

**In the Matter of the Receivership of  
HMV Canada Inc.  
of the City of Toronto  
in the Province of Ontario**

Interim Report of the Receiver  
(Subsection 246(2) of the *Bankruptcy and Insolvency Act*)

## Introduction

1. This interim report, for the period ending June 30, 2021, is filed by Richter Advisory Group Inc. (“**Richter**”) in its capacity as receiver (the “**Receiver**”) of all of the assets, undertakings and properties (the “**Property**”) of HMV Canada Inc. (“**HMV**” or the “**Company**”).

## Receivership Proceedings

2. On January 27, 2017, (the “**Date of Appointment**”), pursuant to an Order (the “**Receivership Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”), Richter was appointed as Receiver of all of the Property of HMV to exercise the powers and duties set out in the Receivership Order.
3. The Receivership Order was granted pursuant to an application made by HUK10 Limited (“**HUK10**”), pursuant to security held by HUK10 against the Property of the Company, including a general security agreement covering all assets of HMV.
4. Subsequent to the granting of the Receivership Order (on the same date), the Court issued an order approving the agency agreement entered into among the Company, the Receiver and a contractual joint venture comprised of Gordon Brothers Canada ULC and Merchant Retail Solutions ULC (together, the “**Agent**”) dated January 26, 2017 (the “**Agency Agreement**”), pursuant to which, among other things, the Agent was to conduct a sale of the Company’s inventory and furniture, fixtures and equipment (the “**Liquidation Sale**”).
5. Pursuant to the Receivership Order, HMV remained in possession and control of the Property, and the day-to-day operation of the Company’s business, and the Receiver was not in (or deemed to be in) possession and control of the Property as at the Date of Appointment, save and except for the Company’s treasury assets and any amounts to which the Company was entitled to under the Agency Agreement.

6. The Liquidation Sale was completed on April 15, 2017. On April 28, 2017, with the Liquidation Sale complete and no remaining operations or employees, the remaining two (2) directors of HMV tendered their respective resignations effective immediately. Accordingly, the Receiver expanded its role and exercised certain permissive powers granted pursuant to the Receivership Order to conclude, among other things, the Company's obligations with respect to the Agency Agreement.
7. On June 2, 2017, the Agent and the Receiver, on behalf of itself and HMV, signed off on the final reconciliation as required under the Agency Agreement, and the Agent made payment to the Receiver of the final amounts owing to HMV on the same date.
8. On June 19, 2017, the Court issued an order approving the application for the Company's bankruptcy made by HUK10 and appointing Richter as trustee (the "**Trustee**") of the Company's bankrupt estate. On the same date, the Court also issued an order (the "**Distribution Order**") authorizing and directing the Receiver to, among other things, (i) make an interim distribution in the amount of \$31,975,000 to HUK10, or as HUK10 may direct, in respect of its secured claim against HMV, and (ii) transfer the amount of \$50,000 to the Trustee to provide third-party funding for the administration of HMV's bankruptcy proceedings.
9. On March 16, 2018, the Court issued an order (the "**Discharge Order**"), among other things, authorizing and directing the Receiver to make a further interim distribution to HUK10 in the amount of \$800,000. The Discharge Order also authorized the Receiver to distribute any residual amounts remaining in its possession following payment of any priority claims and other required payments to HUK10. Upon completion of any remaining receivership matters, the Discharge Order provided for the discharge of the Receiver upon the filing of a certificate (the "**Discharge Certificate**") with the Court.

### **Statement of Unrealized Property**

10. As at the date of this report, the Receiver has realized on all of the Property and does not anticipate any realizations going forward (other than the potential recovery of any unclaimed input tax credits in respect of receivership expenses).

### **Statement of Receipts and Disbursements**

11. Attached to this report as Schedule "A" is the Receiver's interim statement of receipts and disbursements for the period January 27, 2017 to June 30, 2021 ("**Interim R&D**").
12. As noted in the Interim R&D, and in accordance with the Distribution Order and the Discharge Order, the Receiver has distributed \$32,810,077 to HUK10 in respect of its secured claim against the Property.
13. The realizations from the Property and other amounts collected during the receivership proceedings are insufficient to satisfy, in full, the secured amounts due to HUK10. As such, there are no funds available for distribution to the Company's unsecured creditors.

### **Status of Receivership Proceedings**

14. In the Receiver's view, it has completed its statutory duties as well as those duties set out in the Appointment Order. As such, Richter will be proceeding to finalize HMV's receivership proceedings (including the disposition of the Company's books and records held in storage) and file the Discharge Certificate.

15. Further information regarding the receivership proceedings and materials relating to the receivership (and bankruptcy proceedings) may be obtained from Richter's website at:  
<https://www.richter.ca/insolvencycase/hmv-canada-inc/>.

Dated at Toronto, Ontario, this 13<sup>th</sup> day of August, 2021.

Richter Advisory Group Inc.  
in its capacity as Receiver of  
HMV Canada Inc.

Per:



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Adam Sherman, MBA, CIRP, LIT

## Schedule "A"

<b>HMV Canada Inc.</b> <b>Interim Statement of Receipts and Disbursements</b> <b>For the period January 27, 2017 to June 30, 2021</b>			
<b>Receipts</b>			<b>Notes</b>
Proceeds from Liquidation Sale	\$ 26,582,423		1
Cash on hand at Date of Appointment	11,380,756		2
Recovery of pre-filing taxes	626,689		3
Recovery of prepaid/accounts receivable	150,520		4
Interest earned	167,758		
Post-filing sales tax refunds	476,613		5
Other Refunds	66,388		
<b>Total Receipts</b>	<b>\$ 39,451,146</b>		
<b>Disbursements</b>			
Payroll, occupancy and other operating costs	\$ 1,836,324		6,7
Professional fees and disbursements	1,441,769		8
Pre-filing sales taxes	675,664		9
Gift card and loyalty redemptions	1,182,967		10
Sales taxes paid on disbursements	478,551		11
s81.1 payments	458,265		12
s81.4 payments	507,665		13
Payment to Trustee	50,000		14
Bank charges / other fees	569		
<b>Total Disbursements</b>	<b>\$ 6,631,774</b>		
<b>Excess of Receipts over Disbursements</b>	<b>\$ 32,819,373</b>		
<b>Payments to Secured Creditor</b>	<b>(32,810,077)</b>		15
<b>Total Payments to Secured Creditor</b>	<b>\$ (32,810,077)</b>		
<b>Cash on hand</b>	<b>\$ 9,295</b>		
<b>Notes:</b>			
1. Proceeds from the Liquidation Sale.			
2. Represents cash in the Company's bank accounts on or about the Date of Appointment.			
3. Refund from CRA for Non-Resident Taxes paid by HMV in 2007 and 2010.			
4. Recovery of prepaids and accounts receivable outside of the Liquidation Sale.			
5. Recovery of sales taxes for amounts paid to the Agent in respect of the Agent's Fee, the FF&E Commissions, and the Agent's Sharing Amount (all as defined in the Agency Agreement) pursuant to the Final Reconciliation, as well as disbursements paid by Receiver.			
6. Includes the pre-filing wages paid to all employees by the Company, wages and benefits for head office and warehouse employees, and benefits for store-level employees in excess of the thresholds set forth under the Agency Agreement.			
7. Represent payments made by HMV or the Receiver, net of reimbursements received from the Agent for eligible Expenses (as defined in the Agency Agreement) incurred during the Liquidation Sale.			
8. Represents the fees and disbursements of the Receiver and its counsel, Gowling WLG, and the Company's counsel, Aird & Berlis LLP, either paid by the Company or the Receiver.			
9. Unremitted sales taxes (HST, QST and PST) for December 2016 and January 2017 that were paid by HMV after the Date of Appointment.			
10. Represents the reimbursement to the Agent for HMV gift cards and loyalty points redeemed by customers for Merchandise and/or Additional Merchandise (as defined in the Agency Agreement) during the Liquidation Sale.			
11. Consists of sales taxes paid to the Agent in respect of the Agent's Fee, the FF&E Commissions, and the Agent's Sharing Amount pursuant to the Final Reconciliation, as well as disbursements paid by Receiver. This balance excludes sales taxes paid on disbursements by HMV.			
12. Represents the Canadian-dollar equivalent of the settlement payments made by the Company to various suppliers in connection with valid demands for repossession of goods pursuant to section 81.1 of the BIA.			
13. Represents the payments made by the Company to pursuant to section 81.4 of the BIA.			
14. As per the Distribution Order.			
15. As per the Distribution Order and Discharge Order.			