

**In the Matter of the Receivership of  
Graf Canada Ltd.  
of the City of Calgary  
in the Province of Alberta**

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

**Introduction**

1. This interim report, for the period ending April 27, 2017, is filed by Richter Advisory Group Inc. (“**Richter**”) in its capacity as Receiver (as hereinafter defined) of Graf Canada Ltd. (“**Graf**” or the “**Company**”).
2. On April 27, 2016 (the “**Date of Appointment**”), the Court of Queen’s Bench of Alberta (the “**Court**”) issued an order appointing Richter as receiver and manager (the “**Receiver**”), without security, of all the assets, undertakings and properties (the “**Property**”) of Graf, pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, and section 13(2) of the *Judicature Act*, R.S.A. c. J-2.

**Receivership Proceedings**

3. On April 27, 2016, the Receiver took possession or control of the Property, which primarily consisted of:

<b>Assets</b>	<b>Net Book Value (\$000s)</b>
Cash and Cash Equivalents	Nil
Accounts Receivable	866
Inventories	3,700
Prepaid Expenses	95
Fixed Assets	910
<b>Total</b>	<b>5,571</b>

*Note: The above amounts represent book values of the Company’s assets as detailed in the Company’s books and records and do not necessarily represent the sale or liquidation value of the Property.*

4. Subsequent to the Date of Appointment, the Receiver, in consultation Graf’s secured lender (Bank of Montreal, “**BMO**”), developed a realization process that provided an opportunity to realize value in excess of liquidation value for the Property (the “**Realization Process**”).
5. Unfortunately, for a variety of reasons (which are more fully detailed in the Receiver’s report to the Court dated December 8, 2016, the “**Receiver’s Report**”), the Realization Process did not produce any acceptable en bloc offers for the Property. Ultimately, it was determined that the highest and best recovery from the Property would be realized by fulfilling existing customer orders, completing a bulk sale of any remaining inventory and otherwise realizing on the Company’s manufacturing and warehouse equipment/office furniture (“**FF&E**”) and accounts receivable.



6. On December 16, 2016, the Court issued an order (the “**Distribution and Discharge Order**”) that, among other things:
  - a. approved the Receiver’s activities, as set out in the Receiver’s Report, including the various sale transactions for certain of the Property (primarily inventory and FF&E);
  - b. authorized and directed the Receiver to make a distribution to BMO in the amount of \$1 million and such subsequent distributions to BMO, as the Receiver determined appropriate, up to the amount of BMO’s secured claim against the Company;
  - c. approved the fees and disbursements of the Receiver and its counsel, Bennett Jones LLP, including an estimate of the fees and disbursements of the Receiver and its counsel to complete the administration of the Company’s receivership proceedings; and
  - d. discharged the Receiver upon its completion of any remaining administrative or other matters associated with the Company’s receivership proceedings, as evidenced by the Receiver filing a certificate (the “**Certificate of Discharge**”) with the Court certifying that all remaining matters have been completed.

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

7. During the period from the Date of Appointment to April 27, 2017, the Receiver has realized the following:
  - a. CAN\$1,180,581 and US\$119,430 in realizations from the Company’s inventory;
  - b. CAN\$147,455 and US\$266,999 from the collection of accounts receivable;
  - c. CAN\$61,622 in realizations on certain of the Company’s FF&E;
  - d. CAN\$40,359 in GST/HST refunds owing from prior to the Date of Appointment; and
  - e. CAN\$12,500 from the refund of a portion of the security deposit held by the landlord for the Company’s former leased premises.
8. Attached as **Appendix “A”** and **Appendix “B”** are the Receiver’s Statement of Receipts and Disbursements for its Canadian dollar and United States (“**U.S.**”) dollar accounts, respectively, for the period from the Date of Appointment to April 27, 2017.
9. As detailed in **Appendix “A”**, the Receiver’s Canadian dollar cash receipts have exceeded disbursements by approximately CAN\$725,649 of which CAN\$686,236 was distributed to BMO resulting in a remaining cash balance of CAN\$39,413.
10. As detailed in **Appendix “B”**, the Receiver’s U.S. dollar cash receipts have exceeded disbursements by approximately US\$365,272 of which US\$349,000 was distributed to BMO resulting in a remaining cash balance of US\$16,272.

**Statement of Unrealized Property**

11. As at the date of this report, the following Property remains to be realized by the Receiver (in CAN\$):
- a. approximately \$19,000 of accounts receivable outstanding from inventory liquidation sales made by the Receiver on credit terms to customers; and
  - b. approximately \$181,000 (book value) of outstanding accounts receivable existing as at the Date of Appointment.

**Distribution of Proceeds Realized from the Property**

12. Realizations from the sale of the Company's Property will be insufficient to repay, in full, the amounts owed to the Company's secured creditor, BMO. Accordingly, there will be no funds available to support a distribution to the Company's unsecured creditors.
13. As noted previously in this report, interim distributions in the amount of CAN\$686,236 and US\$349,000 have been made to BMO in respect of its secured claim against the Company.

**Status of Receivership Proceedings**

14. As at the date of this report, the Receiver has realized on substantially all of the Company's Property (with the exception of the above-noted accounts receivable).
15. The Receiver is in the process of completing any remaining administrative or other matters associated with the Company's receivership proceedings and will file the Certificate of Discharge with the Court once these matters have been completed.
16. Creditors who wish to receive a copy of this interim report may request a copy by writing to the Receiver at the following address:

Richter Advisory Group Inc.  
Court Appointed Receiver of Graf Canada Ltd.  
181 Bay Street, Suite 3320  
Toronto, ON M5J 2T3

Attention: Katherine Forbes  
Telephone: +1 416 785 1151  
Facsimile: +1 416 488 3765

17. Further information and materials related to the receivership proceedings, including the Receiver's Report and the Distribution and Discharge Order, may be obtained from the Receiver's website at <http://www.richter.ca/en/folder/insolvency-cases/g/graf-canada-ltd>.

Dated at Toronto, Ontario, this 27<sup>th</sup> day of April, 2017.

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

Per: 

Adam Sherman, MBA, CIRP, LIT  
Senior Vice President

## APPENDIX A

<b>Graf Canada Ltd.</b> <b>Statement of Receipts and Disbursements (Canadian Dollars)</b> <b>For the period April 27, 2016 to April 27, 2017</b>	
<b>Receipts</b>	
Receiver's borrowings	\$ 200,000.00
Asset realizations - Inventory	1,180,581.27
Accounts receivable collections	147,455.32
GST/HST collected	121,125.29
Asset realizations - Fixed Assets	61,622.35
Pre-receivership GST/HST refund	40,359.11
Refund of security deposit held by landlord	12,500.00
GST/HST recovered	11,272.45
Other receipts	5,134.81
<b>Total Receipts</b>	<b><u>1,780,050.60</u></b>
<b>Disbursements</b>	
Professional fees - Receiver (April 27, 2016 - January 31, 2017)	\$ 301,306.87
Repayment of Receiver's borrowings	201,727.05
Contract services	149,741.91
Occupation rent	87,738.93
HST remittances	76,519.88
GST/HST paid on disbursements	56,253.74
Settlement Agreement amount	44,981.30
Insurance	32,963.11
Professional fees - Receiver's counsel (April 27, 2016 - December 15, 2016)	32,926.00
Utilities, storage, & other operating expenses	32,591.10
Freight & duty	18,470.75
Commissions & collection fees on accounts receivable	9,297.18
Credit card fees	7,758.66
Bank charges and other fees	2,125.07
<b>Total Disbursements</b>	<b><u>1,054,401.55</u></b>
<b>Excess Receipts over Disbursements</b>	<b><u>\$ 725,649.05</u></b>
Interim Distributions to Bank of Montreal	(686,236.00)
<b>Cash on Hand</b>	<b><u>\$ 39,413.05</u></b>

## APPENDIX B

<b>Graf Canada Ltd.</b>	
<b>Statement of Receipts and Disbursements (U.S. Dollars)</b>	
<b>For the period April 27, 2016 to April 27, 2017</b>	
<b>Receipts</b>	
Asset realizations - Inventory	\$ 119,429.56
Accounts receivable collections	266,998.96
Other receipts	383.98
<b>Total Receipts</b>	<b><u>386,812.50</u></b>
<b>Disbursements</b>	
Freight & duty	\$ 10,207.00
Commissions & collection fees on accounts receivable	6,891.19
Credit card fees	3,737.33
Bank charges and other fees	360.32
GST/HST paid on disbursements	344.58
<b>Total Disbursements</b>	<b><u>21,540.42</u></b>
<b>Excess Receipts over Disbursements</b>	<b>\$ 365,272.08</b>
Interim Distributions to Bank of Montreal	(349,000.00)
<b>Cash on Hand</b>	<b><u>\$ 16,272.08</u></b>