

CANADA  
PROVINCE OF QUEBEC  
DISTRICT OF MONTRÉAL

SUPERIOR COURT  
(Commercial Division)  
*Bankruptcy and Insolvency Act*

District of: Québec  
Division No. : 01 - Montreal  
Court No.: 500-11-047252-149  
Estate No.: 41-1904028

IN THE MATTER OF THE BANKRUPTCY  
OF

**Mabe Canada Inc.**, formerly a manufacturing company of appliances, with its head office located at 5781 Notre-Dame street east, in Montreal, Quebec.

Debtor

– AND –

**RICHTER ADVISORY GROUP INC.**

Trustee

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**TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS  
HELD AT CENTRE MONT-ROYAL, IN MONTREAL QUEBEC, ON SEPTEMBER 15, 2014**

The purpose of this report is to inform all interested parties about our preliminary administration and our findings.

**The information contained in this report has been prepared based on the books and records of Mabe Canada Inc. and from discussions with the Debtor's former employees, attorneys, and parent company representatives. 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 accuracy or the reliability of the information contained in this report.**

## **I. INTRODUCTION**

Mabe Canada Inc. is a federal company that is the product of an amalgamation between Mabe Canada Holdings Inc. (formerly 6295053 Canada Inc.) and Camco Inc. effective January 1, 2010. Until recently, the Debtor manufactured appliances under the *GE™* from its plant located at 5781 Notre-Dame East (bearing a second civic address of 1505 Dickson Street), in Montreal Quebec. Until 2011, it also operated a distribution business which maintained several retail stores and warehouse locations throughout Canada. In June 2014, the Debtor ceased all operations and activities.

At the time of bankruptcy, the Debtor did not own, lease, or occupy any premises nor have any employees. Certain of the Debtor's books and records are currently held at a facility belonging to a related company located in both Burlington Ontario and Moncton New Brunswick.

On August 25, 2014, the Debtor filed an Assignment in Bankruptcy with Richter Advisory Inc. pursuant to the *Bankruptcy and Insolvency Act of Canada* ("BIA"). As such, Richter was appointed as Trustee to the Estate of the Debtor and received a fee deposit guarantee of \$25,000 from Mabe S.A. de C.V. of Mexico.

## II. HISTORICAL OPERATING RESULTS

The unaudited operating results of the Debtor for the year ended December 31, 2012 and 2013 are summarized below. The latest available audited financial statements, as prepared by PriceWaterhouseCoopers, are for the year ended December 31, 2011 and 2012, but are presented on a combined basis with other related entities. Therefore, the extrapolated unaudited results for Mabe Canada Inc. which were provided by the Debtor are presented below:

Mabe Canada Inc. Summary of Operating Results (in 000's)	12 months	
	Dec-13	Dec-12
Revenues	\$ 158,688	\$ 188,117
<b>Gross Profit</b>	<b>12,580</b>	<b>12,853</b>
Selling and marketing expenses	(251)	(360)
General and administrative expenses	(19,576)	(18,898)
Other operating income/(expenses)	1,000	1,507
<b>Operating Profit (Loss)</b>	<b>(6,247)</b>	<b>(4,897)</b>
Other income	34,755	(77)
Financial income	138	103
Financial expense	(448)	(587)
Restructuring	(2,499)	(15,030)
<b>Income before income taxes</b>	<b>25,699</b>	<b>(20,488)</b>
Provision for (recovery of) income taxes	-	(6,755)
<b>Net income for the year</b>	<b>\$ 25,699</b>	<b>\$ (27,243)</b>

We note from the above that the major variation in "Net income" for the two years primarily relates to "Other income". We have been advised that "Other income" would represent gains resulting from the sale of the Debtor's contract with General Electric to the parent company, Mabe S.A de C.V. The Trustee has not conducted a review of this transaction.

### III. STATEMENT OF AFFAIRS

As per the BIA, a representative of the Debtor is required to inform the Trustee by way of a declaration, of the Debtor's assets and liabilities as at the date of bankruptcy ("Statement of Affairs"). The following summarizes the information contained in the Debtor's Statement of Affairs:

<b>Mabe Canada Inc. Statement of Affairs As at August 25, 2014</b>		
<b>Assets</b>		
Accounts receivable estimated to produce		\$ 807,539
Good	807,539	
Doubtful	95,562	
Bad	18,374,888	
Deposits in financial institutions		323,093
Other property		<u>254,030</u>
		1,384,661
<b>Liabilities</b>		
Secured creditors		1,384,661
Unsecured creditors		9,699,188
Contingent, trust claims or other liabilities		<u>65,820,538</u>
		76,904,388
<b>Deficiency</b>		<u><u>\$ (75,519,726)</u></u>

### IV. ASSETS

#### A) Receivables (\$807,539)

Of the \$19,277,989 of receivables listed in the Debtor's Statement of Affairs, management estimates the realizable value to be approximately \$807,539 consisting primarily of trade receivables from third party customers as well as government agencies. As of the date of this report, the Trustee has collected \$286,373.

Management has identified an amount of \$18,374,888 as "bad" receivables of which an amount of \$15,969,799 would be due from the following related parties:

<b>Mabe Canada Inc. Related Party Accounts Receivable Details As at August 25, 2014</b>	
MABE SA DE CV	\$ 14,975,887
MABE MEXICO S DE RL DE CV	414,770
Leiser, S. de R.L. de C.V.	366,000
MABE SA COMMERCIAL	110,653
MABE CHILE COMERCIAL LTDA	55,519
MABE SA TYP	46,130
MC COMMERCIAL INC	839
<b>Total</b>	<u><u>\$15,969,799</u></u>

As at the time of this report, the Trustee has insufficient information in respect of the above-noted related parties' receivables and has not conducted any independent review thereof.

Lastly, the amount of \$95,562 listed as doubtful by management represents an amount due from Revenue Quebec and in respect of which the Trustee has been advised may be subject to offset.

**B) Deposits in Financial Institutions (\$323,093)**

Consists of funds in the Debtor's bank accounts at the time of filing. The Trustee has taken possession of such funds.

**C) Other Property (\$254,030)**

Consists primarily of deposits given by the Debtor to various service providers. The Trustee is seeking refunds of these amounts.

There have been no other assets declared to the Debtor.

**V. LIABILITIES**

It is important to note that the exact amount of the Debtor's aggregate liabilities as at August 25, 2014 will only be determined once all proofs of claim have been submitted by the creditors and have been compiled and analyzed by the Trustee. Subject to the foregoing, the following amounts owing have been declared by the representative of the Debtor:

**A) Secured Creditors (\$2,272,700)**

Corporacion Ramrob S de RL de C.V., a related party, entered into the following security documents with the Debtor:

- Hypothec registered on July 30, 2014 in the amount of \$1.2 million on the universality of the movable property of the Debtor, tangible and intangible, present and future.
- Hypothec registered on August 6, 2014 in the amount of \$1.5 million on the universality of the movable property of the Debtor, tangible and intangible, present and future.

The Trustee has retained the services of Osler Hoskin and Harcourt LLP, a Canadian legal firm, to review the validity of the security held by any secured creditors including Corporacion Ramrob S de RL de C.V.

**B) Unsecured creditors (\$9,699,188)**

The Debtor's books and records reflect amounts due to the unsecured creditors totaling approximately \$8,811,150 of which an amount of approximately \$4,075,385 is due to related parties.

**C) Contingent and Other Liabilities**

The Statement of Affairs indicates that the Debtor has other significant obligations resulting from its operations, including the following:

- Contribution and other payment in respect of the Debtor's pension plan, the aggregate of which (including the estimated wind up deficit) are presently estimated at approximately \$35,127,000, subject to confirmation. Further analysis is required in this regard. **Please note that all communications and inquiries concerning the pension plan should be directed to the Régie des Rentes du Québec at 1-800-482-1441.**
- Future benefit commitments to past employees, reflected at \$30,393,538. We understand that this sum represents management's estimate of the aggregate amount payable in respect of future benefits that the Debtor had undertaken to provide to former employees which amount the Debtor would have paid in the normal course of business, over time, on their behalf. The Trustee has not reviewed nor validated the amount nor the quantification assumptions at this time.

**VI. SUMMARY OF THE PRELIMINARY ADMINISTRATION**

**A) Books and Records**

As of the date of the bankruptcy, the books and records of the Debtor were not up to date, only being posted until the end of July 2014. As the books and records are held in various locations, the Trustee is making/has made the necessary arrangements to take possession of the books and records of the Debtor for future reference. The Trustee does, however, have in its custody certain electronic data relating to the Debtor.

**B) Conservatory and Security Measures**

Since the date of the filing, Richter has taken various security and protective measures, including the following:

- Entered into an agreement with 9280-4301 Quebec Inc. ("9280"), a company related to the Debtor, which is the current owner of the Notre-Dame location previously occupied by Mabe Canada Inc., pursuant to which 9280 has assumed responsibility for the safeguarding of the Debtor's leased assets pending their repossession by the various lessors;

- Entered into an agreement with MC Commercial Inc., a company related to the Debtor, with respect to the care and custody of the books and records of the Debtor located in its premises, pending the Trustee taking physical possession thereof;
- Visited the premises located at 5781 Notre-Dame street east, in Montreal, Quebec to ensure that no other assets of the Debtor remain.

### **C) Reviewable Transactions and Preferential Payments**

The Trustee has been advised that several material transactions took place during the twelve month period preceding the filing, including without limitation:

- The sale of all shares held by the Debtor in a subsidiary to a related third-party effective July 14, 2014;
- The sale of an immovable/real property (“Real Estate”) to a related third-party on August 11, 2014;
- The sale of equipment and inventory to related/third parties in July and August 2014.
- Reimbursement of financing contract in June 2014;
- Return of leased equipment’s in August 2014;
- Registration of security by related party in July and August 2014.

The Trustee has not conducted an independent review of any of the transactions which preceded the bankruptcy including those noted above.

### **D) Realization Process**


At present, other than the receivables, there do not appear to be any other assets. However, as outlined above, to the extent that further reviews are carried out by the Trustee, other sources of recovery may be identified.

## **VII. EXPECTED REALIZATION AND PLANNED DISTRIBUTION**

At this time, it is difficult to predict whether there will be any distribution to the unsecured creditors. Further analysis is required in order to make a final determination in this regard.

Dated at Montreal, this 15<sup>th</sup> day of September 2014.

**Richter Advisory Group Inc.**  
Trustee



**Raymond Massi, CPA, CA, CIRP**  
Administrator of the Bankruptcy