receipts and Disbursements
For the Period of September 3, 2021 to Completion

<u>Receipts</u>	<u>Amount</u>
Sale of Hotel and Condo (Note 1)	\$ 3,030,000.00
Hotel revenues (Note 2)	214,865.85
Pre-receivership CEWS / CERS recoveries	118,572.51
Receiver's borrowings	50,000.00
Accounts receivable	32,093.40
GST collected on Hotel revenue (Note 2)	10,743.29
Misc. other refunds	292.68
	3,456,567.73
<u>Disbursements</u>	
Receivers Fees	112,835.00
Agent commissions	93,232.11
Legal fees/disbursements	56,249.04
Property taxes	53,786.10
Repayment of receiver's borrowings	50,000.00
Employee payroll	46,623.21
Ramada licensing fees	20,046.19
Utilities	19,695.62
Other operating expenses	18,384.16
Payroll deductions	15,316.54
GST paid	9,578.87
Insurance	7,443.70
Tourism levy	6,606.00
Hotel management payments	9,000.00
GST remitted	3,559.62
Super priority wages paid	3,473.43
Interest on Receiver's Borrowings	725.07
OR filing and ascend fee	347.97
Bank charges	294.90
	527,197.53
Cash at April 25, 2022	\$ 2,929,370.20
Professional Fee Holdback	(31,500.00)
Distributable Proceeds	\$ 2,897,870.20
<u>Proposed Distribution</u>	
CRA (Payroll Deemed Trust)	153,737.42
Calvert (secured indebtedness)	79,765.76
ATB (secured indebtedness)	2,664,367.02
	2,897,870.20
Net funds following the Proposed Distribution and at completion	\$ -

Notes

Note 1 - the net sale proceeds from the sale of the Condo (\$125,402) is being held in trust with the Receiver's legal

Note 2 - the revenues and related GST (totalling \$225,609) related to Hotel operations were deposited into and is currently being held in the Company's pre-receivership ATB account.