

CANADA
Province of Quebec
District of Québec
Division No.: 01-Montréal
Court No.: 500-11-055853-192
Estate No.: 41-2462925

SUPERIOR COURT
(Commercial Division)
Bankruptcy and Insolvency Act

IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF:

**8738971 CANADA INC. (DBA 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 H4P
1A9

Petitioner / Debtor

-and-

RICHTER ADVISORY GROUP INC.

Proposal Trustee

**THIRD REPORT OF THE TRUSTEE
ON THE STATE OF PETITIONER'S BUSINESS AND FINANCIAL AFFAIRS**

Richter Advisory Group Inc. ("**Richter**" or the "**Proposal Trustee**"), in its capacity as trustee with respect to the Notice of Intention to Make a Proposal ("**NOI**") filed by 8738971 Canada Inc., doing business as Pazazz Printing Inc. / Imprimerie Pazazz Inc. (the "**Debtor**" or the "**Company**"), an insolvent person, does hereby report to the Court the following:

INTRODUCTION

1. On January 14, 2019, the Debtor filed the NOI in accordance with Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S. C. 1985, c. B.-3, as amended (the "**BIA**"), and Richter was appointed as Proposal Trustee under the NOI. A copy of the Certificate of Filing issued by the Superintendent of Bankruptcy was annexed as Exhibit "A" to the First Report.
2. On January 18, 2019, documents were sent by regular mail to all creditors of the Debtor, as identified by it, which included a copy of the Debtor's NOI, was annexed as Exhibit "B" to the First Report.

3. On January 23, 2019, the Debtor filed with the Official Receiver a Statement of Projected Cash Flow ("**Projections**") together with his report pursuant to Section 50.4(2)(c) of the Act, covering the period from January 14, 2019 to February 15, 2019, which included the major assumptions used in the preparation of the Projections. Concurrently therewith, the Proposal Trustee filed its Report on the reasonableness of the Projections in accordance with Section 50.4(2)(b) of the Act, all of which was annexed as Exhibit "C" to the First Report.
4. On January 24, 2019, the Debtor filed a motion entitled *Motion for the Authorization and Approval of Interim Financing, Certain Charges, A Sale and Solicitation Process and Other Relief* (the "**DIP, SSP and Extension Motion**"). The DIP, SSP and Extension Motion was granted on January 29, 2019.
5. On January 25, 2019, the Proposal Trustee filed its first report to court ("**First Report**").
6. On March 1, 2019, the Debtor filed a motion entitled *Motion for Sale Approval, Vesting and Extension Order* (the "**Sale and Extension Motion**"). The Sale and Extension Motion was granted on March 6, 2019.
7. On March 1, 2019, the Proposal Trustee filed its second report to court ("**Second Report**").
8. On April 11, 2019, the Debtor filed a motion entitled *Motion to Extend the Delay to Make a Proposal* (the "**Third Extension Motion**"). The Third Extension Motion is scheduled for a hearing on April 15, 2019.
9. In order to monitor the affairs and finances of the Debtor, the Proposal Trustee has been provided with access to the books, records and other important documents of the Debtor.

PURPOSE OF THIS REPORT

10. The purpose of this Third Report is to provide this Court with information pertaining to:
 - a) The Debtor's statement of projected cash flow for the period from April 15, 2019 to May 31, 2019;
 - b) The Debtor's request for a third extension of the statutory delay to file a proposal (the "**Proposal Period**") to May 30, 2019; and
 - c) The Proposal Trustee's recommendations that this Court makes an order, as requested by the Debtor approving the extension of the Proposal Period to May 30, 2019.

TERMS OF REFERENCE

11. Unless otherwise noted, all monetary amounts contained in this Third Report herein are expressed in Canadian dollars.
12. In preparing this Third Report, the Proposal Trustee has relied upon certain unaudited financial information prepared by the Debtor's representatives, the Debtor's books and records, and discussions with the Debtor's representatives and legal counsel (the "**Information**").
13. Except as otherwise described in this Third Report, the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountant of Canada Handbook and, as such, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
14. Future oriented financial information relied upon in this Third Report is based on the Debtor's representatives' assumptions regarding future events; actual results achieved may vary from the Information presented even if the hypothetical assumptions occur and these variations may be material. Accordingly, the Proposal Trustee expresses no assurance as to whether projections will be achieved.

GENERAL BACKGROUND INFORMATION OF THE DEBTOR

15. As noted in the First Report:
 - a) the Company provides 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 are located primarily in Quebec, Ontario and the USA.
 - b) The Company operates in Montreal in leased premises from a third party.
 - c) As of the date of this Third Report the Debtor no longer has any operations or employees, having sold the business as a going-concern as noted below.

SALE AND SOLICITATION PROCESS

16. The Second Report contains a summary of the Sale and Solicitation Process (the “SSP”) and the offers received pursuant to the SSP.
17. Following the authorization by the Court on March 6, 2019, the Debtor completed the transaction with the purchaser being James Garfinkle, on behalf of a corporation to be formed (the “Purchaser”) on March 12, 2019 resulting in the repayment of the interim lender JGala Holdings and the Debtor’s secured operating lender, the TD Bank.
18. As noted in the Second Report, the Purchaser is assuming all indebtedness as of the closing date to all but one of the Debtor’s employees and has hired all but one of the Debtor’s employees and is continuing the operations on a going concern basis. The Purchaser has also assumed various leases of the Debtor. The Debtor assisted in the transition of operations to the purchaser.
19. As a consequence, the Debtor no longer has any employees and there are no ongoing operations.

THE DEBTOR’S CASH FLOW FORECAST

20. Annexed as **Exhibit “A”** are the results of operations versus the budget for the period February 25, 2019 to April 5, 2019.
21. In support of the extension sought, the Debtor has prepared a statement of projected cash flow (**Exhibit “B”**) covering the period April 15, 2019 to May 31, 2019 which we summarize as follows:

8738971 Canada Inc.	
Statement of Projected Cash Flow	
For the period of April 15 to May 31, 2019	
(\$000's)	Total
<u>Cash Receipts</u>	
Advance from Purchaser	\$ 126
Total projected cash receipts	<u>126</u>
<u>Cash Disbursements</u>	
Rent & utilities	86
General expenses and other	20
Sales taxes	20
Total projected cash disbursements	<u>126</u>
Net cash flow	-
Opening bank	-
Ending bank	<u><u>\$ -</u></u>

22. The statement of projected cash flow was prepared on the basis that the Purchaser will continue to advance funds for the payment of any remaining post-filing obligations (including sales tax) and occupation costs.

REQUEST TO EXTEND THE PROPOSAL PERIOD TO MAY 30, 2019

23. The Debtor is requesting the extension of the Proposal Period to May 30, 2019 (the “**Extension**”) the whole to complete its analysis of whether or not it can make a viable proposal to its creditors. A proposal, if made, would be based on:
- a) The potential monetization of tax losses which were not sold to the Purchaser; and
 - b) The Purchaser’s offer to potentially fund up to \$100,000 for the funding of a proposal, should the Debtor ultimately decide to file a proposal.
24. The Proposal Trustee supports the Debtor’s request for the Extension for the following reasons:
- a) While there is no certainty that the Debtor will file a Proposal, should it do so, it is believed that it will provide a better outcome for unsecured creditors who ultimately will not receive any distribution in the event of a bankruptcy;
 - b) the Debtor is acting in good faith and with due diligence in taking steps to maximize the value of its assets for the benefit of its creditors; and
 - c) it is the Proposal Trustee’s view that the Extension will not prejudice or adversely affect any group of creditors.
25. While it is still not determinable whether a viable proposal will be presented by the Debtor to its creditors, in the Proposal Trustee’s view, the Debtor’s request for the Extension is appropriate in the circumstances.

CONCLUSION AND RECOMMENDATION

26. Based on the forgoing, the Proposal Trustee respectfully recommends that this Honourable Court grant the Third Extension Motion.

Respectfully submitted at Montreal, this 12th day of April 2019.

Richter Advisory Group Inc.
Licensed Insolvency Trustee


Andrew Adessky, CPA, CA, MBA, CIRP, LIT

Exhibit A

8738971 Canada Inc.

Statement of Projected Cash Flow - projected to reported

For the period of February 25 to Apr 5, 2019

(\$000's)

	Reported	Projected	Variance
<u>Cash Receipts</u>			
Trade & other receipts	\$ 336	\$ 283	\$ 53
Advance from Purchaser	214	298	(85)
Total projected cash receipts	<u>550</u>	<u>581</u>	<u>(31)</u>
<u>Cash Disbursements</u>			
Material & subcontractor costs	238	142	(96)
Payroll (including benefits) and expenses	197	131	(66)
Rent & utilities	70	172	102
General expenses and other	91	108	16
Interest	3	5	2
Sales taxes	42	15	(27)
Professional fees	55	160	105
Total projected cash disbursements	<u>696</u>	<u>731</u>	<u>35</u>
DIP lender - advance	<u>80</u>	<u>150</u>	<u>(70)</u>
Net cash flow	(66)	-	(66)
Opening bank indebtedness	<u>(381)</u>	<u>(468)</u>	<u>87</u>
Ending bank indebtedness	(447)	(468)	20
Projected DIP Loan	(530)	(600)	70
Repayment of Bank indebtedness and DIP loan	977	1,068	(90)
Total projected loan position	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 0</u>



Exhibit B

District of: Quebec
Division No. 01 - Montréal
Court No. 500-11-055853-192
Estate No. 41-2462925

-- FORM 29 --
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the matter of the Notice of Intention to Make a Proposal
8738971 Canada Inc.
of the City of Montreal
in the Province of Quebec

The attached statement of projected cash flow of 8738971 Canada Inc., as of the 10th day of April 2019, consisting of April 15 to May 31, 2019, has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by: ☒ the management and employees of the insolvent person or ☐ the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by: ☒ management or ☐ the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

(a) the hypothetical assumptions are not consistent with the purpose of the projection;

(b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or


(c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Montréal in the Province of Quebec, this 11th day of April 2019.

Richter Advisory Group Inc/Richter Groupe Conseil inc - Licensed Insolvency Trustee
Per:



Andrew Adessky, CPA, CA, CIRP, LIT - Licensed Insolvency Trustee
1981 avenue McGill College, 11th floor
Montréal QC H3A 0G6
Phone: (514) 934-3400 Fax: (514) 934-8603

District of: Quebec
Division No. 01 - Montréal
Court No. 500-11-055853-192
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FORM 29 - Attachment
Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the matter of the Notice of Intention to Make a Proposal
8738971 Canada Inc.
of the City of Montreal
in the Province of Quebec

Purpose:

8738971 Canada Inc. filed a Notice of Intention to Make a Proposal on January 14, 2019. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of 8738971 Canada Inc. (the "Company"), for the period April 15 to May 31, 2019, relating to the filing of a Motion to extend the delay to make a proposal.

This Statement of Projected Cash Flow has been prepared by management on April 10, 2019 based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period April 15 to May 31, 2019, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

(a) Projected Cash Receipts

The projected cash receipts consist of advances from the Purchaser to pay ongoing occupancy costs and final post-filing obligations.

(b) Projected Cash Disbursements

Rent is based on the rent agreement with the lessor;

Other expenses relate to the remaining unpaid post-filing obligations;

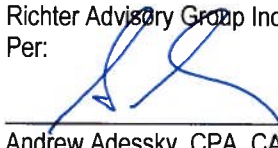
The cash disbursements do not provide for the payment of arrears to unsecured creditors.

(c) General

All the assets of the Company were sold and the transaction was closed on March 12, 2019.

Dated at the City of Montréal in the Province of Quebec, this 11th day of April 2019.

Richter Advisory Group Inc/Richter Groupe Conseil inc - Licensed Insolvency Trustee
Per:



Andrew Adessky, CPA, CA, CIRP, LIT - Licensed Insolvency Trustee
1981 avenue McGill College, 11th floor
Montréal QC H3A 0G6
Phone: (514) 934-3400 Fax: (514) 934-8603

District of: Quebec
Division No. 01 - Montréal
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- FORM 30 -
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the matter of the Notice of Intention to Make a Proposal
8738971 Canada Inc.
of the City of Montreal
in the Province of Quebec

The Management of 8738971 Canada Inc., has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 10th day of April 2019, consisting of April 15 to May 31, 2019.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Montréal in the Province of Quebec, this 11th day of April 2019.



8738971 Canada Inc.
Debtor

MARC GIROUX President

Name and title of signing officer

Name and title of signing officer

District of: Quebec
Division No. 01 - Montréal
Court No. 500-11-055853-192
Estate No. 41-2462925

FORM 30 - Attachment
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the matter of the Notice of Intention to Make a Proposal
8738971 Canada Inc.
of the City of Montreal
in the Province of Quebec

Purpose:

8738971 Canada Inc. filed a Notice of Intention to Make a Proposal on January 14, 2019. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of 8738971 Canada Inc. (the "Company"), for the period April 15 to May 31, 2019, relating to the filing of a Motion to extend the delay to make a proposal.

This Statement of Projected Cash Flow has been prepared by management on April 10, 2019 based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period April 15 to May 31, 2019, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

(a) Projected Cash Receipts

The projected cash receipts consist of advances from the Purchaser to pay ongoing occupancy costs and final post-filing obligations.

(b) Projected Cash Disbursements

Rent is based on the rent agreement with the lessor;

Other expenses relate to the remaining unpaid post-filing obligations;

The cash disbursements do not provide for the payment of arrears to unsecured creditors.

(c) General

All the assets of the Company were sold and the transaction was closed on March 12, 2019.

Dated at the City of Montréal in the Province of Quebec, this 11th day of April 2019.



8738971 Canada Inc.

8738971 Canada Inc.**Statement of Projected Cash Flow**

For the period of April 15 to May 31, 2019

Week ending

	19-Apr-19	26-Apr-19	03-May-19	10-May-19	17-May-19	24-May-19	31-May-19	Total
<u>Cash Receipts</u>								
Advance from Purchaser	4,000	4,000	93,926	3,000	19,000	1,000	1,000	125,926
Total Cash receipts	4,000	4,000	93,926	3,000	19,000	1,000	1,000	125,926
<u>Cash Disbursements</u>								
Rent & utilities	-	-	69,926	-	16,000	-	-	85,926
General expenses and other	4,000	4,000	4,000	3,000	3,000	1,000	1,000	20,000
Sales taxes	-	-	20,000	-	-	-	-	20,000
Total projected cash disbursements	4,000	4,000	93,926	3,000	19,000	1,000	1,000	125,926
Net cash flow	-	-	-	-	-	-	-	-
Opening bank	-	-	-	-	-	-	-	-
Ending bank	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



Marc Giroux, President

Andrew Adessky, CPA, CA, CIRP, LIT