

CANADA  
PROVINCE OF QUÉBEC  
DISTRICT OF QUÉBEC  
DIVISION NO.: 01-MONTREAL  
COURT NO.: 500-11-055853-192  
ESTATE NO.: 41-2462925

SUPERIOR COURT

*Bankruptcy and Insolvency Act*

IN THE MATTER OF THE BANKRUPTCY  
OF:

**8738971 CANADA INC.** (formerly known as  
"PAZAZZ PRINTING INC. / IMPRIMERIE  
PAZAZZ INC.")

legal person duly incorporated under the  
laws of Canada, having its registered office  
at:

5584 Chemin de la Côte-de-Liesse,  
Montreal, QC H7L 3H7

**Debtor**

- and -

**RICHTER ADVISORY GROUP INC.**

**Trustee**

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#### TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS

On January 14, 2019, 8738971 Canada Inc., doing business as Pazazz Printing Inc. / Imprimerie Pazazz Inc. (the "**Debtor**" or the "**Company**") filed a Notice of Intention to Make a Proposal ("**NOI**") in accordance with Section 50.4(1) of the Bankruptcy and Insolvency Act, R.S. C. 1985, c. B.-3, as amended (the "**Act**"), and Richter Advisory Group Inc. ("**Richter**" or the "**Trustee**") was appointed as Proposal Trustee under the NOI.

The Debtor failed to file a Proposal within the period of 30 days after the day on which the notice of intention was filed or within any extension of the period granted by the court under the subsection 50.4(9) of the Act. Accordingly, on May 31, 2019, the Debtor was deemed to have made an assignment in bankruptcy and Richter was appointed 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. 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 exactness or the reliability of the information contained herein.

## I. INTRODUCTION

The Company provided printing solutions and distribution of all visual and printed communications for commercial, industrial, and retail applications including packaging, signage and large format printing as well as graphic design, direct marketing, fulfillment and logistics services. The Company's customers were located primarily in Quebec, Ontario and the USA.

The Company operated in Montreal in premises leased from a third party. At the time of the filing of the NOI, the Debtor had approximately 50 employees. As detailed below, all of the assets of the Company were sold during the NOI process, and the business has been continued as a going concern. Consequently, as at the date of bankruptcy, the Debtor no longer has any operations or employees.

The Debtor attributed its financial difficulties to the following:

- Overall reduced demand for print advertising and mailing and the loss of certain key contracts; and
- Fixed overhead that was not aligned with revenue levels and, in particular, a leased head office/production facility that was too large and too expensive and certain expensive and unnecessary equipment leases.

## II. FINANCIAL INFORMATION

The following financial data was extracted either from the books and records of the Debtor, 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 Debtor.

The Trustee makes no representation or warranty as to the accuracy of said financial information.

<b>8738971 Canada Inc.</b>			
<b>Financial Results Summary</b>			
<b>(in 000's)</b>	<b>YTD (8 mo's)</b>	<b>Unaudited</b>	
		<b>30-Nov-18</b>	<b>31-Mar-18 31-Mar-17</b>
Sales	\$ 8,047	\$ 11,834	\$ 13,758
Cost of sales and other operating costs	(8,493)	(11,722)	(12,803)
<b>EBITDA</b>	<b>\$ (446)</b>	<b>\$ 112</b>	<b>\$ 955</b>
Interest, amortization and other	(335)	(701)	(642)
<b>Net loss</b>	<b>\$ (782)</b>	<b>\$ (589)</b>	<b>\$ 313</b>

The above table shows the deterioration of the financial performance of the Company for the last two (2) fiscal years.

### III. SALE TRANSACTION DURING THE NOI PERIOD

Following the approval of the Sale and Solicitation Process (the “SSP”) by the Court on January 29, 2019, the Proposal Trustee with the assistance of the Company initiated the SSP and summarizes certain key information as follows:

- a) Issuance of a teaser document to 97 potential interested parties including strategic buyers, financial investors and liquidators on February 1, 2019;
- b) Opening of a digital data room with the relevant necessary information to enable interested parties to evaluate all aspects of the Company’s business on February 1, 2019;
- c) The due diligence period for interested parties took place from February 2, 2019 to February 24, 2019. A total of 14 interested parties signed a non-disclosure agreement to obtain access to the data room, have discussions with Management and the Proposal Trustee and, if interested, tour the Company’s premises;
- d) The Proposal Trustee received four offers by the deadline of Monday, February 25, 2019 at noon Montreal time. A fifth offer was received by the Proposal Trustee after the noon deadline. The four offers received by the noon deadline were opened by the Proposal Trustee in the presence of Me. Neil Stein, the independent attorney of the Proposal Trustee;
- e) Following an analysis of the offers received, the Proposal Trustee recommended the acceptance of the offer from Mr. James Garfinkle on behalf of a corporation to be formed (the “Purchaser”);
- f) The key elements of the offer were as follows:
  - A going-concern offer whereby the Purchaser was acquiring essentially all of the assets of the Company free and clear of all liens and would retain virtually all the current employees as well as assumption of certain obligations from the date of the purchase;
  - The purchase price consisted of:
    - The assumption of the Toronto Dominion Bank secured debt;
    - The assumption of the DIP financing in place at that time; and
    - The funding of professional fees.
- g) On March 6, 2019, the Court approved the sale transaction and issued a vesting order (the “Sale Transaction”); and
- h) The agreement of sale was executed on March 12, 2019.

#### IV. STATEMENT OF AFFAIRS

In accordance with the Act, 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 Marc Giroux. The following summarizes the information contained in the Debtor's Statement of Affairs which has not been validated by the Trustee:

8738971 Canada Inc. Statement of affairs As at May 31, 2019 (in \$CDN) (in 000's)		Book Value
<b>Assets</b>		\$ -
<b>Liabilities</b>		
Unsecured creditors		2,207
Secured creditors		-
Preferred creditors		-
		<u>2,207</u>
Deficiency		\$ (2,207)

##### A) Assets

- As noted above, pursuant to the Sale Transaction, the Debtor reflected no assets on its Statement of Affairs.

##### B) Liabilities

It is important to note that the exact amount of the Debtor's liabilities as at May 31, 2019, 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 there are no known secured creditors. At the commencement of the NOI process, the Debtor owed approximately \$900K to the Toronto Dominion Bank ("**TD**") which held a first ranking security on all assets of the Debtor. The TD was repaid following the completion of the Sale Transaction.

To fund the NOI process, the Debtor was provided DIP financing by JGALA Holdings ("**JGALA**") which obtained a second ranking security on all assets of the Debtor. JGALA's DIP loan was repaid following the completion of the Sale Transaction.

- **Preferred Creditors**

The Company's Statement of Affairs indicated that there were no known preferred creditors as at the date of the bankruptcy. The Trustee is not aware of any amounts owing to any government authorities which would be considered a priority. Notice has been sent to all employees and other possible preferred creditors and the ultimate amount of this category of claims will only be subsequently determined.

- **Unsecured Creditors**

According to the Statement of Affairs, unsecured ordinary creditors total approximately \$2.2 million. 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.

## **V. SUMMARY OF THE PRELIMINARY ADMINISTRATION**

### **A) Books and Records**

Pursuant to the sale transaction the Purchaser is maintaining the books and records for the transition of the business and has provided access to the Trustee as required. The Trustee will be taking possession of certain books and records in the near future. As at May 31, 2019, the Trustee made copies of the Company's computer systems available information.

### **B) Security and Protective Measures**

As at May 31, 2019, there were no assets owned by the Debtor and consequently no protective measures were necessary.

The Trustee has opened a trust bank account.

### **C) 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 Act. The Trustee, upon completion of the review, will discuss any relevant findings with the Inspectors to be appointed at the first meeting of creditors.

## **VI. ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION**

As of the date hereof, based on their being no assets, the Trustee does not anticipate that there will be any dividends available to the ordinary creditors.

DATED AT MONTREAL, this 19<sup>th</sup> day of June 2019

**Richter Advisory Group Inc.  
Licensed Insolvency Trustee**



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