

Final Report of the Receiver
(Subsection 246(3) of the *Bankruptcy and Insolvency Act*)

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

The Receiver gives notice and declares that:

- On April 27, 2016 (the “**Date of Appointment**”), the Court of Queen’s Bench of Alberta (the “**Court**”) issued an order appointing Richter Advisory Group Inc. as receiver and manager (the “**Receiver**”), without security, of all the assets, undertakings and properties (the “**Property**”) of Graf Canada Ltd. (“**Graf**” or the “**Company**”), 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.
- On the Date of Appointment, the Receiver took possession or control of the Property. According to the Company’s internal, unaudited financial statements, as at April 27, 2016, the Property primarily consisted of:

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

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.

- Subsequent to the Date of Appointment, the Receiver, in consultation Graf’s secured lender (Bank of Montreal, “**BMO**”), developed a realization process which provided an opportunity to realize value in excess of liquidation value for the Property (the “**Realization Process**”).
- During the course of the Receivership proceedings, the Receiver has filed one report with the Court dated December 8, 2016 (the “**Receiver’s Report**”) which, among other things, described the Receiver’s actions and activities, the process undertaken by the Receiver to realize on the Property and the results of the Realization Process.
- As detailed in the Receiver’s Report, the Realization Process did not produce any acceptable en bloc offers for the Property, and 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**"), among other things:
 - a. approving 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. approving the Receiver's statements of receipts and disbursements referred to in the Receiver's Report;
 - c. authorizing and directing the Receiver to make a distribution to BMO in the amount of \$1 million, and to make any subsequent distributions to BMO as the Receiver determines appropriate, provided the aggregate distributions to BMO do not exceed the amount of its secured claim against the Company;
 - d. approving the fees and disbursements of the Receiver and its counsel as set out in the Receiver's Report, including an estimate of the fees and disbursements of the Receiver and its counsel to complete any remaining matters and finalize the receivership proceedings; and
 - e. discharging the Receiver upon the Receiver filing a certificate (the "**Receiver's Discharge Certificate**") with the Court certifying that all remaining matters have been completed.
7. The Receiver has completed its administration of the receivership and, pursuant to the Distribution and Discharge Order, received its discharge subject to the filing of the Receiver's Discharge Certificate. The Receiver's Discharge Certificate was filed with the Court on August 18, 2017.
8. Attached as **Appendix "A"** and **Appendix "B"** are the Receiver's Final Statements 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 August 17, 2017.
9. The realizations from the sale of the Property have been insufficient to pay, in full, the secured claim of BMO. Accordingly, there are no funds available to support a distribution to the Company's unsecured creditors.
10. Creditors who wish to receive a copy of this final – or any 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

Further information and materials related to the receivership proceedings, including the Receiver's Report, 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 21st day of August, 2017.

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

Per:



Clark Lonergan, CA, CPA, CIRP, LIT
Senior Vice President

APPENDIX A

Graf Canada Ltd.		
Final Statement of Receipts and Disbursements (Canadian Dollars)		
For the period April 27, 2016 to August 17, 2017		
Receipts		Notes:
Receiver's borrowings	\$ 200,000.00	
Asset realizations - Inventory	1,182,819.37	1
Accounts receivable collections	149,155.32	2
GST/HST collected	121,387.19	
Asset realizations - FF&E	61,622.35	1
Pre-receivership GST/HST refund	40,359.11	
Miscellaneous refunds	14,576.27	3
GST/HST recovered	12,097.83	
Interest earned	3,030.53	
Cash in bank at receivership date	174.25	
Transfer in from receiver's U.S. dollar account	10.89	
Total Receipts	<u>1,785,233.11</u>	
Disbursements		
Professional fees - Receiver	\$ 301,306.87	
Repayment of Receiver's borrowings (including interest)	201,727.05	
Contract services	149,741.91	4
Occupation rent	87,738.93	
HST remittances	76,755.98	
Settlement Agreement amount	44,981.30	5
HST paid on disbursements	42,592.23	
Insurance	32,963.11	
Professional fees - Receiver's counsel	32,926.00	
Freight & duty	18,470.75	6
GST paid on disbursements	13,670.01	
Utilities	12,779.51	
Storage	10,719.37	
Credit card fees	7,758.66	7
Collection fees on accounts receivable	6,217.18	7
IT consulting services	3,564.50	
Commissions	3,250.00	6
Telephone	2,352.94	
Other occupation costs	2,166.01	
Bank charges	1,382.83	
Equipment lease payments	1,272.02	
Change of locks	442.70	
Receivership filing fees	70.00	
Total Disbursements	<u>1,054,849.86</u>	
Excess Receipts over Disbursements	<u>\$ 730,383.25</u>	
Distributions to Bank of Montreal	(730,383.25)	
Cash on Hand	<u>\$ -</u>	

APPENDIX A (continued)

Graf Canada Ltd.

Final Statement of Receipts and Disbursements (Canadian Dollars)

For the period April 27, 2016 to August 17, 2017

Notes:

- 1) Proceeds from the sale of inventory and FF&E, as outlined in the Receiver's Report
- 2) Proceeds from the collection of outstanding accounts receivable.
- 3) Various refunds relating to cancellation of services, including refund of \$12,500 security deposit held by landlord.
- 4) The Receiver engaged certain former Graf employees as independent contractors to assist with the receivership proceedings.
- 5) Amount paid to supplier in full and final settlement of a supplier's claim for recently delivered merchandise, as outlined in the Receiver's Report
- 6) Freight and duty costs and commissions incurred on the sale of inventory, as noted above.
- 7) Collection fees paid to third party collections agency, and credit card fees incurred, on the collection of outstanding accounts receivable, as noted above.

APPENDIX B

Graf Canada Ltd. Final Statement of Receipts and Disbursements (U.S. Dollars) For the period April 27, 2016 to August 17, 2017		
Receipts		Notes:
Asset realizations - Inventory	\$ 119,429.56	1
Accounts receivable collections	267,898.96	2
Interest earned	303.73	
Cash in bank at receivership date	96.70	
Total Receipts	<u>387,728.95</u>	
Disbursements		
Freight & duty	\$ 10,207.00	3
Collection fees on accounts receivable	7,037.56	4
Credit card fees	3,737.33	4
Bank charges and other fees	376.08	
GST paid on disbursements	287.69	
HST paid on disbursements	64.21	
Total Disbursements	<u>21,709.87</u>	
Excess Receipts over Disbursements	\$ 366,019.08	
Distributions to Bank of Montreal	(366,019.08)	
Cash on Hand	<u>\$ -</u>	
Notes:		
1) Proceeds from the sale of inventory, as outlined in the Receiver's Report		
2) Proceeds from the collection of outstanding accounts receivable.		
3) Freight and duty costs incurred on the sale of inventory, as noted above.		
4) Collection fees paid to third party collections agency, and credit card fees incurred, on the collection of outstanding accounts receivable, as noted above.		