

District of Alberta  
Division 01 - Edmonton  
Court No. 24-2682482  
Estate No. 24-2682482

## **TRUSTEE'S PRELIMINARY REPORT**

### IN THE MATTER OF THE BANKRUPTCY OF **2106073 ALBERTA LTD. O/A GEORGIA'S LIQUOR**

Formerly carrying on business in the Town of Drayton Valley, Province of Alberta

#### **BACKGROUND**

On October 23, 2020, 2106073 Alberta Ltd. operating as Georgia's Liquor. (the "**Company**") filed an assignment in bankruptcy and Deloitte Restructuring Inc. (the "**Trustee**") was appointed Licensed Insolvency Trustee, subject to affirmation at the First Meeting of Creditors.

Prior to its bankruptcy, the Company operated as a single location liquor store (the "**Liquor Store**") at #12, 4341 50 Street, Drayton Valley, Alberta. The Company is incorporated under the laws of Alberta and its sole director is Ms. Georgia Frost. Ms. Frost owns 46% of the voting shares of the Company, with 25% and 26% owned by Mr. Larry Swap and Ms. Wanda Swap, respectively.

The Liquor Store, known as Plaza Liquor under its previous owners, was acquired by the Company, which was incorporated on March 16, 2018. After the Company's acquisition of Plaza Liquor, the Liquor Store was renamed as Georgia's Liquor.

#### **Cause of insolvency:**

Ms. Frost has advised the Trustee that the Company operated at a loss since the Company acquired the Liquor Store. The Trustee is in receipt of the Company's unaudited income statement for the fiscal year ended February 29, 2020, confirming a net loss of approximately \$104,000. Prior to the bankruptcy, the Company attempted to renegotiate the Company's lease, which represented its largest overhead expense, in an attempt to become viable. However, the Company was unsuccessful in doing so. As a result, the decision was made to file an assignment in bankruptcy.

#### **Notice to reader**

In developing this report, the Trustee has relied upon unaudited financial information prepared by the Company's management ("**Management**"), the Company's books and records, and discussions with Management. The Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Generally

Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook. The Trustee expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by the Trustee in preparing this report.

The Trustee may refine or alter its observations as further information is obtained or brought to its attention after the date of this report. The Trustee assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of this report. Any use which any party makes of this report, or any reliance or decision to be made based on this report, is the sole responsibility of such party.

All amounts included herein are in Canadian dollars unless otherwise stated.

## **SECTION A – ASSETS**

### **Class I – Inventory**

The Company disclosed inventory valued at \$34,865 on its Statement of Affairs. The inventory is comprised of liquor inventory (beer, coolers, wine, spirits, soft drinks, etc).

### **Class II – Plant, Machinery and Equipment and Office Equipment**

The Company disclosed trade fixtures valued at the sum of \$52,000 on its Statement of Affairs. The trade fixtures category includes items such as coolers, shelving, display racking, office furniture, bins, carts, signage and IT equipment.

### **Class III – Building and Real Estate**

The Company leased its premises and does not own any real estate.

### **Class IV – Books and Records**

The books and records are being stored by Ms. Frost. The Trustee has requested the following information from Ms. Frost:

- a. Current statements of account from CRA for the RT and RP accounts

- b. Past two years of
  - i. Annual financial statements
  - ii. Tax returns
  - iii. General ledger
  - iv. GST returns
  - v. Payroll documents (T4s, remittance vouchers, PD7As)
  - vi. Bank statements with cancelled cheques

Ms. Frost has provided some of the above items and continues to work on compiling the requested records for the Trustee. Ms. Frost has prepared and filed the T4s and ROEs and has also agreed to complete the Company's bookkeeping up to the Company's date of bankruptcy.

The Trustee will complete the Company's pre-bankruptcy tax return, but does not anticipate that any refunds will be available due to the Company not having any prior income for loss carryback.

#### **Class V – Other Assets**

##### Cash

The Trustee contacted the Company's bank to request the Company's funds on deposit. The Company's bank subsequently forwarded the funds to the Trustee and closed the Company's bank account. The Trustee also took possession of the Company's petty cash. The Trustee is in receipt of the Company's total cash on hand at the date of bankruptcy in the amount of \$41,788.60.

#### **Section B – Conservatory and Protective Measures**

To date, the Trustee has taken the following conservatory and protective measures:

- Posted notice of the bankruptcy on the front door of the Company's premises to prevent removal of assets by third parties prior to the Trustee removing the assets;
- Conducted an inventory count and viewing of the Company's location and fixtures;
- Removed and stored the Company's inventory and other assets estimated to have a positive net realizable value; and
- Advised the Company's landlord and utility providers that the Trustee would not require use of the Company's premises and coordinated the return of keys to the landlord.

The Trustee has blanket insurance coverage on the Company's property for 30 days from the date of bankruptcy (until November 22, 2020), and will assess the need for continued insurance coverage at that time.

### **Section C – Legal Proceedings**

The Trustee does not anticipate there will be any legal proceedings at this time.

### **Section D – Provable Claims**

The Company declared approximately \$425,494 of unsecured claims, and no preferred creditors, on its Statement of Affairs.

Unsecured proofs of claim have been filed by Jenterra Oilfield Consulting Inc. and by 1925057 Alberta Ltd. (the "**Landlord**") in the sums of \$191,353.24 and \$79,367.77, respectively.

The Trustee has not yet had the opportunity to review the claims in detail, but notes that the Landlord may have entitlement to a preferred claim for the three months of rent arrears immediately preceding the date of bankruptcy and for three months of accelerated rent.

No other unsecured claims have been filed to date.

### **Section E – Secured Creditors**

The Company disclosed Merchant Opportunities Fund Limited Partnership ("**Merchant**") as a secured creditor in the amount of \$9,856. Pursuant to a Personal Property Registry Search conducted by the Trustee, Merchant's collateral consists of all present and after-acquired property of the Company. Merchant has filed a proof of claim with the Trustee in the amount of \$9,427.68. The Trustee has not yet reviewed Merchant's security for its validity and enforceability.

The Trustee is aware of an unpaid wage claim owed to an employee in the amount of \$452.40, which will likely represent a priority to all other claims over the current assets of the Company, subject to any claim by Canada Revenue Agency for unremitted payroll source deductions.

The Trustee is not aware of, and the Company has not disclosed, any amounts owed to Canada Revenue Agency for unremitted payroll source deductions.

**Section F – Realization and Projected Distribution**

Due to the uncertainty of realization of the Company's assets, the Trustee is unable to provide any estimated realizations and recoveries to the creditors at this time.

**Section G – Reviewable Transactions and Preference Payments**

The Trustee will conduct a review for preference payments and transfers at under value in due course.

**Section H – Other Matters**

None.

Dated at the city of Edmonton, in the Province of Alberta, this 13<sup>th</sup> day of November, 2020.

**DELOITTE RESTRUCTURING INC.**

In its capacity as Licensed Insolvency Trustee of the Estate of  
2106073 Alberta Ltd. o/a Georgia's Liquor, in bankruptcy,  
And not in its personal capacity.



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Darren M. Crocker, CPA, CGA, CIRP, LIT  
Senior Vice-President