

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF QUÉBEC
DIVISION NO.: 01-MONTRÉAL
COURT NO.: 500-11-063174-235
ESTATE NO.: 41-3017080

SUPERIOR COURT

Bankruptcy and Insolvency Act

IN THE MATTER OF THE BANKRUPTCY
OF:

Lexus Travel Inc./Voyages Lexus Inc.

*a body politic and corporate, duly
incorporated according to law and having its
head office and its principal place of business
at: 1800 Avenue McGill College, #1015,
Montreal, QC H3A 3J6*

Bankrupt

-and-

RICHTER INC.

Trustee

TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS

On December 1, 2023, Lexus Travel Inc./Voyages Lexus Inc. (the "**Company**" or "**Bankrupt**") filed an assignment in bankruptcy in accordance with section 49 of the *Bankruptcy and Insolvency Act* ("**BIA**") and Richter Inc. was appointed Trustee ("**Richter**" or "**Trustee**") of the Estate of the Bankrupt by the Official Receiver, subject to confirmation by the creditors at the first meeting of creditors.

The purpose of this report is to inform all interested parties about the Trustee's preliminary administration and our findings.

The information contained in this report has been prepared based on the books and records of the Company and from discussions with the Company's management. As further discussed below, the integrity of the information provided by the Company is questionable and although we have relied on certain financial information and representations, a high degree of skepticism must be applied to the information provided by Management. The books and records have not been audited or verified by the Trustee. Consequently, the Trustee expresses no opinion whatsoever with respect to the validity, the accuracy or the reliability of the information contained herein.

I. INTRODUCTION

The Company operated as a travel management company as part of the Uniglobe network which operates globally. Specifically, at the time of the bankruptcy, the Company operated two travel agencies in Montreal and Laval, Quebec. In addition to the travel agencies, the Company operated through a range of independent travel agents in both Ontario and Quebec. At the time of bankruptcy, the Company had 26 employees at its locations and worked with approximately 25 independent travel agents. The majority shareholder of the Company is Mr. Samir Hanna, who is also the sole officer and director. Per the website of the Company:

- Samir Hanna is listed as the chairman and CEO;
- Ihab Hanna (Samir Hanna's son) is listed as the president and COO; and
- Johnny Woldegabriel (Samir Hanna's son-in-law) is listed as the financial controller.

In late October 2023, Accord Financial Inc. ("**Accord**"), the operating and principal secured lender of the Company discovered:

- i) the borrowing base certificates provided by the Company were fraudulent and actual receivables were in the range of \$2 million instead of \$20 million as attested to by the Company;
- ii) receivable confirmations provided by the Company to Accord had been falsified; and
- iii) the accounts receivable balance of approximately \$24 million as reflected in the June 30, 2023 financial statements were fraudulent.

All of the above was admitted to by Samir Hanna.

The Company and Accord entered into a forbearance agreement ("**Forbearance Agreement**") on November 1, 2023. A condition of the Forbearance Agreement allowed for the appointment of Richter Inc. as consultant to Accord. Due to the failure of the Company to respect the terms of the Forbearance Agreement, on November 21, 2023, Accord filed a Motion for a Bankruptcy Order ("**Motion**"). The Motion was to be heard on December 4, 2023, but prior to that, on November 30, 2023, the Company filed a voluntary assignment in bankruptcy with Richter, and the Superintendent of Bankruptcy issued its certificate appointing Richter as Trustee on December 1, 2023.

II. FINANCIAL INFORMATION

The following financial data was extracted either from the books and records of the Bankrupt, the unaudited financial statements or from discussions held with Management. This information is submitted solely to assist the reader in assessing the current financial position of the Bankrupt. However, as noted above, given the material misstatement of financial information, we caution that this information cannot be relied upon. As such, the Trustee makes no representation or warranty as to the accuracy of said financial information.

Lexus Travel Inc.			
Financial Results Summary	Unaudited	Unaudited	Unaudited
<i>(in 000's)</i>	<i>6/30/2023</i>	<i>6/30/2022</i>	<i>6/30/2021</i>
Commission Income	\$ 5,275	\$ 3,926	\$ 1,753
Other Income	433	1,439	1,512
Total Income	5,708	5,365	3,265
<u>Expenses</u>			
Administrative	3,817	3,013	2,458
Financial	1,446	808	634
	5,263	3,821	3,092
Income before income taxes	445	1,544	173
Income taxes	29	209	(21)
Net Income	\$ 416	\$ 1,335	\$ 194

III. STATEMENT OF AFFAIRS

In accordance with the BIA, a Statement of Affairs showing the Bankrupt's assets and liabilities as at the date of bankruptcy ("**Statement of Affairs**") was prepared from the information provided by and pursuant to the sworn declaration of Samir Hanna. The following summarizes the information contained in the Bankrupt's Statement of Affairs which has not been validated by the Trustee:

Lexus Travel Inc.		
Statement of Affairs		
As at November 30, 2023		
<i>(in 000's)</i>	<i>Book value</i>	<i>Estimated Realizable value</i>
Assets		
Cash in bank	\$ 314	\$ 314
Accounts receivable	1,000	1,000
Real Property	1,100	1,100
Furniture	40	4
	2,454	2,418
Liabilities		
Secured creditors	20,617	20,617
Preferred creditors	17	17
Unsecured creditors	6,660	6,660
Contingent liabilities	-	-
	27,294	27,294
Surplus (Deficiency)	\$ (24,840)	\$ (24,876)

A) Assets

- **Cash in bank (\$314K)**

As per the Company's books and records, cash held in the Company's bank accounts amounted to \$314k as at November 30, 2023. However, subsequent to preparing the Statement of Affairs, approximately \$261k of funds injected by Samir Hanna as shareholder advances were returned due to non-sufficient funds and as such, the restated actual cash by account as at November 30, 2023 can be summarized as follows:

Lexus Travel Inc.	
Bank Balance Summary	Account
(in 000's)	balance
Desjardins Bank Accounts	
a/c # ending in 232	\$ 21
a/c # ending in 120 *	31
a/c # ending in 037	-
a/c # ending in 240 *	(2)
a/c # ending in 233 *	-
a/c # ending in 975 *	3
<hr/>	
Total cash in Desjardins bank	
a/c after returned cheques	\$ 53

* Listed as a Trust account, but still to be determined.

The Trustee has requested that Desjardins Enterprise Montreal ("**Desjardins**") remit the funds in the various bank accounts to the Trustee.

- **Accounts receivable (\$1,000K)**

The Statement of Affairs reflected an estimated accounts receivable of approximately \$1 million. As previously stated, the accounts receivable as per the books and records for accounting purposes were completely false. The Trustee is having the books and records of the Company updated to assess the true value of the receivables. Since the filing of the bankruptcy, the Trustee has been contacted by various customers who are claiming credits from the Company as opposed to amounts owing to the Company.

- **Real Property (\$1,100K)**

The Company owns a residential condominium in Montreal located at 299 Rue de la Rotonde, (the "**Real Estate**") which has an estimated value of \$1.1 million based on the property's valuation for tax purposes. The Trustee was advised that the condominium had been vacant but was recently leased by the Company with an effective lease commencement date of December 1, 2023. The Trustee is currently reviewing the lease with legal counsel as well as with Desjardins who holds a first ranking charge on the Real Estate.

- **Furniture (\$40K)**

The books and records of the Company indicate that the net book value of the furniture and fixtures in the head office and travel agency locations is approximately \$40k. An estimated realization value of \$4k was used for the Statement of Affairs. Based on consultations with various liquidators, the furniture and fixtures have no realizable value considering the costs to remove them from the respective premises.

- **Amortized Intangible Assets (\$1,782K)**

No value was placed on the Statement of Affairs for the unamortized value of software under development. According to the Company, the software development was halted due to the commencement of the pandemic. The Company's financial statements reflect approximately \$1 million of additional software development costs incurred in the years ending June 30, 2022 and June 30, 2023. However, the Company has informed the Trustee that no such development actually occurred, and these amounts were a result of internal reallocations. The Trustee is attempting to obtain additional information but assumes that there is no value to this asset.

B) Liabilities

It is important to note that the exact amount of the Bankrupt's liabilities as at the date of bankruptcy will only be determined once all proofs of claim have been submitted by the creditors and have been compiled and analyzed by the Trustee. Nonetheless, the following is a summary of the Company's liabilities based upon preliminary information.

- **Secured Creditors**

As per the Statement of Affairs, the Company has numerous secured creditors which are summarized below. The Trustee has engaged independent legal counsel to provide a legal opinion as to the validity and enforceability of the security of the secured lenders. As of the issuance of this report, the validity of the security of Accord has been confirmed. A copy of these opinions will be provided to the Inspectors.

- A) Accord (\$15,320K) – Accord is the primary operating lender of the Company and has a first ranking charge on the Company's accounts receivable and security over the Company's other movable property. As mentioned, the Trustee has received an independent legal opinion confirming the validity of Accord's security. Accord has consented to fund various costs of the bankruptcy from the assets subject to its security and has provided a guarantee to the Trustee for fees and expenses. Accord has filed a proof of claim for \$15,520K listing security of \$2 million and an unsecured claim of \$13,520K, the whole subject to revision.
- B) Investissement Québec ("IQ") (\$3,501K) – IQ holds a second ranking charge on the Real Estate and a charge over the Company's movable property. IQ has filed a secured claim of \$3,448K. The Trustee will obtain an independent legal opinion on the validity of IQ's security and will provide this to the Inspectors.

- C) Banque de Developpement du Canada ("BDC") (\$1,270K) – BDC holds a first ranking charge on all of the Company's furniture and equipment and a charge over all of the Company's other movable property. The Trustee will obtain an independent legal opinion on the validity of BDC's security and will provide this to the Inspectors.
- D) Desjardins (\$474K) – Desjardins holds a first ranking charge on the Real Estate. Desjardins has filed a secured claim of \$475K and an unsecured claim of \$60K. The Trustee will obtain an independent legal opinion on the validity of Desjardins' security and will provide this to the Inspectors.
- E) Employees (\$52K) – representing the estimated secured claim of employees in respect of accrued vacation pay.

- **Preferred Creditors**

The Company's Statement of Affairs indicated preferred claims of approximately \$16.8K in respect of potential landlord claims for arrears of rent. As of the date of this Report, the Trustee has not received sufficient proofs of claim to assess the actual amount owed to preferred creditors.

- **Unsecured Creditors**

According to the Statement of Affairs, unsecured ordinary creditors total approximately \$6,660K, excluding potential unsecured claims of the various secured creditors. This includes an amount of approximately \$3,862K representing supposed shareholder advances by Samir Hanna. As of the date of this Report, the Trustee has not received sufficient proofs of claim to assess the actual amount owed to the ordinary unsecured creditors.

IV. SUMMARY OF THE PRELIMINARY ADMINISTRATION

A) Books and Records

As at December 1, 2023, the Trustee took possession of the books and records and made copies of the Company's computer systems available information. The Trustee has retained certain former employees to update the books and records through to the date of bankruptcy as they were not up to date.

B) Security and Protective Measures

The Trustee has taken the necessary security and protective measures including:

- Changing the locks of the head office and two travel agency locations;
- Redirecting mail at all locations to the Trustee's office;
- Commenced an inventory of the books and records of the Company;
- Put in place insurance through the Trustee's blanket policy, as the Company's policy had been renewed in October 2023, however the premium had not been paid;
- Changed all of the access codes to the various email accounts and the Company's server;

- Instructed the various booking portal service providers used by the Company to remove access for anyone with Company credentials; and
- The Trustee has opened a trust bank account.

C) Consumer Protection Agencies

Both the Province of Quebec and Ontario have measures in place to deal with situations involving travel agencies and to assist consumers impacted by the closure of the travel agency. In Québec, the Office de la Protection du Consommateur (“OPC”) intervenes. The OPC has appointed PwC to act as provisional administrator to assist consumers. In Ontario, it is the role of the Travel Industry Council of Ontario (“TICO”) to step in. The Trustee has been in contact with both the OPC and their provisional administrator, PwC, as well as with TICO to assist them in their response to the bankruptcy of the Company and to assist consumers regarding their travel.

D) Reviewable Transactions and Preferential Payments

The Trustee will perform a review of the payments to creditors preceding the date of the bankruptcy which may be reviewable, preferential or undervalue as defined within the meaning of the BIA. The Trustee, upon completion of the review, will discuss its findings with the Inspectors.

V. ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

As of the date hereof, based on the estimated realizable value of the assets and the amounts due to the secured creditors, the Trustee does not anticipate that there will be any dividends available to the preferred and ordinary creditors.

DATED AT MONTREAL, this 20th day of December 2023

Richter Inc.
Licensed Insolvency Trustee



Andrew Adessky, CPA, CIRP, LIT
Administrator of the Bankruptcy