

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE BANKRUPTCY OF
ALLIANCE MUSHROOMS LTD.**

TRUSTEE'S REPORT TO CREDITORS

FEBRUARY 28, 2022

BACKGROUND AND INSOLVENCY EVENTS

This report has been prepared by The Bowra Group Inc., in its capacity as Licensed Insolvency Trustee (the "**Trustee**") of the bankrupt estate of Alliance Mushrooms Ltd. (the "**Company**" or "**Alliance**") to provide preliminary information to the creditors as at February 28, 2022.

The Company was incorporated in Alberta on May 14, 2014, and the Company's sole director is Mr. Avatar (Terry) Uppal ("**Uppal**"). Signature Mushrooms Ltd. ("**Signature**") is a related company also incorporated in the province of Alberta. We understand Alliance and Signature's operations were interdependent. Alliance and Signature are herein collectively referred to as (the "**Companies**").

The Companies were in the business of producing and selling a variety of mushrooms, including white, crimini, and portabella. Farming operations were conducted on lands owned by Signature located in the municipal district of Strathcona County. Signature was the registered owner of one parcel of land as detailed below:

PLAN 0420308
BLOCK 1
LOT 2
EXCEPTING THEREOUT ALL MINES AND MINERALS
AREA: 40.4 HECTARES (99.83 ACRES) MORE OR LESS
(the "**Land**")

Situated on the Land is one mushroom barn, four residential houses, and various small garages. In addition, Signature's assets consist of minor equipment and vehicles (the "**Equipment**"). We understand Alliance did not have any assets.

We understand the Companies ran into financial difficulties as a result of a large barn fire occurring on or about December 24, 2019 (the "**Barn Fire**"), causing part of the barn to collapse and growing operations to be reduced. We understand that the Companies ceased operations prior to the date of Bankruptcy. Both Signature and Alliance made assignments into Bankruptcy on February 9, 2022. The Bowra Group Inc. consented to act as the Trustee.

We understand that BMO Bank of Montreal ("**BMO**"), the Company's senior secured creditor, is considering an application for a Court appointed receiver manager. In the event the application is successful, all Signature's assets would be realized on by the receiver. As of the date of this report, an application has not been scheduled.

FINANCIAL SITUATION

As a result of the insolvency, the Company has not had externally prepared financial statements since the fiscal year ending May 31, 2012¹. Further, when the Trustee took possession of the books and records, the accounting software had not been updated since May 2021.

Table 1 summarizes the management prepared draft income statement for the fiscal year ending May 31, 2019, and May 31, 2020, respectively.

Table 1

	Year Ended May 31, 2019 (000's)	Year Ended May 31, 2020 (000's)
Revenue	-	-
Operating and admin expenses	(13)	(2)
Other income	-	-
Net Income (loss)	(13)	(2)
Beginning shareholder deficit	(494)	(506)
Net income	(13)	(2)
Ending shareholder deficit	(506)	(509)

The Company incurred net losses of \$13,000 and \$2,000 in the fiscal years 2019 and 2020, respectively.

Table 2 summarizes the management prepared draft balance sheet as at May 31, 2019 and May 31, 2020, respectively.

	As at May 31, 2019 (000's)	As at May 31, 2020 (000's)
Cash	3	2
Accounts receivable	53	13
Notes receivable	759	759
	815	774
Trade and other payables	21	13
Advances from related parties	463	433
	484	446
Due to shareholders	836	836
	1,320	1,282
Shareholder's equity (deficit)	(505)	(508)
	815	774

CONSERVATORY AND PROTECTIVE MEASURES

On February 10, 2022, the Trustee attended, took possession, and secured the Land, Equipment, and facilities located in Strathcona County, Alberta. We understand all Land, Equipment and facilities are owned by Signature.

As previously noted, the Companies suffered a Barn Fire which had significant impact on farming operations. Based on discussions with management and review of the books and records, Alliance has been non-operational for several years and the Company did not have any employees.

The Trustee sent correspondence to BMO requesting the Company's bank accounts be frozen and any funds remaining be forwarded to the Trustee. BMO has confirmed the account has been frozen and/or closed, and there are no funds in the account.

BOOKS AND RECORDS

The Trustee has taken possession of certain books and records of the Company, including financial statements, bank statements, and general ledgers. The Trustee is in the process of reviewing the financial records available and obtaining additional financial information.

The Trustee is in the process of obtaining access to the tax records of the Company through the authorized representative process of the Canada Revenue Agency (“**CRA**”).

SECURED CREDITORS

According to the books and records of the Company and the Personal Property Registry, the Company has no secured or preferred creditors.

Notice of the bankruptcy has been sent to the CRA. It is unknown if there are any amounts owing to the CRA for payroll source deductions. Any amounts owing to the CRA would be considered a deemed trust property claim which could rank ahead of all other creditors.

UNSECURED CREDITORS

Based on the Company’s books and records, and discussions with third parties, we are aware of 14 unsecured creditors owed approximately \$729,634. Table 4 outlines the major unsecured creditors.

Creditor	Table 4 Estimated Claim (000's)
Terry Uppal	345
Signature Mushrooms Ltd.	327

IDENTIFICATION AND VALUATION OF ASSETS

Based on discussions with management and review of the books and records, Alliance has no assets available for realization by the Trustee. Accordingly, we estimate there will be no recovery to the unsecured creditors.

LEGAL ACTIONS

The Trustee is aware of the following legal actions;

A previous employee of Signature, Trung Huynh (“**Huynh**”), has filed a Settlement of Claim and Statement of Defence against the Companies for damages and amounts owing as a result of allegedly being wrongfully dismissed. As a result of the Bankruptcy, Mr. Huynh’s claim against Companies is stayed. The Trustee does not intend to continue this action.

REVIEW OF RECORDS & CONDUCT OF THE DEBTOR

The Trustee is in the process of reviewing the books and records of the Company that were made available, including bank statements for the period of January 1, 2021, to February 9, 2022. If the Trustee identifies any transactions that could be regarded as preference payments or transfers undervalue in accordance with the *Bankruptcy and Insolvency Act*, the Trustee will seek instructions from the Inspectors and/or the creditors of the bankrupt estate.

CONCLUSION

The Trustee does not believe there will be any recovery to the unsecured creditors.

The Bowra Group Inc.

Licensed Insolvency Trustee of Alliance Mushrooms Ltd.

Per:



Kristin Gray, CPA, CA, CIRP, LIT