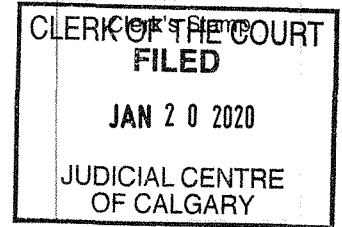


COURT FILE NUMBER 1901-05545  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
PLAINTIFF CANADIAN WESTERN BANK  
DEFENDANTS AAA WINDOWS LTD., AAA HOLDINGS LTD., AAA DOORS LTD., RANBIR SANDHU, MOHINDER SANDHU, SUKHDEV SANGHA and BALDEV SANGHA  
DOCUMENT **PROPOSED RECEIVER'S REPORT  
HARDIE & KELLY INC.  
JANUARY 20, 2020**



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**PROPOSED RECEIVER'S REPORT  
HARDIE & KELLY INC.  
JANUARY 20, 2020**

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## INTRODUCTION

1. On January 27, 2020, Canadian Western Bank (“**CWB**”) will be making an application to the Court of Queen’s Bench of Alberta (the “**Court**”) for the appointment of a receiver and manager (the “**Receiver**”) of the current and future assets, undertakings and properties of AAA Holdings Inc. (“**Holdings**”) and of the current and future assets, undertakings and properties, exclusive of accounts receivable, of AAA Windows Ltd. (“**Windows**”).
2. Hardie & Kelly Inc. (the “**Proposed Receiver**”) has provided its consent to act as the Receiver.
3. On the assumption that the application to appoint the Receiver is granted, on January 27, 2020, CWB will also be seeking the Court’s approval of transactions to acquire all or substantially all of the physical assets of each of Holdings and Windows from the Receiver.
4. The purpose of this report (the “**Proposed Receiver’s Report**”) is to provide the Court with:
  - Background information in respect of the businesses and affairs of Holdings and Windows (collectively referred to as the “**Companies**”);
  - The Proposed Receiver’s findings as a result of its review of the financial position of each of Holdings and Windows; and
  - Details in respect of the proposed sales transactions between 2214308 Alberta Inc. (“**221 Alberta**”) and the Receiver in respect of Holdings’ physical assets and between A-Apollo Windows and Doors Ltd. (“**A-Apollo**”) and the Receiver in respect of Windows’ physical assets and the Proposed Receiver’s recommendations thereto.

## TERMS OF REFERENCE

5. In preparing this Proposed Receiver's Report, the Proposed Receiver has relied upon unaudited financial information, records of the Companies, discussions with the Company's owners and management ("**Management**") and independent third party appraisals. The Proposed Receiver has not performed an audit or other verification of such information.

## BUSINESS OPERATIONS

### AAA Holdings Ltd.

6. Holdings is a private company that was incorporated in 2003. A recent search of the Alberta Corporate Registry System (the "**Corporate Registry**") indicated the following:
  - The voting shareholders are Mr. Ranbir Sandhu (60%) and Ms. Mohinder Sandhu (40%); and
  - The directors are Mr. Ranbir Sandhu and Ms. Mohinder Sandhu.
7. Holdings effectively operates as a real estate holding company having title to the land and building located at the municipal address of 3530 – 32<sup>nd</sup> Street NE, Calgary, Alberta (the "**Property**").
8. The Property is a 27,000 square foot multi-tenant industrial warehouse building comprised of a main floor, warehouse space and some second floor office spaces situated on approximately 1.13 acres. The Property is partitioned into three units with Windows being one of the three tenants currently occupying approximately 60% of the Property.
9. Holdings does not have any employees.

AAA Windows Ltd.

10. Windows is a private company that was incorporated in 1999 which is related to Holdings. A recent search of the Corporate Registry indicated the following:
  - The voting shareholders are Mr. Ranbir Sandhu (60%) and Ms. Mohinder Sandhu (40%); and
  - The directors of are Mr. Ranbir Sandhu and Ms. Mohinder Sandhu.
11. Windows has been in business since 1999 operating as a supplier, manufacturer and installer of windows and doors, serving both residential and commercial markets. As mentioned above Windows' operations are conducted from leased space on the Property.
12. The overall downturn in the Calgary and Alberta economy over the last several years has negatively impacted Windows' business and cash flow.
13. Windows currently has 13 employees.

**FINANICAL POSITION**AAA Holdings Ltd.

14. Attached as **Appendix "A"** is a copy of Holdings' most recent available interim unaudited balance sheet as at November 30, 2019 (the "**Holdings Balance Sheet**"). We offer the following comments with respect to the significant line items:

ASSETS

- Accounts Receivable - \$353,889 – comprised principally of rent due from Windows.

- Land and Building (net) - \$1,379,632 – this figure represents the book value of the Property which is the subject of the proposed sale to 221 Alberta negotiated by the Proposed Receiver. The Proposed Receiver has obtained a copy of an independent third party appraisal of the Property that was commissioned last year by CWB (the “**Real Estate Appraisal**”), a copy of which is attached to the Proposed Receiver’s confidential supplement to the Proposed Receiver’s Report (the “Confidential Supplement”).

#### LIABILITIES

- Loans from Canadian Western Bank - \$4,013,913 – represents amounts owed to CWB which the Proposed Receiver understands have increased.
- Loan from Shareholder - \$2,874,242 – represents amounts recorded as being due to Mr. Sandhu and Ms. Sandhu.
- Due to AAA Windows Ltd. - \$1,561,538 – this amount is reflected as a “negative payable” such that it represents an intercompany amount due from Windows which is uncollectable.
- Due to Rockmore Homes Ltd. (“**Rockmore Homes**”) – (\$1,343,407) – this amount is reflected as a “negative payable” such that it represents an amount due from this related company. A recent search of the Corporate Registry indicates that Mr. Singh is the sole shareholder of Rockmore Homes. The Proposed Receiver is advised by Mr. Singh that Rockford Homes has no exigible assets such that the amount is anticipated to prove to be uncollectable.
- Due to Rockmore Development Ltd. (“**Rockmore Development**”) – (\$565,606) – this amount is reflected as a “negative payable” such that it represents an amount due from this related company. A recent search of the Corporate Registry indicates that Mr. Singh is the sole shareholder of Rockmore Development. We anticipate this amount will prove to be uncollectable as Rockmore Development was placed into receivership on February 11, 2019 and bankruptcy on May 21, 2019.

- Due to North Elbow Developments Ltd. (“North Elbow”) – \$399,750 – A recent search of the Corporate Registry indicates that Mr. Ryan Ranjot Singh is the sole shareholder of North Elbow who we understand to be the son of Mr. Ranbir Sandhu.
- Due to 1249956 Alberta Ltd. (“1249956”) – (\$1,437,188) – this amount is reflected as a “negative payable” such that it represents an amount due from this related company. A recent search of the Corporate Registry indicates that Ms. Singh is the sole shareholder of 1249956. The Proposed Receiver is advised by Mr. Singh and Ms. Singh that 1249956 has no exigible assets such that the amount is anticipated to be uncollectable.

15. In addition to the above, we understand that the following additional obligations are not disclosed on the Holdings Balance Sheet:

- City of Calgary – approximately \$162,000 on account of outstanding property taxes in respect of the Property; and
- Canada Revenue Agency – in excess of \$25,000 on account of unremitted GST obligations.

AAA Windows Ltd.

16. Attached as **Appendix “B”** is a copy of Windows’ most recent available interim unaudited balance sheet as at December 31, 2019. We offer the following comments with respect to the significant line items:

ASSETS

- Accounts Receivable - \$265,755 – represents amounts due from customers. Based on the results of CWB’s general knowledge of Windows’ accounts receivable from previous experience, the accounts receivable will not form part of the property subject to the pending receivership proceedings.

- Inventory - \$287,595 – represents the book value of the windows, frames and doors on the Property. We note that this value is likely inaccurate as the value is the same amount as was reflected on Windows’ July 31, 2019 year end unaudited financial statements. Inventory is included as part of the subject of the proposed sale to A-Apollo negotiated by the Proposed Receiver. The Proposed Receiver recently commissioned an independent third party appraisal (the “**Windows Asset Appraisal**”) of the inventory, work-in-process, vehicles and equipment (the “**Windows Assets**”) which are the subject of the proposed sale to A-Apollo, a copy of which is attached to the Confidential Supplement.
- Land - \$3,008,709 – the Proposed Receiver understands that this represents the book value of farm land located in Rocky View County, Alberta that was previously owned by Windows but was transferred to Ms. Mohinder Sandhu back in 2013. Mr. Sandhu and Ms. Sandhu advised the Proposed Receiver that they were not sure why the asset was still reflected on Windows’ financial statements. Notwithstanding, the Proposed Receiver understands that this property is the subject of a foreclosure proceeding.
- Machinery, Equipment, Furniture, Vehicles (net) - \$106,347 - represents the book value of these assets utilized in the Windows’ operations. A listing of these assets, including a 2014 Hino cube van and a 2015 Hino flatdeck truck, which are the subject of the proposed sale to A-Apollo, is included in the Windows Asset Appraisal attached to the Confidential Supplement.

#### LIABILITIES

- Canadian Western Bank Line of Credit - \$474,389 – represents amounts owed to CWB which the Proposed Receiver understands have increased.
- Due to/from 1249956 Alberta Ltd. (“1249956”) - (\$980,008) – this amount is reflected as a “negative payable” such that it represents an amount due from this related company. As mentioned earlier in the Proposed Receiver’s Report, the Proposed Receiver understands that 1249956 has no exigible assets such that the amount is anticipated to be uncollectable.



- Rockmore Development Ltd. – (\$966,300) – this amount is reflected as a “negative payable” such that it represents an amount due from this related company. As mentioned earlier in the Proposed Receiver’s Report, Rockmore Development is in receivership and bankruptcy.
- Rockmore Homes Ltd. – (\$272,336) – this amount is reflected as a “negative payable” such that it represents an amount due from this related company. As mentioned earlier in the Proposed Receiver’s Report, the Proposed Receiver understands that Rockmore Homes has no exigible assets such that the amount is anticipated to prove to be uncollectable.
- AAA Holdings Ltd. - \$1,681,778 – this represents an intercompany amount due to Holdings. We note that the figure is inconsistent with the \$1,561,538 identified earlier in this Proposed Receiver’s Report that Holdings’ records reflect as being owed to it by Windows.
- Loans from Shareholder - \$2,183,493 – represents amounts recorded as being due to Mr. Sandhu and Ms. Sandhu.

17. In addition to the above, we can advise that the Proposed Receiver is aware of the following potential priority claims:
  - Canada Revenue Agency – at least \$250,000 on account of unremitted source deduction remittance obligations.
  - Canada Revenue Agency – at least \$10,000 on account of unremitted GST obligations.
18. Management advises that wages owed to Windows’ employees are generally current and that it is anticipated by Management that employees will be paid current right up to the anticipated date of receivership.

## PROPOSED SALES TRANSACTIONS

19. The Proposed Receiver understands that 221 Alberta and A-Apollo (collectively referred to as the “**Purchasers**”) are related entities which are not related to the Companies or the Sandhus. The Proposed Receiver understands that the Purchasers became aware of the financially distressed status of the Companies several months ago. Since that time, the Purchasers have been working in conjunction with Management, CWB and the Proposed Receiver with a view to formulating a transaction(s) that was acceptable to CWB, in its capacity as the principal secured creditor of the Companies, and that the Proposed Receiver would be prepared to recommend to the Court.
20. As a result of the above efforts, the Proposed Receiver negotiated *Agreements of Purchase and Sale* (the “**PSA’s**”) with 221 Alberta and A-Apollo in relation to Holdings and Windows respectively. Copies of the PSA’s are attached to the Confidential Supplement. The Proposed Receiver is concerned that in the event the proposed sales to the Purchasers are not approved by this Honorable Court or do not close for any reason, the disclosure of the respective details of the PSA’s might negatively affect the Receiver’s efforts to otherwise market the assets of Holdings and Windows if necessary. Consequently, CWB will be seeking the Court’s approval to have the Confidential Supplement sealed until three months following the discharge of the Receiver assuming the proposed sales are approved by the Court and close.
21. Notwithstanding the Proposed Receiver’s concern with the public disclosure of the financial terms of the PSAs, the Proposed Receiver can advise of the following:
  - The PSA’s are subject to the approval of this Honourable Court;
  - Each of the PSA’s is contingent on the other being approved by the Court and closing as it is A-Apollo’s intention to immediately commence operations similar to that conducted by Windows out of the Property;

- The proposed sales are contemplated to close almost immediately upon obtaining the Court's approval such that the Receiver does not anticipate needing to assume control of the Property or Windows' operations. The Receiver's responsibility would then expected to be principally limited to its administrative statutory obligations including but not limited to notifying creditors, attending to the administration of the *Wage Earner Protection Program Act* for the benefit of Windows' employees, attending to books and records and attending to any necessary filings of returns with Canada Revenue Agency.
22. The Real Estate Appraisal supports the negotiated sales price of the Property. The Proposed Receiver believes that any public marketing process otherwise undertaken by the Receiver, which would be anticipated to be administered by a commercial real estate agent on behalf of the Receiver, would not result in achieving any significantly greater value for the Property, particularly in light of the current economic conditions Calgary continues to face. In addition, the costs of paying a real estate commission are avoided in the current circumstances.
23. In respect of the proposed sale of the Windows Assets, the sales price is supported by the Windows Asset Appraisal. Given the nature and appraised value of the assets, the Proposed Receiver is satisfied that the public marketing of these assets, which would be anticipated to be administered by way of a public auction, would not result in any significantly greater realizations. In addition, the costs of commission and either holding costs that would be incurred to facilitate an onsite auction or transportation costs to an offsite auction are avoided in the current circumstances.
24. The Proposed Receiver also understands that assuming the contemplated sales close, A-Apollo intends on offering employment to substantially all of Windows' employees. The Proposed Receiver views this as an important consideration in light of the current economic conditions in Calgary as it is highly unlikely the Receiver would otherwise operate the Windows business.

25. The Proposed Receiver has requested that its legal counsel undertake a review of CWB's security interests to confirm they are valid and enforceable as against the Companies. The results of the security review will be available and disclosed to this honourable Court upon the Receiver making a distribution application in due course, assuming the proposed sales are approved by the Court and close.

### **RECOMMENDATIONS**

26. The Proposed Receiver recommends to this Honourable Court that the PSA's be approved for the following reasons:
- The sales were negotiated in good faith with the Purchasers;
  - As set out in the Confidential Supplement, the Real Estate Appraisal and the Windows Asset Appraisal support the respective negotiated sales prices;
  - Based on its recent experiences, the Proposed Receiver is satisfied that a public marketing of the respective assets by the Receiver would unlikely generate realizations significantly greater than the prices provided for in the PSA's;
  - The costs associated with the Receiver assuming control of the respective assets and operations and administering sales processes can be avoided;
  - It is anticipated that substantially all of the 13 Windows' employees will be offered employment by A-Apollo; and
  - CWB, in its capacity as the principal secured creditor, is supportive of the proposed transactions.
27. The Proposed Receiver also recommends that the Confidential Supplement be directed to be sealed until three months after the Receiver's discharge for purposes of maintaining the integrity of a sales process in the event the contemplated sales to the Purchasers are either not approved by the Court or do not close for any reason.

All of which is respectfully submitted this 20<sup>th</sup> day of January 2020.

Hardie & Kelly Inc.

Per:



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Marc Kelly  
Senior Vice President

# APPENDIX “A”

**AAA Holdings Ltd.**  
**Balance Sheet As at 11/30/19**

**ASSET**

<b>Current Assets</b>	
CW BANK	-5.05
Accounts receivable	353,888.68
<b>Total Current Assets</b>	<u>353,883.63</u>
<b>Long-term Assets</b>	
Land	375,000.00
Building	1,870,761.62
Accum. Amort - Building	-866,129.86
Incorporation costs	415.65
<b>Total Long-Term Assets</b>	<u>1,380,047.41</u>
<b>TOTAL ASSET</b>	<u>1,733,931.04</u>

**LIABILITY**

<b>Current Liabilities</b>	
Accounts payable	83,850.00
Accounts Payable - YEA	120,000.00
Royal Visa Payable	879.38
Accrued AP	700.00
GST Charged on Sales	21,378.60
GST Paid on Purchases	-968.24
GST Paid/ Refund	28,206.36
Corporate income taxes payable	104,728.96
Provincial Taxes Payable	41,052.21
<b>Total Current Liabilities</b>	<u>399,827.27</u>
<b>Long-term Liabilities</b>	
Loan from Canadian Bank(6827)	299,107.14
Loan from Canadian Western (...)	3,714,805.68
Loans from Shareholder	2,874,241.67
Due to AAA Windows Ltd.	-1,561,538.31
Due to Rockmore Home	-1,343,406.91
Due to Rockmore Development	-565,605.77
Due to North Elbow	399,750.00
Due to 1249956 Alberta Ltd.	-1,437,188.32
<b>Total Long-term Liabilities</b>	<u>2,380,165.18</u>
<b>TOTAL LIABILITY</b>	<u>2,779,992.45</u>

**EQUITY**

<b>Total Equity</b>	
Share capital	100.00
Dividends Paid	-72,929.00
Current Earnings	43,673.99
Retained earnings	-1,016,906.40
<b>Total Equity</b>	<u>-1,046,061.41</u>

**AAA Holdings Ltd.**  
**Balance Sheet As at 11/30/19**

TOTAL EQUITY	<u>-1,046,061.41</u>
LIABILITIES AND EQUITY	<u><u>1,733,931.04</u></u>



# APPENDIX “B”

**ASSET**

**Current Assets**

Petty Cash	-383.76	
Canadian Western Bank	-2,496.51	
Khalsa Credit Union	9,471.05	
<b>Total Cash</b>		<b>6,590.78</b>
Accounts Receivable	265,755.36	
Payroll Advances	550.00	
Payroll Advances	-550.00	
<b>Total Receivable</b>		<b>265,755.36</b>
Customer Deposits		-800.00
<b>Total Current Assets</b>		<b>271,546.14</b>

**Inventory Assets**

Inventory A_		310,220.67
Inventory A - YEA		-22,625.61
<b>Total Inventory Assets</b>		<b>287,595.06</b>

**Capital Assets**

Leasehold Improvements	43,794.23	
Accum amort-Leasehold	-40,535.45	
<b>Leasehold net</b>		<b>3,258.78</b>
Machinery	403,748.35	
Accum. Amort. -Machinery	-328,038.77	
<b>Net - Machinery</b>		<b>75,709.58</b>
LAND		3,008,708.90
Vehicle	353,766.88	
Accum. Amort. -Vehicle	-332,116.67	
<b>Net - Vehicle</b>		<b>21,650.21</b>
Office Equipment	86,700.50	
Accum. Amort. -Office Equipm...	-82,112.56	
<b>Net - Office Equipment</b>		<b>4,587.94</b>
Computer	33,910.93	
Accum. amort- computer	-32,770.85	
<b>Net- Computers</b>		<b>1,140.08</b>
<b>Total Capital Assets</b>		<b>3,115,055.49</b>

**Other Assets**

Refundable Security deposit		637.00
Computer Software		4,645.49
Accum.Amort - Computer softw...		-4,645.49
Incorporation Cost		567.50
<b>Total Other Assets</b>		<b>1,204.50</b>

**TOTAL ASSET** **3,675,401.19**

**LIABILITY**

**Current Liabilities**

Royal Visa		16,823.95
Royal Visa#1970		1,389.84

Account Payable		190,194.12
CW VISA		47,341.26
EI Payable		35,757.54
CPP Payable		108,868.70
Employee Fed. Tax		158,084.20
Payroll Payment/Remittance		-2,790.58
Corporate Taxes payable		18,766.35
GST Charged on Sales	13,530.27	
GST Paid on Purchases	-5,041.86	
GST Owing (Refund)		8,488.41
GST PAID/REFUND		9,637.24
<b>Total Current Liabilities</b>		<b>592,561.03</b>
<b>Liability Account</b>		
Canadian Western Bank Lino C...		474,389.00
Due to / from 12449956 AB		-980,008.38
Rockmore Development Ltd		-966,299.94
Rockmore Homes Ltd		-272,336.34
AAA Holding Ltd		1,681,777.52
Firstcalgary Financial Leasing		48,160.43
Thinking Capital Leasing		82,498.10
Loans from Shareholders		2,183,493.31
<b>Total Long Term Liabilities</b>		<b>2,251,673.70</b>
<b>TOTAL LIABILITY</b>		<b>2,844,234.73</b>
<b>EQUITY</b>		
<b>Share Capital</b>		
Shareholder's Draw		48.69
Common Shares		100.00
<b>Total Share Capital</b>		<b>148.69</b>
<b>Retained Earnings</b>		
Retained Earnings - Previous Y...		999,948.59
Current Earnings		-12,930.82
Dividend Paid		-156,000.00
<b>Total Retained Earnings</b>		<b>831,017.77</b>
<b>TOTAL EQUITY</b>		<b>831,166.46</b>
<b>LIABILITIES AND EQUITY</b>		<b>3,675,401.19</b>