

District of: British Columbia  
Division No. 03-Vancouver  
Court No. N/A  
Estate No. 11-2791411

**IN THE MATTER OF THE BANKRUPTCY OF  
LEONE INTERNATIONAL MARKETING INC.  
OF THE CITY OF VANCOUVER, IN THE PROVINCE OF BRITISH COLUMBIA  
CROWE MACKAY & COMPANY LTD., TRUSTEE**

**TRUSTEE'S REPORT ON ITS PRELIMINARY ADMINISTRATION**

Trustee: Crowe MacKay & Company Ltd.  
Date of Bankruptcy: December 16, 2021

**OVERVIEW**

1. Leone International Marketing Inc. (the "**Company**") carried on business as a multi-brand luxury retailer in downtown Vancouver since its incorporation on December 31, 1988. Ms. Caixia (Nicole) Yang ("**Management**") purchased the Company from its original owners in January 2015. Ms. Yang is the Company's sole director.
2. Management advises that the high fashion clothing market has been very difficult over the past several years which resulted in the Company experiencing substantial operating losses. Once COVID-19 hit the Company, the resulting protocols (closures, social distancing, increased costs, decreased revenues etc.) made continued operations untenable.
3. In view that the Company was unable to meet its obligations as they generally became due, the Company filed an assignment into bankruptcy naming Crowe MacKay & Company Ltd. (the "**Trustee**") as its Licensed Insolvency Trustee on December 16, 2021.
4. The Company operated from leased premises located at vacated its premises located at 757 West Hastings Street in Vancouver, BC (the "**Premises**"). The Company vacated the premises prior to the date of bankruptcy.

**ASSETS**

5. As reflected on the Statement of Affairs ("**SOA**"), the Company did not have any assets at the date of bankruptcy. Management advised that all assets, including intangible assets, were liquidated prior filing an assignment in bankruptcy. The sale of intangible assets to a related party is discussed in greater detail below. The Trustee has not conducted a review of Management's realization efforts.

## SALE OF INTANGIBLE ASSETS PRIOR TO INSOLVENCY

6. As mentioned above, the Company sold certain intangible assets to a related party in or around September 15, 2021. The intangible assets sold include intellectual property and software rights with respect to the tradename 'Leone', as well as advertising materials and social media accounts using the name 'Leone' (the "**Intangible Assets**").
7. The Intangible Assets were sold to Super Metal Products Ltd. ("**SMP**"), a related party. SMP redeemed \$100,000 of their security as consideration for the purchase of the Intangible Assets. Subsequent to this transaction, Management has advised that SMP is still owed \$711,160.90 (the "**Shortfall**") by the Company.
8. As at the date of this report, the Trustee has not investigated whether the sale of the Intangible Assets may constitute a transfer at undervalue ("**TUV**"). However; given that SMP's registered primary security interest ranks in priority to the general body of unsecured creditors, the difference between fair market value and the actual consideration paid would have to exceed the Shortfall before any funds would be available to settle the claims of the general body of unsecured creditors.

## DEEMED TRUST CLAIMS

9. Management advised that there is no balance owing to the Canada Revenue Agency (the "**CRA**") for employee source deductions. This is subject to change as CRA has not conducted a trust examination of the payroll records. CRA is entitled to a deemed trust claim for the employee portion of source deductions. This claim ranks in priority to all creditors.
10. The Trustee is not aware of any other creditors who may hold a deemed trust claim against the estate.

## EMPLOYEE CLAIMS

11. There were approximately 21 individuals employed by the Company prior to its closure. Management advised that all employees were terminated well in advance of the bankruptcy and there are no outstanding wages or vacation pay owing to the former employees. Management further advised that all employees were provided with compensation for length of service ("**Severance**") either in the form of working notice or a direct payment for Severance.
12. Employees are protected under the *Wage Earner Protection Program Act* ("**WEPPA**") for wages and vacation due within the 6-months immediately preceding the date of bankruptcy plus severance to a maximum of \$7,578.83 per employee. Any amounts paid by Service Canada for wages and vacation pay will rank as a secured claim to a maximum of \$2,000 per employee pursuant to Section 81.3 of the *Bankruptcy and Insolvency Act* ("**BIA**"). Amounts paid for severance rank as an ordinary unsecured claim.
13. Based on Management's assertions that there are no outstanding amounts owing for wages, vacation pay or severance, it does not appear that the former employees will be

eligible for WEPPA. Any former employees disputing Management's assertions in this regard should contact the Trustee.

14. As at 12:00PM PST on January 7, 2022, the Trustee has received 1 employee claim, wherein there is a preferred claim in the amount of \$2,000. The Trustee has not yet confirmed whether a preferred claim as filed by the employee exists.

#### **SECURED CLAIMS**

15. Based on a *Personal Property Registry* search, SMP holds a duly registered primary security interest against all of the Company's present and after acquired property. ***The Trustee has not obtained an independent legal opinion as to the validity or enforceability of SMP's security.***
16. With the exception of the above, the Trustee is not aware of any other creditors who may hold a secured claim against the estate.

#### **PREFERRED CREDITORS**

17. The claims of former employees are discussed above.
18. The Company's landlord for its leased premises is listed as being owed \$318,252.20. Landlords have a preferred claim for arrears of rent for a period of three months immediately preceding bankruptcy and accelerated rent for a period following bankruptcy if so entitled under the lease. However, the amount so payable cannot exceed the realization from the property under lease. Any claim by the landlord would also be subordinate to the claim of the secured creditor(s).

#### **UNSECURED CREDITORS**

19. As of 12:00PM PST on January 7, 2022, the Trustee has received 4 unsecured claims totaling \$518,149.72.

#### **REVIEW OF THE COMPANY'S BOOKS AND RECORDS**

20. The Trustee is required to review the Company's accounting and banking records in order to identify any transactions that may be considered a fraudulent preference or a TUV pursuant to Sections 95 and 96 respectively of the *BIA*.
21. The Trustee reviewed copies of both the RBC Canadian and RBC US bank statements for the period of January 2020 through to the date of bankruptcy. During its review, the Trustee did not identify any transactions that, on their face, appear to constitute fraudulent preferences or TUV.

#### **ESTIMATED REALIZATION AND DISTRIBUTION**

22. Based on the asset values contained in the SOA the Trustee's estimate of the gross realizable value of the Company's assets is \$Nil. Accordingly, the Trustee does not anticipate that there will be any funds available for distribution to the general body of unsecured creditors.

**OTHER MATTERS**

23. The Trustee received a \$25,000 retainer from a third party before agreeing to be named as Trustee in order to protect the Trustee for its reasonable fees and costs in the event that recoveries in the estate are not sufficient. These funds were provided by a third party and do not come from funds that are otherwise available to the bankrupt estate.


24. Ultimately, the Trustee's fees and costs are subject to taxation by the Court.

DATED AT Vancouver, BC, this 7<sup>th</sup> day of January, 2022.

**CROWE MACKAY & COMPANY LTD.**

Licensed Insolvency Trustee of Leone International Marketing Inc.

per:

  
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Mr. Jonathan McNair, CPA, CA, CIRP, LIT  
(Chartered Insolvency & Restructuring Professional)