**Court No. B-150075**

**Estate No. 11-1952476**

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

**IN THE MATTER OF THE PROPOSAL OF**
**WILLIAMS MOVING & STORAGE (B.C.) LTD.**

# TRUSTEE'S REPORT TO CREDITORS

**April 14, 2015**

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**INTRODUCTION**

On January 21, 2015 (the "**Filing Date**"), Williams Moving & Storage (B.C.) Ltd. ("**Company**") filed with the Official Receiver a Notice of Intention to Make a Proposal ("**NOI**") pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act* ("**BIA**"). Deloitte Restructuring Inc. was appointed trustee under the NOI ("**Deloitte**" or "**Trustee**") and consented to act as trustee under the Proposal (defined below). On February 19, 2015 the Supreme Court of British Columbia (the "**Court**") granted an Order extending the time for filing a proposal for 45 days. On April 7, 2015 the Company filed a proposal to its creditors (the "**Proposal**") under Part III, Division I of the BIA with the Trustee. The Proposal was also filed with the Office of the Superintendent of Bankruptcy and the Court on April 7, 2015.

The purpose of this report ("**Report**") is to:

(i) provide background information concerning the Company, its financial situation and the causes of the Company's financial difficulties;

(ii) outline the key terms of the Proposal;

(iii) provide a comparative analysis on the amounts available for distribution to Affected Creditors, as defined in the Proposal, under the Proposal and in a bankruptcy scenario;

(iv) assist the Affected Creditors in evaluating the Proposal; and

(v) provide a recommendation to the Affected Creditors on the Proposal.

A copy of the Proposal is enclosed with this Report. Capitalized terms used in this Report and not otherwise defined have the defined meanings as set forth in the Proposal.

Further information on these proceedings can be found on the Trustees' website at http://www.insolvencies.deloitte.ca/en-ca/Pages/Williams.aspx.

## TERMS OF REFERENCE

In preparing this Report we have relied upon financial information of the Company, financial projections prepared by management ("**Management**") and discussions with Management and the Company's legal advisors.

The financial information of the Company has not been audited, reviewed or otherwise verified by us as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles. Additionally, none of our procedures were intended to disclose defalcations or other irregularities. Were we to perform additional procedures or to undertake an audit examination of the financial statements in accordance with generally accepted auditing standards, additional matters may have come to our attention. Accordingly, we do not express an opinion or provide any other form of assurance on the financial or other information presented herein. We may refine or alter our observations as further information is obtained or brought to our attention after the date of this Report.

The financial projections attached to this Report were prepared by Management (except where noted). Although we have reviewed the assumptions underlying the projections for reasonableness, financial projections, by their nature, are dependent upon future events, which are not susceptible to verification. Actual results will vary from the information presented and the variations may be material.

All currency amounts referenced in this Report are expressed in Canadian dollars, unless otherwise specified.

## BACKGROUND

The Company is an entity amalgamated pursuant to the laws of British Columbia.

The Company and its predecessors have operated for approximately 86 years providing moving, storage and freight forwarding services in Western Canada. The Company is a member of United Van Lines (Canada) Ltd., a network of moving companies located across Canada. As at the Filing Date, the Company employed approximately 162 staff and 41 contractors prior to the NOI with facilities in Coquitlam, Victoria, Prince George, Prince Rupert, Terrace, Kelowna and Calgary.

The Company's head office and main location of operations is situated at 2401 United Boulevard, Coquitlam, British Columbia.

The facilities from which the Company operated are owned by either the Company or one of two other companies that form part of the Williams Group, being Williams Holdings Ltd. ("**Holdings**") and Williams Transfer Ltd. ("**Transfer**", and collectively with The Company and Holdings, the "**Williams Group**").

Due to ongoing losses and liquidity issues, the Company ceased operations on the Filing Date and proceeded to terminate all employees and contractors.

## CAUSES OF FINANCIAL DIFFICULTY

The Company's fiscal year end is December 31. The average annual revenues in fiscal 2012 and 2013 were approximately $32 million and average losses before interest, taxes, depreciation and amortization (EBITDA) over the same period were approximately negative $2 million per annum. The Company's revenue declined significantly in 2014 to approximately $20 million for the 10 month period ended October 31, 2014 with continuing losses. A summary of the historical financial performance of the Company is attached hereto as **Appendix A**.

The Company has had ongoing losses in the business since 2007 totalling approximately $18 million, and has attempted to restructure its business and operations to return to profitability. While the quantum of losses has declined, the Company has been unable to return to profitability. Historical losses have been funded by the mortgaging of real property held primarily by other members of the Williams Group.

Management attribute the Company's financial difficulties primarily to:

(i) declining margins due to increased labour and fuel costs;

(ii) decline in corporate and government clients; and

(iii) increased competition from small independent moving companies.

Due to ongoing losses and insufficient cash flow, and in order to allow time for the Company to wind down its operations, realize upon its assets in an orderly manner, and have the opportunity to make a proposal to its creditors, the Company filed the NOI on the Filing Date.

## ESTIMATED FINANCIAL POSITION AND ASSETS

According to the Company's books and records, the principal assets of the Company are (i) accounts receivable; (ii) packaging inventory; (iii) shares in United Van Lines (Canada) Ltd.; (iv) equipment; (v) real property; and (vi) long-term storage client contracts. Estimated realizations of the aforementioned assets are:

| | Estimated realization ($000s) | |
|---|---|---|
| **Asset classification** | **Low** | **High** |
| Accounts receivable | 1,400 | 1,700 |
| Packaging inventory | 30 | 30 |
| Shares in United Van Lines (Canada) Ltd. | 935 | 1,500 |
| Equipment (refer note below) | 1,200 | 1,400 |
| Real property | 1,760 | 1,760 |
| Long-term storage client contracts | 200 | 250 |
| **Total** | **5,525** | **6,640** |

Note: As a result of a tender process, Maynards Industries Ltd. ("Maynards") was engaged by the Company to sell its rolling stock equipment. Pursuant to an application made by Maynards that was subsequently heard and approved by the Court on March 10, 2015, the details of the Maynards liquidation agreement may not form part of the public record. Accordingly, the Trustee has disclosed a range of values pertaining to this asset class.

The assets of the Williams Group are subject to the following security:

(i) general security agreements in favour of:

   a. Business Development Bank of Canada ("**BDC**");

   b. BCMP Mortgage Investment Corporation in connection with Pen-Cor Mortgage and Investment Advisors Ltd. and Pencor Capital Corp. (collectively "**PenCor**"); and

c. Dundarave Mortgage Investment Corp. (“**Dundarave**”).

In this Report, BDC, Dundarave and PenCor are collectively referred to as the “**Lenders**”;

(ii) general security agreement in respect of the Company’s assets in favour of Trailer Wizards Ltd. (“Trailer Wizards”)

(iii) mortgages of real property assets in favour of the Lenders. Each of the Williams Group entities is a co-obligor in respect of these mortgages;

(iv) repairers’ liens under the *Repairers Lien Act* in favour of various repairers (“**Lienholders**”), but only to the extent that the value of the assets subject to their liens is sufficient to fully secure the lien; and

(v) purchase money security interests in favour of various parties providing loans to purchase equipment and operating lease equipment that has either been returned or in the process of being returned by the Company.

Pursuant to the Company’s records the estimated debts owed by the Company as at the Filing Date were:

| **Creditor Type** | **Estimated number of Creditors** | **Estimated balance owing at Jan 21, 2015 ($000s)** |
|---|---:|---:|
| Lenders | 3 | 11,680 |
| Lienholders and Trailer Wizards | 7 | 271 |
| United Van Lines (Canada) Ltd. | 1 | 398 |
| Unsecured (Trade, employees, contractors and other) | 625 | 6,779 |
| Related parties (Holdings and Transfer) and estate of George S. Williams | 3 | 17,368 |
| **Total** | **680** | **36,496** |

The creditor balances have been extracted from the records of the Company and will be subject to adjustments once reconciled with claims submitted by the creditors in these proceedings.

As noted above, all of the Company's assets are subject to security in favour of the Lenders and Trailer Wizards. In the event of a bankruptcy, it is anticipated that there would be a shortfall to the Lenders resulting in no recovery for unsecured creditors.

## SUMMARY OF THE PROPOSAL

Purpose of the Proposal

The purpose of the Proposal is to permit the Company to settle payment of its liabilities as at the Filing Date and to compromise the indebtedness owed to Affected Creditors of the Company on a fair and equitable basis.

Treatment of creditors under the Proposal

***Unsecured Creditor Class***

The Unsecured Creditor Class comprises all Unsecured Creditors, other than the Insurance Claimant, at the Filing Date. Unsecured Creditors are all creditors that do not have a Security Interest in the Company's assets or are a creditor that has a Security Interest but only the extent of any shortfall from the value charged by their Security Interest. An Unsecured Creditor becomes an Affected Creditor upon delivery of a Proof of Claim to the Trustee that becomes a Proven Claim.

Under the Proposal, creditors with Proven Claims will be treated as follows:

- Employees and contractors of Moving will be entitled to a Priority Claim pursuant to subsection 60(1.3) and 136(1)(d) of the BIA and any additional amount which the employee would be entitled to receive under section 7 of the *Wage Earner Protection Program Act.* This amount is based on unpaid wages and vacation owed in the six months prior to the NOI and severance, for a maximum Priority Claim of approximately $3,808. Any remainder of their Proven Claim will be considered an Affected Creditor claim and treated in the manner detailed below.
- Pension plan withholdings will be entitled to a Priority Claim pursuant to subsection 60(1.5) of the BIA.

- Unsecured Creditors with a Proven Claim are Affected Creditors. Affected Creditors who are owed:
  - $5,000 or less are referred to as Convenience Creditors and will, on the Distribution Date, be paid the lesser of their claim or $1,000. Convenience Creditors are deemed to vote the full amount of their Proven Claim in favour of the Proposal.
  - an amount greater than $5,000 will, on the Distribution Date, be paid twenty cents ($0.20) for each dollar of their Proven Claim.
- The Insurance Claimant is not entitled to any distribution under the Proposal and is deemed to vote its claim in favour of the Proposal.
- Transfer, Holdings and any other Related Persons have waived their entitlement to any distribution under the Proposal and are not entitled to vote in favour of the Proposal.
- All distributions made by the Trustee pursuant to this Proposal shall be made net of all applicable levies and reductions in accordance with the BIA, the *Wage Earner Protection Program Act*, and the regulations thereto, including the levy imposed by the Superintendent of Bankruptcy under the BIA.

***Unaffected Creditors***

Unaffected Creditors include the Lenders, Trailer Wizards and the Lienholders to the extent that the value of the assets that are subject to their liens is sufficient to satisfy the amounts owing to them. It is of note that some Unaffected Creditors, may also be Affected Creditors for that portion of their debt which is not covered or secured by the value of the assets of the Company that they hold as security.

The Unaffected Creditors are not included in or in any way affected by this Proposal and will be paid, as applicable, in accordance with:

(i) existing agreements between such creditors and the Company;

(ii) alternative arrangements to be negotiated concurrently with the filing and implementation of the Proposal; or

(iii) the Repairers Lien Act.

Funding of the Proposal

Payments under the Proposal shall be made from funds held by the Company and from the proceeds of a Loan Agreement being entered into with Transfer and Holding, who are defined in the Proposal as the "**Guarantors**".

Implementation of the Proposal

The implementation of the Proposal is subject to the following conditions being satisfied:

- The Proposal is approved by both classes by both a majority in number of the voting Affected Creditors and two-thirds of the value of the voting Affected Creditors' Proven Claims. For clarity, for the Proposal to be approved, at least 50% + one vote of the number of Affected Creditors voting on the Proposal, and Affected Creditors holding no less than two-thirds in value of the Proven Claims being voted must vote to approve the Proposal. All Convenience Creditors are deemed to vote the full amount of their Proven Claims in favour of the Proposal, as is the Insurance Claimant.
- An Approval Order is granted by the Court and it is not stayed.
- All conditions precedent to the Loan Agreement shall have been satisfied or waived by the Guarantors and the Loan Agreement shall have closed in accordance with its terms such that the new credit facility thereunder has been made available to the Company to make the payments contemplated hereunder.
- All other actions, documents and agreements necessary to implement this Proposal shall have been effected and executed.

**FINANCIAL INFORMATION TO EVALUATE THE PROPOSAL**

A Statement of Estimated Realizations comparing the estimated outcome for Affected Creditors in the event of a Bankruptcy scenario is enclosed as **Appendix B**.

Recovery for Creditors under the Proposal

If the Proposal is accepted by the Affected Creditors:

- employees and contractors to the company who, at law, are deemed to be employees of the Company will receive, as a Priority Creditor, up to a maximum of approximately $3,808 of their Proven Claim with the remainder of their claim being paid as an Affected Creditor (either as a Convenience Creditor or at twenty cents ($0.20) for each dollar of their Proven Claim).
- pension plan withholdings, outlined in subsection 60(1.5) of the BIA will be paid as a Priority Creditor in full.
- all Convenience Creditors will receive the full amount of their Proven Claim to a maximum of $1,000; and
- all Unsecured Creditors who are not Convenience Creditors or the Insurance Claimant, will receive twenty cents ($0.20) for each dollar of their Proven Claim.

It is of note that the Williams Group, all Related Persons and Pencor, have agreed not to accept any distribution in the Proposal, such that the funds payable thereunder will not be significantly diluted.

Recovery for Affected Creditors in a bankruptcy scenario

The only alternative to the Proposal is the bankruptcy of the Company and the liquidation of its assets. In the event of a bankruptcy, it is anticipated that there would be no recovery available for the Affected Creditors, given any proceeds generated by the realization of the Company's assets would first be paid to the Company's secured creditors in order of priority ranking. Further, in the unlikely event that there were recoveries, the Williams Group and other related parties would be entitled to prove their claims for approximately $17 million which would significantly dilute the claims of other ordinary unsecured creditors.

After taking into account the costs of realization, the estimated amount available for distribution to the Company's creditors in a bankruptcy or liquidation scenario would be limited to the priority payment for the outstanding pension amount as outlined in subsection 60(1.5) of the BIA and up to $2,000 for each employee and contractor of the Company pursuant to subsection 60(1.3) and

136(1)(d) of the BIA. It is not expected that there would be any further amounts available for any creditor ranking subsequent in priority to the Lenders.

The Trustee is of the view that the return to Affected Creditors under the Proposal will significantly exceed the realization to the Affected Creditors in a bankruptcy scenario.

**CONDUCT OF THE COMPANY**

Prior to the filing of the Proposal the Trustee had undertaken a limited financial review of the Company’s operations and had discussions with Management regarding financial matters. The Trustee has not undertaken any examinations to identify preference transactions, settlements or other reviewable transactions. However, nothing has come to the attention of the Trustee in the course of its duties that suggests that any such transactions have taken place. The Proposal filed by the Company specifically waives the applicability of Sections 91 to 101 of the BIA, that is preferences and transfers at undervalue and inquiry’s into dividends and redemption of shares.

**PREVIOUS BUSINESS DEALINGS WITH THE COMPANY**

Deloitte Restructuring Inc. was engaged by the Company on a consultancy basis prior to the filing of the NOI and has no known conflict of interest.

**REMUNERATION OF THE TRUSTEE**

The Trustee’s fees and disbursements will be paid from the funds available in the Proposal and a retainer based on the time and expenses incurred, subject to taxation by the Court. During the period of the NOI proceedings, from the Filing Date to March 27 2015, the Trustee has incurred fees of $158,455.05 and disbursements of $1,881.05 (net of GST). The Trustee’s activities during this period have included:

(i) reviewing and monitoring of the Company’s weekly cash flow results, and discussions with the Company on material variances to the cash flow forecast;

(ii) reporting to the Court on the sale of assets and monitoring the same;

(iii) reporting to the Court in relation to the Company’s application for an extension of time to file the Proposal;

(iv) assisting the Company with the preparation and filing of the Proposal;

(v) discussing with numerous creditors the status of the proceedings; and

(vi) discussing and corresponding with the Company's legal counsel in relation to the proceedings.

The Trustee holds a retainer of $50,000, and estimates that its fees for work performed in connection with the NOI and the Proposal will total approximately $210,000 to $230,000 (net of GST). The Trustee notes that its fees and disbursements do not reduce the recovery of Affected Creditors.

## TIMING AND PROCESS

A formal meeting (the "**Meeting**") of Affected Creditors to consider and vote on the acceptance or rejection of the Proposal is scheduled for 1:00 p.m. (Pacific Time) on April 28, 2015 at the Hard Rock Casino, which is located at 2080 United Boulevard, Coquitlam, British Columbia.

At the Meeting the Affected Creditors will vote on the Proposal. The Proposal must be accepted by the Affected Creditors, in both a majority in number of the voting creditors and two-thirds of the value of voting creditors' claims. Affected Creditors can vote at the Meeting in person or by proxy, or in advance of the Meeting by voting letter received by the Trustee prior to the Meeting.

All Convenience Creditors and the Insurance Claimant will be deemed to have voted in favour of the Proposal and are not entitled to vote at the Meeting.

Upon approval of the Proposal by the Affected Creditors, an application will be made to the Court for an Approval Order. The Court will set a date to hear the application and notice of the Court hearing will then be sent to every Affected Creditor with a Proven Claim.

If the Affected Creditors do not vote in favour of the Proposal by the requisite majorities, the Company will automatically be deemed to have made an assignment in bankruptcy. In such a scenario the creditors may elect to retain the Trustee to administer the estate or may substitute an alternate trustee in bankruptcy.

**VOTING ON THE PROPOSAL**

It is required that all Affected Creditors who wish to vote on the Proposal must, prior to the commencement of the Meeting, submit to the Trustee a completed Proof of Claim with a statement of account (or similar documentation) supporting the Claim. Those Affected Creditors who do not plan to attend the Meeting in person, or to be represented by proxy at the Meeting, may register their vote on the Proposal by use of the enclosed voting letter. Note that creditors voting by voting letter must also submit a completed Proof of Claim form with a statement of account (or similar documentation) attached.

It is a term of this Proposal that the Guarantors, being Holdings and Transfer and Related Persons shall not be entitled to any distribution under the Proposal and will not have a vote in the Proposal. PenCor, which is an arm's length lender, has agreed not to accept a distribution under the Proposal.

**In order for a vote and/or proxy to be valid, a Proof of Claim must be submitted to the Trustee before the scheduled Meeting of creditors.** Electronic submission is acceptable. You can forward completed documents to the attention of Tim Morahan at Deloitte Restructuring Inc. (fax: 604-602-1583 or williamsmoving@deloitte.ca). It is not necessary to mail original copies to the Trustee.

If you require assistance completing the Proof of Claim please contact the Company at +1 (604) 945-2525. Alternatively, you can email the Company:

(i) employees and contractors can direct correspondence to employees@williamsmoving.com; and

(ii) all other creditors please email vendors@williamsmoving.com.

Please note that whilst the Company will be assisting creditors complete their Proof of Claim, the Trustee will be ultimately responsible for the adjudication of all claims submitted.

If accepted and approved by the Court, the Proposal becomes binding on all Creditors (other than the Unaffected Creditors), whether or not they submitted a Proof of Claim and whether they voted for or against the Proposal.

**TRUSTEE'S RECOMMENDATION**

It is the Trustee's view that the Proposal is in the best interests of the Affected Creditors since it provides for a return to the Affected Creditors that significantly exceeds any recovery from a bankruptcy or liquidation scenario. The Trustee therefore recommends that the Affected Creditors vote to approve the Company's Proposal. The Trustee intends to vote any proxies naming the Trustee in favor of the Proposal.

DATED AT the City of Vancouver, in the Province of British Columbia, this 14th day of April, 2015.

**DELOITTE RESTRUCTURING INC.**
In its capacity as Trustee under the Proposal
filed by Williams Moving & Storage (B.C.) Ltd.
and not in its personal capacity.

Melinda McKie, CMA, CIRP
Senior Vice President

## APPENDIX A
## SUMMARY OF HISTORICAL FINANCIAL PERFORMANCE (JANUARY 2012 – OCTOBER 2014)

**Williams Moving & Storage (B.C.) Ltd**
**Summary Income Statement**

| (in $000) | 12 months to Dec-31-2012 | 12 months to Dec-31-2013 | 10 months to Oct-31-2014 |
|---|---|---|---|
| **Revene** | **34,000** | **30,105** | **20,540** |
| Direct costs | (25,381) | (22,607) | (15,960) |
| **Margin** | **8,619** | **7,498** | **4,580** |
| Indirect costs | (10,893) | (9,735) | (6,229) |
| **EBITDA** | **(2,274)** | **(2,236)** | **(1,648)** |
| Other income (loss) | 104 | (70) | 5,164 |
| Interest, depreciation and amortization | (735) | (780) | (1,922) |
| **Net loss before income tax** | **(2,904)** | **(3,086)** | **1,594** |
| Gross margin | *25.4%* | *24.9%* | *22.3%* |
| EBITDA margin | *(6.7%)* | *(7.4%)* | *(8.0%)* |

Note: In March 2014, the Company recorded a gain on sale of assets that was outside the Company's ordinary operations.

Source: The above is based on compiled financial statements provided by the Company for the years ended December 31, 2012 and December 31, 2013. The values provided for the 10 months to October 30, 2014 are based on Management Accounts prepared by the Company.

# APPENDIX B
# STATEMENT OF ESTIMATED REALIZATIONS IN THE EVENT OF A BANKRUPTCY

**Statement of Estimated Realizations**

| CDN$'000* | Notes | Book value Jan 21/15 | Proposal | Bankruptcy High | Bankruptcy Low |
|---|---|---|---|---|---|
| **Estimated receipts** | | | | | |
| Accounts receivable and storage revenue | 1 | 1,250 | Not applicable | 1,700 | 1,400 |
| Packaging inventory | 2 | - | | 30 | 30 |
| Shares | 3 | 1,474 | | 1,500 | 935 |
| Equipment | 4 | 2,370 | | 1,400 | 1,200 |
| Real property | 2 | 570 | | 2,778 | 2,778 |
| Long-term storage client contracts | 5 | - | | 250 | 200 |
| **Total Estimated Realization** | | **5,663** | | **7,658** | **6,543** |
| Estimated cost of disposal | | | | (100) | (150) |
| **Estimated net recovery** | | | | **7,558** | **6,393** |
| **Estimated distributions** | | | | | |
| Priority claims | | | | | |
| Pension plan | 6 | | (22) | (22) | (22) |
| Employee and contractor priority claim | 7 | | (619) | (353) | (353) |
| Secured Creditors | | | | | |
| BDC | 8 | | Not applicable | (1,343) | (1,343) |
| Dundarave | 8 | | | (1,072) | (1,072) |
| Lienholders | 8 | | | (241) | (241) |
| PenCor | 8 | | | (9,265) | (9,265) |
| Trailer Wizards | 8 | | | (18) | (18) |
| **Total Priority and Secured Claims** | | | **(641)** | **(12,312)** | **(12,312)** |
| Estimated Amount Available to Unsecured Creditors | 8 | | (1,400) | - | - |
| Estimated Unsecured Creditors | 9 | | 6,909 | 24,277 | 24,277 |
| **(Shortfall) to Affected Creditors** | | | **(5,508)** | **(24,277)** | **(24,277)** |
| Estimated return to Unsecured Creditors (Affected Creditors and priority claims) | | | 30% | 2% | 2% |

Notes:

1) Assumes allowance for the potential difficulty in collecting balances from foreign customers, aged accounts, set-offs, contras, penalties, holdbacks, concentration and costs of collection.

2) Realization value is based on completed sales during the NOI subject to completion.

3) Estimated realization is based on the redemption value per the Company's books and records as at December 31, 2013 and January 21, 2015.

4) Pursuant to an application made by Maynards that was subsequently heard and approved by the Supreme Court of British Columbia on March 10, 2015, the details of their liquidation agreement may not be part of public record. Accordingly, the NOI Trustee has disclosed a range pertaining to this asset class.

5) Realization value is based on sales during the NOI, subject to purchase price adjustments at completion.

6) Relates to unpaid pension contributions given priority under the BIA.

7) Employees and contractors may be entitled to a priority claim under the Wage Earner Protection Program Act.

8) Values based on the Company's books and records as at January 21, 2015.

9) Bankruptcy value includes related parties (Holdings and Transfer) and the estate of George S. Williams.

* All amounts shown are in CDN dollars. US dollars balances are assumed to be at an exchange rate of USD 1: CDN 1.2374.

**Estimates are indicative only. Realizations have been estimated based the various assumptions as set-out in the notes above. Readers are cautioned that actual realizations will vary and variations could be material. Deloitte Restructuring Inc. has not audited, reviewed or otherwise verified this information.**