



No. S-229607  
VANCOUVER REGISTRY

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

**BETWEEN:**

**MITSUBISHI HC CAPITAL CANADA INC.**

**PETITIONER**

**AND:**

**VIC VAN ISLE CONSTRUCTION LTD., VVI CONSTRUCTION LTD., AND  
LORTAP ENTERPRISES LTD.**

**RESPONDENT**

**IN THE SUPREME COURT OF BRITISH COLUMBIA  
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE RECEIVERSHIP OF  
VIC VAN ISLE CONSTRUCTION LTD., VVI CONSTRUCTION LTD., AND  
LORTAP ENTERPRISES LTD.**

**SECOND REPORT OF THE RECEIVER**

**August 15, 2023**

**BDO Canada Limited, Receiver of  
Vic Van Isle Construction Ltd.,  
VVI Construction Ltd., and  
Lortap Enterprises Ltd.**

Royal Centre  
Unit 1100 – 1055 W Georgia Street  
Vancouver, BC V6E 3P3

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for the period April 11 to July 31, 2023

## I. INTRODUCTION AND BACKGROUND

1. Vic Van Isle Construction Ltd., VVI Construction Ltd., and Lortap Enterprises Ltd. (collectively as the “**Companies**”) were incorporated and registered under the laws of the Province of British Columbia respectively on April 1, 2021, January 20, 2004, and May 5, 1994. The principals of the Companies are Mr. Jamie Hampton and Mr. Mark Herring.
2. The principal business of Vic Van Isle Construction Ltd. (“**Vic Van Isle**”) and VVI Construction Ltd. (“**VVI**”) was to provide construction and general contracting services for commercial and residential projects. The principal business of Lortap Enterprises Ltd. (“**Lortap**”) was to provide milling and cabinetry services. The Companies owned various construction and milling equipment and operated from leased premises located at 96 Cartier Street and 1300 Powerhouse Road, both in Revelstoke in British Columbia (the “**Premises**”).
3. Upon application by Mitsubishi HC Capital Canada Inc. (“**Mitsubishi**”), the Supreme Court of British Columbia appointed BDO Canada Limited as receiver (the “**Receiver**”) of the assets, undertakings and properties (the “**Assets**”) of Vic Van Isle, VVI and Lortap on April 11, 2023 (the “**Receivership Order**”).
4. On June 6, 2023, on application of the Receiver, the Supreme Court of British Columbia granted the following three Orders:
  - a) Approval of an Auction Services Agreement with McDougall Auctioneers Ltd.;
  - b) Sealing of certain sections of the Receiver’s First Report to Court dated May 24, 2023; and,
  - c) Approval of the sale of certain equipment to Woody’s Projects for the purchase price of \$20,000.

5. This is the Receiver's Second Report to Court (the "**Second Report**") and should be read in conjunction with our previous report dated May 24, 2023 (the "**First Report**").

## **II. PURPOSE OF THIS REPORT**

6. The purpose of this Second Report is to provide this Honourable Court with an update on the Receiver's activities to date and to request the Court's approval of a distribution to the first secured creditor, Mitsubishi, in an amount not exceeding \$1.2 million pending the outcome of an ongoing payroll trust audit being conducted by Canada Revenue Agency ("CRA").

## **III. SCOPE AND TERMS OF REFERENCE**

7. In preparing this Second Report and in making the recommendations contained herein, the Receiver has relied upon information obtained from discussions with the principals and former employees of the Companies, and where appropriate, the unaudited internal Companies' books and records.
8. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, the Receiver expresses no opinion and provides no assurance in respect of such information as reflected in this Second Report.
9. Any capitalized terms not defined in this Second Report have the meaning ascribed to such terms in the First Report.
10. All references to dollars are in Canadian currency unless otherwise noted.

## **IV. THE ACTIVITIES OF THE RECEIVER**

11. Since the date of the Receiver's appointment on April 11, 2023, the Receiver's activities have included:
  - a) Attending the Companies' Premises in Revelstoke, British Columbia;

- b) Retaining the services of Accurate Effective Bailiffs to assist the Receiver with securing the Premises, identifying and recovering Assets located offsite;
- c) Coordinating daily custodians to monitor the Premises and Assets;
- d) Working with the former accountant and principals to obtain additional information with respect to Assets of the Companies;
- e) Facilitating and administering the Wage Earner Protection Program (“WEPP”) claims of forty-four (44) former employees of the Companies;
- f) Working with CRA to facilitate a payroll and GST trust audit;
- g) Working with the former accountant of the Companies to file employee T4s;
- h) Coordinating the removal of books and records from the Premises;
- i) Working with the auctioneer, McDougall Auctioneers Ltd. (“McDougall” or the “Auctioneer”), to prepare and facilitate the auction;
- j) Pursuing collection of the Companies’ accounts receivable;
- k) Assigning Vic Van Isle and Lortap into bankruptcy on July 19, 2023;
- l) Providing updates to Mitsubishi and other lenders;
- m) Disclaiming the lease for the Premises on July 21, 2023; and,
- n) Preparing this Second Report to Court.

## **V. AUCTION SALE**

- 12. The Auctioneer conducted the auction at the Premises on July 6 and 7, 2023.
- 13. The gross sales proceeds from the auction were \$1.85 million. This is less than the net minimum guarantee of \$1.9 million. In addition, the Auctioneer

sold three vehicles under a separate agreement as the vehicles were seized from offsite locations after the Auctioneer had viewed and submitted a bid for the Assets. The Receiver is anticipating further proceeds of approximately \$22,000 from the sale of these three vehicles.

## **VI. COLLECTION OF ACCOUNTS RECEIVABLE**

14. The Companies books and records indicate the following accounts receivable ("AR") balances:

- a) Lortap - \$765,352;
- b) Vic Van Isle - \$222,264; and
- c) VVI - \$1,729,080.

15. The Receiver continues to follow up with the AR customers, however it does not believe that there will be a material recovery from the collection of AR that will result in a recovery to any other creditor.

## **VII. DISTRIBUTION TO SECURED CREDITORS**

16. On May 12, 2023, the Receiver received a request from CRA to respond to a payroll and GST audit for the period January 1, 2022 to April 11, 2023.

17. The Receiver reviewed the books and records of the Companies to prepare the documentation as requested by CRA and submitted the requested documentation to CRA on June 23, 2023.

18. The Receiver has followed up on multiple occasions with CRA since June 23, 2023 and on July 20, 2023 was advised that a new payroll examiner has been assigned to complete the payroll trust audit.

19. CRA has not confirmed with the Receiver how long they anticipate the payroll trust audit to take, however upon CRA filing their deemed trust claim and the

Receiver being satisfied that the amount of the claim is accurate, the Receiver wishes to make a distribution to CRA and Mitsubishi.

20. Based upon its preliminary review, the Receiver estimates the following amounts will rank in priority to Mitsubishi's debt.

	<b>Vic Van</b>	<b>VVI</b>	<b>Lortap</b>	<b>Total</b>
	<b>(\$000's)</b>			
Estimated CRA deemed trust claim	45	299	162	506
Estimated WEPP claims	8	26	26	60
	<b>53</b>	<b>325</b>	<b>188</b>	<b>566</b>

21. Payroll source deductions rank in priority to all secured creditors. The only other claim that the Receiver is aware of which ranks in priority to Mitsubishi is Service Canada for WEPP claims.
22. Upon CRA filing their deemed trust claim and on the condition that the Receiver is satisfied that the amount of CRA's deemed trust claim is accurate, the Receiver wishes to make a distribution to CRA and Mitsubishi.
23. Pursuant to the Receivership Order, the Receiver has the authority to assign the Companies into bankruptcy. On July 19, 2023, the Receiver assigned Vic Van Isle and Lortap into bankruptcy. In order to act as Trustee in the bankruptcy of Vic Van Isle and Lortap, BDO Canada Limited sought and obtained an independent opinion as to the validity of the security held by Mitsubishi. The opinion confirmed that Mitsubishi's security is valid and enforceable against the Companies.
24. The Receiver requests the Court approve the distribution of up to \$1.2 million to Mitsubishi, subject to the rights of CRA for payroll source deductions and WEPP for employee priority claims.

## VIII. INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

### Interim Statement of Receipts and Disbursements

25. A Summary of the Interim Statement of Receipts and Disbursements of the Receiver for the period covering April 11, 2023 to July 31, 2023 is summarized below.

<b>Interim Statement of Receipts and Disbursements for the period April 11 to July 31, 2023 (\$000's)</b>				
	<b>Vic Van</b>	<b>VI</b>	<b>Lortap</b>	<b>Total</b>
<b>Receipts</b>				
Sale of equipment	1,269	241	430	1,940
Receiver's borrowings	76	-	-	76
Collection of AR and other income	37	6	13	57
Cash on hand	3	-	-	3
PST collected	3	-	0	3
GST collected	2	-	0	2
	<b>1,390</b>	<b>247</b>	<b>444</b>	<b>2,080</b>
<b>Disbursements</b>				
Receiver's fees	70	60	59	189
Rent	36	36	36	107
Repayment of Receiver's borrowings	76	-	-	76
Contractors, bailiff and security	20	20	20	59
Transfer to bankruptcy estate	15	-	15	30
Equipment lease buyouts	24	-	-	24
Utilities and Insurance	7	7	7	21
GST / PST paid	15	3	3	21
Other costs	4	2	2	9
	<b>266</b>	<b>128</b>	<b>143</b>	<b>536</b>
<b>Excess receipts over disbursements</b>	<b>1,123</b>	<b>119</b>	<b>301</b>	<b>1,544</b>

26. Attached to this Second Report as **Appendix A** is an Interim Statement of Receipts and Disbursements for the period April 11 to July 31, 2023.



27. After payment of remaining costs to complete the administration of the receivership, estimated deemed trust claims for payroll source deductions and amounts owing for WEPP claims, which rank in priority to Mitsubishi, the Receiver anticipates being able to distribute the following amounts:

	Vic Van	VVI	Lortap	Total
	(\$000's)			
Cash in Receiver's accounts, July 31, 2023	1,123	119	301	1,544
Less:				
Estimated receivership costs to completion	90	10	60	160
Estimated CRA deemed trust claim	45	109	162	316
Estimated WEPP claims	8	-	26	34
<b>Balance available for distribution to Mitsubishi</b>	<b>980</b>	<b>-</b>	<b>53</b>	<b>1,034</b>

**Note:** It's anticipated that CRA's deemed trust claim for payroll source deductions will not be satisfied from the recovery on assets for VVI. Accordingly, there will not be any funds to satisfy the claims of WEPP or Mitsubishi.

28. The Receiver has entered into an administration agreement with CRA dated May 24, 2023 for VVI which allows for costs of \$159,000 to rank in priority to CRA.
29. The Receiver estimates that it will be able to distribute approximately \$1 million to Mitsubishi. Given there could be additional collection of accounts receivable, the Receiver is requesting the Court's approval to distribute up to \$1.2 million to Mitsubishi, which will be paid subject to the priority rights of CRA for payroll source deductions and WEPP.

## **IX. CONCLUSION AND RECOMMENDATIONS**

### **Conclusion**


30. The auction sale has yielded proceeds of \$1.85 million. This is less than the net minimum guarantee as agreed upon by McDougall. The Receiver anticipates receiving a further \$22,000 from the sale of three vehicles that was done by separate agreement.
31. The Receiver continues to pursue collection of outstanding accounts receivable balances owing to the Companies.
32. With the auction results as well as ongoing accounts receivable collection, there is still anticipated to be a shortfall to the first secured creditor, Mitsubishi, in which case there will not be a recovery to any other creditors who rank behind Mitsubishi.
33. The Receiver continues to work with CRA to substantiate the deemed trust claims. Estimated source deductions have been held back pending resolution of the CRA audit.
34. The Receiver is requesting the Court's approval to distribute up to \$1.2 million to Mitsubishi. The actual amount available for distribution will depend upon the result of the CRA payroll trust audits.

### **Recommendation**

35. The Receiver requests this Honourable Court's approval of a distribution to Mitsubishi for up to the amount of \$1.2 million, subject to the rights of CRA for payroll source deductions and WEPP for employee priority claims.

All of which is respectfully submitted this 15<sup>th</sup> day of August, 2023.

**BDO CANADA LIMITED,**  
In its capacity as Receiver of  
Vic Van Isle Construction Ltd.,  
VVI Construction Ltd., and  
Lortap Enterprises Ltd.  
and not in its personal or corporate capacity.

Per: 

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**Chris Bowra**  
Vice President



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**Martin Chan**  
Manager

# Appendix A

**IN THE MATTER OF THE RECEIVERSHIP OF  
Vic Van Isle Construction Ltd., VVI Construction Ltd. and Lortap Enterprises Ltd.**

**Interim Statement of Receipts and Disbursements  
for the Period April 11, 2023 to July 31, 2023**

	Vic Van (\$)	VVI (\$)	Lortap (\$)	Total (\$)
<b>RECEIPTS</b>				
Sale of equipment	1,268,760	241,077	429,830	1,939,667
Receiver's borrowings from Mitsubishi	75,520	-	-	75,520
Accounts receivable collected	33,802	5,700	12,067	51,569
Cash on hand	3,484	-	-	3,484
PST collected	2,636	-	210	2,846
Interest income	1,070	159	1,337	2,567
Equipment - rental income	2,400	-	-	2,400
GST collected	1,883	-	150	2,033
<b>Total Receipts</b>	<b>1,389,554</b>	<b>246,936</b>	<b>443,594</b>	<b>2,080,085</b>
<b>DISBURSEMENTS TO DATE</b>				
Receiver's Fees	70,474	59,643	59,287	189,404
Rent	35,718	35,718	35,718	107,155
Repayment of Receiver's borrowings	75,520	-	-	75,520
Transfer to bankruptcy estate	15,000	-	15,000	30,000
Contractors - on site	9,268	9,268	9,268	27,804
Bailiff	8,223	8,223	8,223	24,668
Equipment lease payout	23,705	-	-	23,705
GST on disbursements	11,960	3,002	3,181	18,143
Utilities	4,262	4,262	4,262	12,786
Insurance	2,765	2,765	2,765	8,294
Security and change of locks	2,246	2,246	2,246	6,739
Travel	1,583	1,583	1,583	4,748
PST remitted	2,635	-	210	2,845
Interest on Receiver's borrowings	2,012	-	-	2,012
Courier and postage	331	398	309	1,038
Newspaper advertisement	268	268	268	803
Contractor - computer services	156	156	156	467
Filing fees	148	75	75	299
<b>Total Disbursements</b>	<b>266,273</b>	<b>127,606</b>	<b>142,551</b>	<b>536,430</b>
<b>Net Receipts over Disbursements</b>	<b>1,123,281</b>	<b>119,330</b>	<b>301,044</b>	<b>1,543,655</b>