

District of: Ontario
Division No. 09-Toronto
Court File No.: CV-22-00681036-00CL
OSB Estate No: 32-159305

INTERIM REPORT OF RECEIVER

(Subsection 246(2) of the Act)

Dated September 8, 2022

I. BACKGROUND AND APPOINTMENT

1. Albert Gelman Inc. was appointed as receiver (the “Receiver”) over all of the assets, undertaking and property (collectively, the “**Property**”) of William Telecommunications Corp. (the “**Company**”) by order of the Ontario Superior Court of Justice, Commercial List (the “Court”) dated May 19, 2022 (the “**Appointment Order**”). The receivership application was commenced by the Company’s senior secured creditor, Bank of Montreal (the “**Bank**”).
2. Paragraph 4 of the Appointment Order authorized the Receiver to solicit proposals from auctioneers and liquidators for the sale and/or liquidation of the inventory and equipment of the Company and to enter into and complete agreements for same as the Receiver in its discretion deemed appropriate. Accordingly, the Receiver was not required to make an application to the Court following its appointment for approval of a marketing and sales process.

II. SCOPE AND TERMS OF REFERENCE

3. The Purpose of this Interim Report is to provide an update on the Receiver’s administration in accordance with subsection 246(2) of the Bankruptcy and Insolvency Act (“**Act**”).
4. In preparing this Interim Report, the Receiver has obtained and relied upon certain unaudited financial information of the Company and the Company’s books and records, and had ongoing discussions with Mr. Jim Williams, the owner and operator of the Company, and the Company’s internal accountant.
5. While the Receiver has reviewed the various documents provided, such review does not constitute an audit or verification of such information for accuracy, completeness or compliance with Generally Accepted Accounting Principles (“**GAAP**”) or International Financial Reporting Standards (“**IFRS**”). Accordingly, the Receiver expresses no opinion or other form of assurance pursuant to GAAP or IFRS or otherwise with respect to such information except as expressly stated herein.

6. This Interim Report has been prepared for the purposes described above. Accordingly, the reader is cautioned that this Interim Report may not be appropriate for any other purpose.
7. Unless otherwise noted, all monetary amounts referenced herein are expressed in Canadian dollars.

III. BACKGROUND INFORMATION

8. The Company was an independent distributor of new and remanufactured telecommunications equipment and supplier of information technology services. It operated from leased premises located at 5610 Kennedy Road in Mississauga, Ontario.
9. The Company's revenues had declined from \$9.4 for the fiscal year ended February 28, 2018 to approximately \$4.5 million for the fiscal years ended February 28, 2021 and 2022.
10. The Bank and the Company had entered into a standstill arrangement while the Company took steps to improve its financial performance and reduce the amount owing on the credit facilities. Ultimately, however, the Company was unable to do either. The Company and the Bank agreed that the best available option was for a receiver to be appointed under the supervision of the Court to liquidate the Company's assets. The Company consented to the appointment of the Receiver.

Senior Secured Creditor

11. The Bank is owed approximately \$2 million under various credit facilities. The Bank holds security over the Property to secure the repayment of the credit facilities.
12. Export Development Canada ("EDC") has guaranteed payment to the Bank of 75 percent of the amount outstanding on the Operating Loan, which was approximately \$1.7 million as at the date of the Appointment Order.
13. Business Development Bank of Canada has guaranteed payment to the Bank of the Highly Affected Sectors Credit Availability Program Loan ("**HASCAP Loan**"). The amount outstanding under the HASCAP Loan was approximately \$250,000 as at the date of the Appointment Order.

IV. ACTIONS AND ACTIVITIES OF THE RECEIVER

14. The Receiver's actions and activities since the date of the Appointment Order are set out below:

Possession and Control of the Premises and Property of the Company

15. The operations of the Company had been voluntarily shut down by Jim Williams in the week prior to the date of the Appointment Order and, as a result, as of the date of the Appointment Order all but two key employees had been terminated.
16. Representatives of the Receiver attended at the Company's premises, together with Jim Williams, on May 20, 2022 to, among other things:
 - a. arrange for locks to the premises to be changed;
 - b. update alarm codes to the building;
 - c. discuss and satisfy the Receiver with respect to security and access to the Company's networks;
 - d. conduct a tour of the premises;
 - e. meet with the two key employees, being the bookkeeper, and the plant manager and enter into independent contractor agreements for them to assist the Receiver with its mandate;
 - f. obtain copies of the current accounts receivable and accounts payable reports;
 - g. arrange for the bookkeeper to have continuing access to the Company's servers so that she could update and provide accounting records as required by the Receiver remotely from her home;
 - h. have general discussions with Jim Williams of all matters where the Receiver required information in relation to the receivership administration; and,
 - i. Remove key records required by the Receiver for its administration.

Marketing of Assets

17. The Receiver arranged for notice of the receivership to be placed in the weekly edition of the Insolvency Insider newsletter. The newsletter is used by licensed insolvency trustees ("LITs") to advertise business assets for sale in corporate insolvency matters.
18. The Receiver prepared a data room of records and information relevant to prospective purchasers.
19. The Receiver held discussions and arranged tours of the Company's premises with three parties who expressed a potential interest in purchasing the assets en-bloc. Each of the prospects signed a non-disclosure agreement that had been approved by the Receiver's independent legal counsel.

20. Each of the prospective purchasers was provided a listing of information and records available in the Receiver's data room and each was provided with records as requested.
21. At the same time that the Receiver was responding to prospective purchasers, the Receiver contacted six auctioneers/liquidators and arranged for each of them to inspect the assets and provide auction/liquidation proposals.
22. Ultimately all three of the prospective en-bloc purchasers declined to submit offers.

Auction Agreement

23. The Receiver received auction proposals from three auctioneers/liquidators.
24. Following a discussion of the auction proposals with the Bank, its legal counsel and legal counsel to the Receiver, the Receiver chose to accept the auction proposal submitted by Danbury Global Ltd ("**Danbury**").
25. The Receiver entered into a formal liquidation services agreement with Danbury on June 10, 2022.
26. The auction took place on-line from July 21st to July 27th.
27. Set out below is a summary of the accounting from the auction sale:

Gross Auction Proceeds	\$ 148,489.00
Net Proceeds from electronic waste	<u>13,521.66</u>
Total Proceeds	\$ 162,010.66
Auctioneer Commission	\$ 10,726.60
Auctioneer Expense Allowance	20,500.00
Waste Disposal	<u>9,646.48</u>
Total Auction Expenses	<u>\$ 40,873.08</u>
Net Proceeds to Receiver	<u>\$ 121,137.58</u>

28. The premises were returned to the landlord on August 9, 2022. The occupation rent for the 83-day period of occupation amounted to \$67,504 plus HST.

Accounts Receivable

29. The accounts receivable totalled approximately \$180,000 at the date of the Appointment Order, including approximately \$25,000 of USD accounts. The Receiver has written off as uncollectable approximately \$50,000 of these receivables for those customers who have valid offsets either as vendors to the Company or for security deposits paid.

30. Jim Williams provided the Receiver with a detailed accounts receivable ledger together with addresses and other contact information for each customer. The Receiver also obtained electronic copies of invoices for all outstanding accounts receivable.
31. The Receiver issued collection letters to all of the approximately eighty-five outstanding accounts and has received and responded to emails and telephone calls from approximately 30 customers to date.
32. The accounts receivable are insured under policies with EDC for both domestic and export customers.
33. The Receiver filed claims with EDC for uncollectable accounts at the end of August, 2022.
34. The Receiver has collected \$76,796 of accounts receivable to date.
35. The outstanding receivables total approximately \$50,000, of which the larger accounts are as follows:

FIBERNET SERVICES 2006 LTD.	10,065.31
P.E.I. -PUBLIC SCHOOL BOARD	8,630.75
J.M. TELECOM	4,721.07
TYNDALE UNIVERSITY	<u>4,066.87</u>
	<u>\$27,484.00</u>
36. The Receiver had a conference call with Jim Williams on August 23, 2022 to discuss the outstanding accounts receivable and the responses it had received to date.
37. The Receiver's comments with respect to each of these accounts is as follows:
 - a. Fibernet has advised that payment has been processed and will be issued to the Receiver shortly.
 - b. P.E.I. Public School Board claim that they were shipped the same product twice and that the Company refused to authorize a return of the duplicate order. Jim Williams agrees with these facts.
 - c. J.M. Telecom have refused to pay on the basis the receivership is causing them "hardship". Jim Williams advises that no written supply agreement is in place with this customer and accordingly, this customer has no contractual damages resulting from the non-continuation of supply.
 - d. Tyndale University claims that the invoice was for a service contract that has not been performed by the Company. We have confirmed that the invoice was, in fact, for service to be provided from May 2022 to May 2023 and, accordingly, the Receiver will be writing off this account.

Claims for Return of Property by Third Parties

38. The Receiver arranged for the following companies to pick up their property from the premises:

- a. Commwave Networks Inc.
- b. Allworx Corp.

General and Administrative Activities

39. Additional activities carried out by the Receiver to the date of this Interim Report include the following:

- a. Issuance of the Notice and Statement of Receiver to all creditors and filing the same with the Official Receiver;
- b. Communications with the landlord and its legal counsel to advise of the Receiver's appointment and to confirm its intention to occupy the premises for the purpose of marketing and realizing on the assets;
- c. Meeting for a second time with Jim Williams at the premises to identify the records he recommended for removal and preservation and to identify the accounting computer server for removal and storage by him;
- d. Maintaining the Receiver's corporate website with the case files in accordance with the E-Service Protocol of the Commercial List;
- e. Communicating with TD Bank to obtain the balance of funds held in both Canadian and US dollar bank accounts;
- f. Arranging for continuing utility services at the premises, including continuing access to data lines for external access to the Company's servers by the bookkeeper, to assist in our administration;
- g. Administering the Wage Earner Protection Program ("WEPP") claim process for the former employees and Service Canada;
- h. Arranging for T4s to be completed and issued; and,
- i. Responding to various creditor inquiries.

V. BOOKS AND RECORDS

40. The Receiver noted from the Company's February 2021 income tax return that it may have loss carry-back availability if the tax return is completed for the 2022 fiscal year end. Accordingly, the Receiver contacted the external accountant, Bateman Mackay LLP, to have them advise as to the potential tax refund that could be generated. The accountant advises that a refund of approximately \$15,000 should be available on filing the fiscal 2022 return.

41. The Receiver has engaged the accountant to prepare and file the fiscal 2022 T2 corporate income tax return.

VI. RECEIVER'S BORROWINGS

42. In accordance with paragraph 22 of the Appointment Order the Receiver has borrowed \$50,000 from the Bank by way of a Receiver's Certificate as interim financing for the ongoing costs of the receivership administration.

VII. PRIORITY CLAIMS

Payroll Deductions

43. Canada Revenue Agency ("**CRA**") has provided its deemed trust claim for unremitted payroll deductions in the amount of \$1,948.98, including penalties and interest of \$235.70. The deemed trust portion of this claim in the amount of \$1,713.28 ranks in priority to the Bank's security and has been paid by the Receiver.

Harmonized Sales Tax

44. The Receiver completed and filed the Company's outstanding HST return for the month of April 2022 based upon the accounting records. CRA has since provided its deemed trust claim for unremitted HST for the months of February through April 2022 in the amount of \$25,055.53.
45. The Receiver has calculated the HST liability from May 1, 2022 to May 18, 2022 to be \$3,320. Prior to filing this return, the Receiver intends to claim an HST adjustment for the uncollectable accounts receivable. This will eliminate the liability for this period and reduce CRA's deemed trust claim.
46. Any assessed tax refund, as estimated by the accountant, on the filing of the fiscal 2022 income tax return will also be offset against the deemed trust claim. Accordingly, the Receiver does not intend to remit payment for this deemed trust claim prior to assessment of the May 2022 HST return and the fiscal 2022 T2 corporate income tax return.

Wage Earner Protection Program

47. No secured claims pursuant to section 81.4 of the *Bankruptcy and Insolvency Act* have been identified during the Receiver's administration of the WEPP.

VIII. RECEIVER'S INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

48. Attached hereto is the Receiver's interim statement of receipts and disbursements as at September 8, 2022.

IX. CONTINUING ADMINISTRATION

49. Set out below are the continuing steps to be administered in the Receivership:

- a. Responding to enquiries and document requests from EDC in relation to the insured accounts receivable claimed;
- b. Completion and filing of the May 2022 pre-receivership HST return;
- c. Filing of post-receivership HST returns;
- d. Filing and assessment of fiscal 2022 income tax return

**ALBERT GELMAN INC., in its
capacity as the Court-appointed Receiver of
Williams Telecommunications Corp.
and without personal or corporate liability**



Per: _____

Joe Albert, *CPA, CIRP, LIT*

Williams Telecommunications Corp
Receiver's Interim Statement of Receipts and Disbursements
As at September 8, 2022

Receipts:

Cash in bank	\$ 5,874.75
Accounts receivable	76,796.38
Gross Proceeds from Auction	162,010.66
Miscellaneous Refunds	912.51
Interest Earned	44.98
Advance from Bank of Montreal	<u>50,000.00</u>
Total Receipts	<u>\$ 295,639.28</u>

Disbursements:

Filing Fees - Official Receiver	\$ 72.82
Postage	92.87
License Fee	275.00
Photocopies	227.00
Mail Redirection	271.75
Search Fees	39.80
Locksmith	312.50
Insurance	5,274.72
Travel	509.26
Alarm & Monitoring	222.00
Wages	10,989.61
Auction Commission & Expenses	40,873.08
Occupation Rent	67,504.73
Accounting Fees	3,700.00
Utilities	6,490.48
Deemed Trust - Payroll Deductions	1,713.28
Legal Fees	9,790.13
Receiver's Fees	89,808.45
HST paid on disbursements	<u>11,914.66</u>
Total Disbursements	<u>\$ 250,082.14</u>
Excess of Receipts over Disbursements	<u>\$ 45,557.14</u>