

District of British Columbia
Division No: 03-Vancouver
Court No.: B-240589
Estate No.: 11-3163856, 11-3163902,
11-3163895

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

**IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF IPLAYCO CORPORATION LTD., IPLAYCO
CANADA INC. AND INTERNATIONAL PLAY COMPANY INC.**

AMENDED NOTICE OF APPLICATION

**Name of applicant: Iplayco Corporation Ltd., Iplayco Canada Inc. and
International Play Company Inc. (the “Applicants”)**

To: Royal Bank of Canada

TAKE NOTICE that an application will be made by the Applicant to the presiding judge at the courthouse at the Vancouver Law Courts, 800 Smithe Street, Vancouver, British Columbia on January 7, 2025 at 9:45 a.m. for the order set out in Part 1 below.

Part 1: ORDER SOUGHT

1. An Order substantially in the form attached hereto as Schedule “A”:
 - a) abridging the time for service of this Notice of Application;
 - b) extending the time for filing the Applicants’ proposal under Part III, Division I of the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3 (the “BIA”) to 11:59 p.m. on February 21, 2025.
2. The Applicants may also seek such further and other relief as counsel may advise this Honourable Court.

Part 2: FACTUAL BASIS

CORPORATE STRUCTURE AND EMPLOYEES

1. Iplayco Corporation Ltd., Iplayco Canada Inc. and International Play Company Inc. (collectively, "Iplayco") are companies registered and in good standing under the laws of the Province of British Columbia. Iplayco's business is the design, sales and production of indoor play areas and amusement facilities
2. The roles and locations of the corporations are as follows:
 - a) Iplayco Corporation Ltd., Langley BC: holding company;
 - b) Iplayco Canada Inc., Langley BC: sales and marketing
 - c) International Play Company Ltd., Langley BC: equipment design, production, manufacturing, and shipping.
3. The historic and current status of the employees of the foregoing are as follows:
 - a) Iplayco Canada Inc.: Pre-Covid, 7 employees, currently two full time one part time;
 - b) International Play Company Ltd.: Pre-Covid, 50 employees, currently 23;

OPERATIONS AND HISTORY OF COMPANY

4. Iplayco was formed in 1999. It was created to provide an alternative to current products available in the global Amusement and Family Entertainment Industry and its business is the design, sales and production of indoor play areas and amusement facilities.

HISTORY OF BUSINESS AND NATURE OF FINANACIAL DIFFICULTIES

5. Iplayco's revenue had been trending steadily upward since its inception in 1999, and by 2019 it was poised for a major increase in both revenue and net profit after having made a major impact on the European market.

6. Iplayco began 2020 by enacting a well-developed plan to downsize its facilities in Canada and Europe and to transition additional manufacturing and distribution to the Philippines, taking advantage of major labour and general overhead savings and IREC Corporation's closer proximity to many major component and raw materials suppliers in Asia. However, with unforeseeable labour challenges, new regulatory requirements, and logistical hurdles that resulted, this transition plan had associated costs in the millions of dollars.
7. Despite years of increasing revenue (reaching a peak in 2019 at \$17,100,000), new sales dried up for the first three quarters of 2020 as a result of Covid anxieties from Iplayco's client base, and much of Iplayco's cash reserves were consumed simply with completing the manufacturing of existing orders (several of which were never delivered because clients were unable to pay) while addressing new and unpredictable Covid-compliance requirements. While the company still recorded sales of \$12,100,000 for the fiscal year ended Sept 30, 2020, it also recorded a net loss of \$9,800,000 (though this includes non-cash write-offs of tax assets and goodwill/intangibles assets of \$2,200,000, which is standard practice under accounting rules when there are operating losses).
8. The limitations placed on family entertainment facilities globally created a significant drop in requests for information on Iplayco's products and services as many in the industry faced severe restrictions on the number of clients they could allow into their facilities (if allowed to even open) and in many cases globally they were still under opening restrictions until early 2022.
9. A substantial number of amusement developments and planned projects Iplayco had been in development and negotiations for, were either put on hold or cancelled outright until such time as the pandemic was over or beyond. Most major industry tradeshow were cancelled during the enforced global shutdown and interaction with new potential buyers was made almost impossible because of this.

10. In early to mid 2022 as restrictions globally were reduced and indications were that the pandemic had reached its end. Iplayco began to see interest in its products and services increasing globally.
11. Many of the clients that had come to Iplayco pre-Covid with projects that were put on hold began to pick up discussions again and Iplayco saw an increase in requests for information on products and services including a substantial increase in design requests and project planning.
12. Unfortunately, during this time, Iplayco began to experience dramatic increases in materials and shipping costs (again related to Covid shutdowns causing material shortages) and interest rates began to increase. Once again, some projects were put on hold due to increased costs, interest rates, and financing difficulties. Project turn around timelines had gone from the normal 4 – 6 months to in some cases 12 – 14 months due to these issues.

COST AND OVERHEAD REDUCTIONS

13. Ownership has continued to provide written and monetary support over the past several years in addition to working with management to implement the following cost cutting measures and operational changes.
14. In North America, Iplayco has reduced:
 - a) administrative and sales costs by having staff work remotely which results in less leased space;
 - b) tech and communication costs including user software licenses by 60%;
 - c) marketing costs through several measures including smaller expenditures on trade show booth spaces, fewer people staffing trade show booths, discontinued advertising in trade magazines and lower online media expenditures.

15. Recent changes have amounted to a decrease in costs of over \$500,000 this year, with additional savings of \$125,000 to follow in 2025.
16. In Europe Iplayco has:
 - a) ended employment of all staff from Bulgarian operations except one to help finalize the office closure;
 - b) located a smaller facility in Milan for remaining inventory with attached small office space;
 - c) reduced staff in Milan to just one designer, one warehouse manager and, one administrative person;
 - d) ended salaried employment of two salespeople;
 - e) reduced tech and communication costs by 90%;
 - f) reduced marketing costs through several measures including reducing trade show spending and staffing at booths, discontinued advertising in trade magazines.
17. These changes in Europe will amount to operation cost savings of €460,000.00 for the coming year.
18. In Asia, Iplayco has:
 - a) terminated seventeen employees to further reduce staff to just thirteen employees that will do all production and installation and will terminate the employment of a senior manager by end of January 2025;
 - b) subleased one third of current space to reduce cost of rent for remainder of the lease agreement period (ends January 2025);

- c) made the decision to move to smaller facility space in the same general area as the current facility. Lease costs will be reduced from \$21,000 to \$4,000 per month a further reduction of 80% from current cost.
19. These changes will amount to operation cost savings of \$395,000 for the coming year.
 20. Iplayco expects that the net savings in consolidated operation costs for 2025 is expected to be between US\$750-\$850,000.
 21. Where possible Iplayco has secured outside vendor support to provide it with finished parts and materials to supply its projects The intent is to continue to move towards an outsourcing model for as many parts and materials as possible, that can be used to supply the Iplayco groups upcoming projects without Iplayco increasing costs and overhead.
 22. Over the last year Iplayco has paid down the principal on its bank loans in addition to paying all interest payments relating to those loans. Management had expected to continue making quarterly principal payments for the next 12 months.
 23. Iplayco has paid down vendor payables by \$500,000 in the last 12 months.
 24. Iplayco has continued to look at each facilities operation on a quarterly basis to see if additional costs savings could be achieved either through additional staff reduction or facility changes as it worked to reduce debt and increase revenues and profitability, without jeopardizing the functioning of the company.

ASSETS

25. Iplayco's tangible assets consist of manufacturing equipment, tools and tooling, storage facilities, office equipment and furniture, and finished goods and raw materials inventory.

26. The value of Iplayco's tangible assets, including raw materials, tools and equipment are approximately \$550,000.
27. A detailed description of Iplayco's assets will be set out in the trustee's report to the court.

LIABILITIES

28. In May, 2020, Iplayco entered into a lending facility with HSBC Bank Canada ("HSBC"). Iplayco Corporation Ltd., Iplayco Canada Inc. and International Play Company Inc. were the borrowers. The guarantors were Play Planet SRL, IREC Corp., and Play Mart International Eood.
29. The facilities consisted of an operating loan facility in the maximum amount of \$600,000, and two letter of guarantee facilities, one in the maximum amount of EUR 3,000,000 and one in the maximum amount of US\$2,550,000.
30. Due to the financial pressures which Iplayco began to experience, Iplayco and HSBC entered into a series of forbearance agreements commencing in November, 2021. The last forbearance agreement was dated for reference April 10, 2024.
31. Following an amalgamation between Royal Bank of Canada ("RBC") and HSBC, on November 28, 2024, RBC issued a demand to Iplayco and a notice of intention to enforce security. The amount demanded is CDN\$571,788.39 and US\$5,553,142.89, as at November 22, 2024.
32. Iplayco has unsecured debt owing to trade creditors and other creditors. As of October 31, 2024, the amounts owing were:
 - a) International Play Company:
 - i) CDN\$245,208.94;
 - ii) UK€195,161.66;

- iii) US\$116,705.57;
 - b) Iplayco:
 - i) US\$134,730.69.
33. Iplayco does not have any pre-filing obligations owing to CRA other than tax liabilities which arise in the ordinary course of business, and it will have similar obligations post-filing. There are no statutory liens or encumbrances.

PLAN

34. Iplayco has experienced a significant increase in project requests. The sales pipeline has begun to return to pre-pandemic levels, which in turn from past industry experience translates to substantial increases in revenues.
35. Sales for 2025 should come close to or possibly surpass those of 2023 and 2024 combined.
36. Because of this trend, Iplayco has sought to work towards a proposal with its creditors to service its debts and allow Iplayco to continue as a going concern.
37. Management continues to make reductions and reduce overhead by reducing costs of rent, staff, materials, and other material areas, without jeopardizing function of the company.
38. Due to the demand made by Iplayco's secured creditor, it has been required to file a notice of intention to file a proposal under the *Bankruptcy and Insolvency Act* (the "BIA").
39. It is management's goal, with the support of ownership, to find a solution to Iplayco's current debt. Through the process, Iplayco has secured a proposal trustee and legal council to oversee the process and help negotiate one of several options while maintaining operations and the value of the company for all stake holders.

40. The goal of management is to arrange a negotiated settlement with RBC. If that is unsuccessful, Iplayco would likely enter into a sales and investment solicitation process.
41. Iplayco understands that these aspects take time but also that it is important to work diligently with timelines to adhere to the process.

A RESTRUCTURED COMPANY IS VIABLE

42. With cost reductions and increased sales, Iplayco has a sustainable and potentially profitable business. IPlayco's value as a going concern exceeds its liquidation value. However, it does need more time to either restructure its secured debt or seek a sale of the business as a going concern.
43. During the time afforded the NOI process, Iplayco is working in good faith and with due diligence to maintain and improve operations and profitability, and to work towards a successful restructuring, either through debt negotiation, an arrangement or a sale.

EXTENSION OF STAY OF PROCEEDINGS

44. The Applicants seek an extension of time under the NOI proceeding for a period a further 45 days, as provided for by section 50.4(9) of the BIA.

Part 4: MATERIAL TO BE RELIED ON

1. At the hearing of this Application, the applicants will rely on:
 - a) Affidavit #1 of David Romano, sworn December 20, 2024;
 - b) the Trustee's report to be filed;
 - c) such further and other materials as counsel may advise and this Honourable Court may allow.

The applicants estimate that the application will take 10 minutes.

- This matter is within the jurisdiction of an associate judge.

TO THE PERSONS RECEIVING THIS NOTICE OF APPLICATION: If you wish to respond to this notice of application, you must, within 5 business days after service of

this notice of application or, if this application is brought under Rule 9-7, within 8 business days after service of this notice of application,

- a) file an application response in Form 33,
- b) file the original of every affidavit, and of every other document, that
 - i) you intend to refer to at the hearing of this application, and
 - ii) has not already been filed in the proceedings, and
- c) serve on the applicants 2 copies of the following, and on every other party of record one copy of the following:
 - i) a copy of the filed application response;
 - ii) a copy of each of the filed affidavits and other documents that you intend to refer to at the hearing of this application and that has not already been served on that person;
 - iii) if this application is brought under Rule 9-7, any notice that you are required to give under Rule 9-7(9).

Date: _____

Signature of lawyer for applicants
Jonathan L. Williams

THIS NOTICE OF APPLICATION is prepared and delivered by Jonathan L. Williams of the firm Owen Bird Law Corporation, counsel for Iplayco Corporation Ltd., Iplayco Canada Inc. and International Play Company Inc., whose address for delivery is 733 Seymour St #2900, Vancouver, BC V6B 0S6, Vancouver, British Columbia, Telephone: (604) 691-7562.

SCHEDULE "A"

District of British Columbia
Division No: 03-Vancouver
Court No.: _____

Estate No.: 11-3163856, 11-3163902,
11-3163895

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CANADA INC. AND INTERNATIONAL PLAY COMPANY INC.**

ORDER MADE AFTER APPLICATION

BEFORE THE HONOURABLE)
)
) _____/JAN/2025

THE APPLICATION of Iplayco Corporation Ltd., Iplayco Canada Inc. and International Play Company Inc. (the "Applicants"), coming on for hearing at Vancouver, British Columbia on the _____ day of January, 2025, AND ON HEARING Jonathan Williams, counsel for the Applicants, and those other counsel listed in Schedule "A" hereto; AND UPON READING the material filed AND PURSUANT TO the Bankruptcy and Insolvency Act, R.S.C. 1985 c. B-3 as amended (the "BIA") and the inherent jurisdiction of this Honourable Court;

THIS COURT ORDERS THAT:

Service

1. The time for service of the Notice of Application and materials referred to herein be and is hereby abridged and the Notice of Application is properly returnable today.

Extension of Period or Filing Proposal

2. The time for Iplayco Corporation Ltd., Iplayco Canada Inc. and International Play Company Inc. to file a proposal with the Official Receiver under Part III of Division I of the Bankruptcy and Insolvency Act (the "BIA") be and is hereby extended to 11:59 p.m. on February 21, 2025.

Endorsement

3. Endorsement of this Order by counsel appearing on this application, other than counsel for the Applicants, is hereby dispensed with.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

Signature of

Party Lawyer for the applicants

BY THE COURT

REGISTRAR IN BANKRUPTCY