

COURT/ESTATE FILE NUMBER:

24-1802869

COURT:

QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE:

EDMONTON

APPLICANT

FABER INC.

**IN THE MATTER OF THE DIVISION I
PROPOSAL OF WELLINGTON GIFT &
GARDEN CENTRE LTD.**

DOCUMENT:

TRUSTEE'S REPORT TO CREDITORS

**ADDRESS AND SERVICE CONTACT
INFORMATION OF PARTY FILING THIS
DOCUMENT**

**FABER INC.,
Trustee's in Bankruptcy
10047 81 Avenue
Edmonton AB T6E 1W7**

Phone: 780.944.1177

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OUR FILE NO.: 1802869-W

A. BACKGROUND:

Wellington Gift & Garden Centre Ltd. ("Insolvent Person") was incorporated by its present owner in 1999. The Insolvent Person purchased land, which is currently prime Edmonton real estate and developed an enviable gift and garden centre. Those familiar with the Insolvent Person recognize the centre's artistic excellence.

The business model for the Insolvent Person was defective from its inception. The land was purchased with money borrowed from family and friends and buildings were also erected with borrowed money.

From its beginning in 1999 the business profitability was marginal at best. The Insolvent Person began its operations under capitalized and also had lower annual profit margins from plants because they did not have their own nursery. Rather, the Insolvent Person purchased plants from wholesalers and transported them to its retail location for sale. Accordingly, profit margins were insufficient to pay for the many fixed costs associated with operating a gift and garden centre.

After thirteen (13) years of operation, the accumulated debt became insurmountable, and pressure from suppliers requesting payment forced the centre to consider alternatives to continuing operations.

Accordingly, this Division I Proposal under the Bankruptcy and Insolvency Act has been filed.

B. CAUSE OF FINANCIAL DIFFICULTY:

Business failure.

C. FINANCIAL POSITION:

The financial position of the Insolvent Person has been disclosed in the Statement of Affairs and was forwarded to all the creditors on the 28th day of November 2013.

D. IDENTIFICATION AND EVALUATION OF ASSETS:

A listing of assets and the respective values has been reported in the Statement of Affairs.

E. CONDUCT OF THE DEBTOR:

Nothing has been brought to the attention of the Trustee that would indicate the existence of any fraudulent transactions as defined under Sections 91 to 101 of the Bankruptcy and Insolvency Act.

F. PREVIOUS DEALINGS WITH THE DEBTOR:

None

G. INTERIM RECEIVER:

Not applicable.

H. CREDITOR'S CLAIMS:

The list of creditors and the amounts of their claims as at the 24th day of October 2013 is included in the Statement of Affairs.

I. REMUNERATION OF TRUSTEE:

The Trustee's fees are estimated to total the sum of \$65,000 plus disbursements and GST. Any additional fees will be submitted by the Trustee for approval and taxation by the Court pursuant to the *Bankruptcy and Insolvency Act*.

J. PROOF OF CLAIMS:

In completing a proof of claim, the creditors should include all amounts owing up to the 24th day of October 2013. All amounts incurred after the 23rd day of October 2013, if any, will be paid by the Insolvent Person in the ordinary course of business.

None of the creditors have proven their claims as at the date of this Report.

K. ANTICIPATED DIVIDEND TO THE CREDITORS:

It is estimated that the dividends to be paid to the proven unsecured creditors will total the sum of \$416,500, which represents a dividend of 40.39% of the total unsecured indebtedness.

L. RECOMMENDATIONS:

It is our opinion that the Insolvent Person is acting in good faith and with due diligence in its effort to restructure its unsecured debt. The Insolvent Person has demonstrated a willingness to complete the terms of the Proposal in an effort to maximize recovery for the unsecured creditors.

It is estimated that the dividends payable to the unsecured creditors in the Proposal will total the sum of \$416,500, which represents a dividend of 40.39% of the total unsecured indebtedness, if the liquidation sale was to occur in April 2014. Please refer to the Revised Statement of Projected Cash Flows, which was forwarded to all the creditors on the 28th day of November 2013.

It is further estimated that the dividends payable to the unsecured creditors in the Proposal will total the sum of \$273,800, which represents a dividend of 26.55% of the total unsecured indebtedness, if the liquidation sale was to occur in January 2014. Please refer to the Revised Statement of Projected Cash Flows, which was forwarded to all the creditors on the 28th day of November 2013.

It is further projected that the estimated funds available for distribution to the unsecured creditors in a Bankruptcy will be lower due to increased administrative costs associated with a bankruptcy.

Based on the information provided in this Report, it is recommendation of the Trustee that the unsecured creditors accept the Proposal.

Dated at the City of Edmonton in the Province of Alberta this 29th day of November 2013.

FABER INC.

Trustee of the Division I Proposal of Wellington Gift & Garden Centre Ltd.

For:  Dan Faber, CA, CIRP
Trustee in Bankruptcy

- c Industry Canada
Office of the Superintendent of Bankruptcy
- c All Creditors
- c Wellington Gift & Garden Centre Ltd.
c/o Barry Lastiwka