Court No. 11-2644430
Superintendent No. 11-2644430

IN THE MATTER OF THE BANKRUPTCY OF
CULINARY CAPERS CATERING INC.

Carrying on business in the City of Vancouver
in the Province of British Columbia

Trustee's Report on its Preliminary Administration

ASSIGNMENT

On May 11, 2020 Culinary Capers Catering Inc. (**"CCC** or the **"Company"** or the **"Bankrupt"**) filed an assignment in bankruptcy pursuant to section 49.(1) of the Bankruptcy and Insolvency Act ("**BIA**"). Baker Tilly WM Inc. ("**BTWM**" or the "**Trustee**") consented to act as Trustee in Bankruptcy.

Mrs. Debra Lykkemark is the designated officer of CCC and as such has many of the responsibilities of a bankrupt. Among these duties is the responsibility to assist the Trustee in the administration of the estate and to attend this first meeting of creditors to answer questions.

DISCLOSURE OF PERCEIVED CONFLICT OF INTEREST

Baker Tilly WM Inc. is a subsidiary of Baker Tilly WM LLP which has prepared financial statements for CCC on a Notice to Reader basis. Notice to Reader financial statements are prepared on a compilation basis only without any opinion or negative assurance being provided thereon. Baker Tilly WM LLP was not acting in either the capacity as the Company's Auditor or Accountant, which are defined as conducting either an audit or review engagement in the preceding two years.

As neither Baker Tilly WM Inc. nor Baker Tilly WM LLP have acted in either of these capacities for CCC, Baker Tilly WM Inc. does not believe it has a conflict in accepting this engagement.

BACKGROUND

CCC was incorporated in 1986, concurrent with commencement of operations. The Company operated a large catering and event planning business. As at the date of bankruptcy CCC operated from two leased premises (hereinafter referred to as "**Clark Drive**" and "**Waterview**").

Clark Drive was the primary operating space, containing the commercial kitchen operations. Waterview, located in False Creek, operated as a special event rental space for which CCC was the exclusive caterer.

On or about February 28, 2020, when unable to remain in a former leased location, CCC purchased the assets of a competitor - The Butler Did It Catering Co. Ltd. ("**TBDI**") – moving into the Clark Drive space, formerly occupied by TBDI following its negotiation of a 5 year lease agreement. In addition to the $1,075,000 (the "**Purchase Proceeds**") advanced by CCC toward the purchase of TBDI , CCC also immediately set about improving and upgrading the newly leased premises, incurring an additional approximately $300,000 in tenant improvements.

CCC management ("M**anagement**") has attributed CCC's financial difficulties to the Covid-19 pandemic that has gripped the world and every nation's economy. Given CCC's recent acquisition of TBDI assets and that, as late as March 2020, CCC continued to build out its new premises, it indeed appears that CCC's financial difficulties are primarily, if not entirely, Covid-19 related.

Management, faced with an immediate order to cease operations, laid-off the majority of its employees effective the middle of March 2020.

Indeed CCC owners Debra Lykkemark and Michael Harries (the "**Owners**"), both of whom are at what is traditionally considered to be retirement age, now faced an immediate existential threat to their business. Despite the fact that they had very recently injected the Purchase Proceeds into CCC toward the purchase of TBDI's assets, the Owners were confronted with a major financial crisis. They could not reasonably see a path through the Covid-19 crisis that did not involve the Owners spending significant time and risking substantial additional capital. Management advises that they were unable to find a prospective purchaser for CCC or its assets on a going concern basis, and accordingly made the difficult decision to permanently cease operations.

At the point that operations ceased, CCC's liabilities exceeded its assets. Further, given shuttered operations, CCC was unable to settle its substantial liabilities in the ordinary course of business. The above are typically cited a classic definitions of insolvency. Accordingly Management took reasonable action considering such circumstances and assigned CCC into bankruptcy on May 11, 2020.

REVIEW OF ASSETS

The following is a summary of the Company's assets as disclosed on the Statement of Affairs ("**SOA**"):

CASH

The SOA shows $191,000 cash on hand as at May 11, 2020.

ACCOUNTS RECEIVABLE ("A/R")

The SOA shows $60,558.09 in A/R as at May 11, 2020. One third of this A/R is estimated to be good, one third doubtful and a final third is estimated to be uncollectible. As at the time of writing this report the Trustee has started collection activity.

CASH SURRENDER VALUE OF LIFE INSURANCE POLICY

The SOA shows a Cash Surrender Value ("**CSV**") of $179,390.97 related to a life insurance policy held with Sun Life Financial. The Trustee has been in contact with Sun Life Financial with a view to realizing this CSV for the benefit of creditors.

INVESTMENT PORTFOLIO

The SOA contains an investment portfolio which is held at Connor Clark and Lunn Private Capital with an estimated value of $89,486 as at April 27, 2020. The Trustee has been in contact with Connor Clark and Lunn with a view to realizing on this investment portfolio for the benefit of creditors.

EQUIPMENT, FURNATURE AND FIXTURES

Prior to bankruptcy Management completed the sale of all realizable equipment, furniture and fixtures from both their Clark Drive and Waterview locations to Able Auctions. The Trustee understands that CCC Management sought and received competitive bids for these items with Able Auctions presenting the highest and best bid. The Trustee understands that Management deposited the entirety of the sale proceeds into CCC's operating account at RBC and, accordingly these proceeds form a portion of the cash balance disclosed on the SOA.

As the Trustee understands that CCC Management undertook a competitive bid process involving reputable auctioneers and liquidators, the Trustee has no reason to believe that the sale proceeds do not represent the fair market value for these assets. Indeed, had these assets not been sold then they would have come into the possession of the Trustee following bankruptcy.

Under the BIA, prior to the first meeting of creditors, a Trustee's primary duty is to safeguard assets of a debtor. Accordingly the Trustee is generally not permitted to realize on any assets prior to the first meeting of creditors unless those assets are perishable or otherwise anticipated to rapidly diminish in value.

Accordingly, had Management not taken the actions they did to realize against the equipment, furniture and fixtures, the Trustee would likely have had to maintain these assets in-situ pending the first meeting of creditors. Given the sale process undertaken by Management it is unlikely that the Trustee would have realized materially more for these assets, but would have had to incur significant expenses including but not limited to rent, insurance and Trustee's fees. It is therefore reasonable to estimate that the net realization could have been lower.

The SOA discloses Trade Fixtures with a value of $2. This relates to two leased photocopiers / printers which are secured by Xerox Canada Ltd. pursuant to their registration in the Personal Property Security Registry ("**PPSR**"). There was not estimated to be any equity in these leased assets available to the estate and therefore the Trustee surrendered these assets to the secured creditor to avoid the costs (i.e. moving, storage and Trustee's fees) associated with taking them into the Trustee's possession.

There are also four (4) leased Ford Transit Vans listed on the SOA with a combined estimated value of $83,000. Key West Ford Sales Ltd. has a registered security interest in these vehicles pursuant to the PPSR. Key West Ford Sales Ltd. advises that they are owed $86,888.50 inclusive of taxes. The Trustee has received an offer that could result in realizing a small amount of equity in these vehicles for the benefit of creditors.

LEASED PREMISES AND TENANT'S LEASEHOLD IMPROVEMENTS

As noted previously, CCC operated from both the Clark Drive and Waterview locations.

The Waterview space was primarily a special event rental space. The first 5 year term was set to expire on or about June 15, 2020. The lease provides for 3 – 5 year renewal options at fair market value which is to be determined at the time of each lease renewal option being exercised. CCC Management advises that renewal negotiations were still in the preliminary stages as at the date of bankruptcy. The Trustee sought the advice of a well-respected commercial leasing agent who advised that, in their opinion, there is unlikely to be any equity available in this lease.

CCC commenced its first five year term at the Clark Drive location on March 1, 2020. Management had been in the process of adding several tenant improvements, estimated to have cost approximately $300,000 when the Covid-19 crisis hit and they were forced to shut down operations. Given the fixed nature of leasehold improvements they typically have little to no value absent going-concern operations. Accordingly there is not estimated to be any realizable value recovered therefrom.

Again, the Trustee sought input from a well-respected commercial leasing agent who advised that given the recent tenant improvements there is possibly a small amount of equity available in this lease; in the range of $1 to $2 per sq./ft. However, in order to realize this equity the Trustee would need to find a sub-tenant to assume the remainder of the lease. The commercial realtor advised that that process could take an indefinite period of time. Such an arrangement could require the Trustee to assume this lease in the first instance thereby making it liable for the rent. It would further require the landlord to agree to sub-lease the space to an as yet to be determined sub-tenant; which is uncertain. Should the landlord not cooperate with any prospective lease assignment then legal action could be required which would add substantially to the cost and risk of any potential realization.

INTELLECTUAL PROPERTY AND INTANGIBLE ASSETS

CCC owns certain intellectual property and intangible assets including: a website, domain name and customer list. As at the date of bankruptcy the value of these assets, and the Trustee's ability to realize against the same, is uncertain.

LIABILITIES

Claims Filed to Date

The following summarizes the claims filed as at 12:00 p.m. Tuesday May 26, 2020:

	Per Statement of Affairs		As Proven	
	Number	$	Number	$
Secured	6	115,163.56	0	0
Preferred	0	0	0	0
Unsecured	212	2,184,648.54	39	986,568.27

Wages

The Wage Earner Protection Program Act ("**WEPPA**") provides for priority payment, to a limited extent, for outstanding wages and vacation pay owed to employees in a receivership and or bankruptcy. Management has advised that the final payroll, inclusive of accrued vacation pay was paid to all employees. Given the priority status of wage claims, the Trustee does not intend to challenge these payments.

Employees have been provided information on the WEPPA program should they wish to try to access this program.

Employees were not paid any amounts on behalf of severance. Severance claims are unsecured in bankruptcy. The SOA estimated employee severance claims as $10 per employee as there was significant uncertainty related to the amount of actual employee severance claims.

This uncertainty relates to clauses 63 through 65 of the British Columbia Employment Standards Act ("**ESA**"). In summary, ESA 63 establishes a statutory liability for an employee's "length of service". ESA 64, titled "Group Terminations", provides for an increase to the required notice period where more than 50, 101 or 301 employees are being terminated within any 2 month period. However ESA 65 provides for an exception to ESA 63 and 64 where an employment contract is "…impossible to perform due to an unforeseeable event or circumstance…" It is uncertain whether Covid-19 represents such an event or circumstance.

Accordingly, CCC's former employees are advised to contact the BC Employment Standards Branch to obtain their assistance in coordinating any severance claims the former employees may have against CCC's bankrupt estate.

Secured Creditors and Trust Claims

As at the date of bankruptcy, the primary secured creditor was RBC Royal Bank ("**RBC**") who holds a General Security Agreement. According to the SOA RBC is owed approximately $32,000. Accordingly RBC appears to have a fully secured claim which is likely to be paid in priority to unsecured and preferred claims.

Key West Ford Sales Ltd. and Xerox Canada Ltd. have purchase money security interests registered against several vehicles and office equipment respectively. The Trustee sought and received advice with respect to these leased items. The Trustee does not believe there to be equity available in the Xerox lease. There may be a small amount of equity available in the lease with Key West Ford Sales Ltd. These creditors could have an unsecured claim in the estate to the extent that the value of these leased assets is less than their respective security interests.

Management advises that they are current with respect to all filings and remittances related to employee source deductions which could otherwise represent a deemed trust claim which are paid in priority to the claims of other creditors.

We also understand that GST / HST filings are current. However in bankruptcy, claims for unremitted GST are unsecured and therefore share in the net assets on a pro rata basis with the other unsecured creditors.

Preferred Creditors

We are not aware of any preferred creditor claims at this time.

Contingent / Unliquidated Creditors

On or about February 28, 2020 CCC purchased substantially all of the assets of TBDI pursuant to an asset purchase agreement ("**Asset Purchase Agreement**"). There are two outstanding transactions related to this Asset Purchase Agreement.

The first outstanding transaction relates to a post-closing adjustment (the "**Post-Closing Adjustment**") of the closing working capital balance of TBDI purchased by CCC. The Post-Closing Adjustment is to take place within 90 days of the closing date of March 1, 2020 (the "**Closing Date**") which is on or before June 1, 2020. As at the date of bankruptcy it is uncertain if the Post-Closing Adjustment will result in an asset or liability of CCC.

The second outstanding transaction relates to an agreement between CCC and 0913574 B.C. Ltd (the "**Clark Drive Landlord**") to purchase the real property located at 620 Clark Drive (the "**Clark Drive Property**"). CCC has agreed to purchase the Clark Drive Property subject to due diligence including a phase 2 environmental assessment. A commercial property appraisal is also to be commissioned in order to establish the prospective purchase price. Given this bankruptcy, CCC's ability to complete this transaction is unlikely.

Should the above contingent / unliquidated claims result in provable claims in this bankruptcy, they would be unsecured claims.

LEGAL

The Trustee reviewed the primary secured interest of RBC, Key West Ford Sales Ltd. and Xerox Canada Ltd. which were all duly registered in the PPSR and accordingly are believed to be valid and enforceable as against a Trustee in Bankruptcy.

The Trustee has not obtained an independent legal opinion with respect to the validity of the above primary security interests.

REVIEW OF THE COMPANY'S BOOKS AND RECORDS

Per the *Bankruptcy and Insolvency Act* ("**BIA**"), the Trustee is required to examine the transactions in the Company's books and records for the last three months prior to bankruptcy, as well as reviewing the transactions with related parties for the past year for transactions under value ("**TUV**").

Based on our preliminary review the Trustee has not noted any material transactions that would likely be considered to be a TUV.

ESTIMATED REALIZATION AND DISTRIBUTION

Based on the asset values contained in the SOA the Trustee's preliminary estimate of the gross realizable value of CCC's assets is as follows:

Asset	$ Low Value	$ High Value
Cash	191,000	191,000
A/R	-	60,558
CSV of Life Insurance	179,391	179,391
Investments	80,000	90,000
Equity in Leased Vehicles	-	5,000
Intellectual Property	-	50,000
Estimated Gross Realizable Value	**$ 450,391**	**$ 575,949**

The net amount available for distribution to creditors will depend on several factors including but not limited to the nature and amount of claims filed, Trustee's fees and disbursements as well as any legal fees incurred by the estate.

TRUSTEE'S REMUNERATION

The Trustee holds a $20,000 retainer / cash guarantee for its reasonable fees and disbursements which was provided by Management to Baker Tilly WM Inc. in advance of its engagement.

At this time the Trustee is unable to estimate its total fees and disbursements related to the administration of this bankrupt estate as the administration is its earliest stages and is dependent on many factors related to its asset realization as well as claims administration activities. Ultimately the Trustees fees and disbursements are subject to taxation by the Court.

Finally, we note that the Office of the Superintendent of Bankruptcy has required the Trustee to post a $135,000 bond related to its administration of this estate which the Trustee has now posted.

Dated at Vancouver, this 26th day of May 2020.

BAKER TILLY WM INC.
TRUSTEE