

CANADA  
Province of Alberta

District of Alberta  
Division of 02 - Calgary  
Court No. 25-1597510  
Estate No. 25-1597510

TRUSTEE'S PRELIMINARY REPORT  
IN THE MATTER OF THE BANKRUPTCY OF  
CALGARY MILLWORK LTD.

Formerly carrying on business in the City of Calgary in the Province of Alberta

Trustee: Deloitte & Touche Inc. ("Deloitte")

Introduction

Calgary Millwork Ltd. ("CML" or the "Company") was incorporated under the laws of the Province of Alberta on March 31, 1997. The sole director of CML is Mr. Karsten Dalberg and he also owns 59% of the Company's shares. The remaining 41% of the shares of the Company are owned by his wife, Bente Dalberg. CML was a privately owned millwork shop specializing in the manufacturing of custom cabinets and furniture and, at the time of the bankruptcy, was operating out of a single office and shop location at 216, 40 Avenue NE in Calgary, Alberta (the "Premises").

CML experienced financial difficulty as a result of high operating costs combined with a decline in sales revenue. As a result, the Company's cash flow was negatively impacted and it was in breach of its covenants with the secured lender, HSBC Bank Canada ("HSBC"). On February 9, 2012, HSBC issued a Notice of Intention to Enforce Security. As the Company had no means to repay the debt owing to HSBC, HSBC appointed Deloitte as a privately appointed receiver (the "Receiver") of CML on February 29, 2012. On March 1, 2012, the Company filed a voluntary assignment into bankruptcy under the *Bankruptcy and Insolvency Act* (the "BIA") and Deloitte was appointed as trustee (the "Trustee") of the bankrupt estate. As such, Deloitte is acting in dual capacity as Trustee and Receiver of the Company.

Prior to accepting a dual appointment as Trustee and Receiver of the Company and pursuant to section 13.4(1) of the BIA, Deloitte received an independent legal opinion that the security held by HSBC is valid and enforceable as against the estate.

Class I – Inventory

The Company had parts and supplies inventory located at the Premises and the Receiver estimates it will realize approximately \$10,000.

Class II – Plant, Machinery and Equipment and Office Equipment

The Company owned and leased various machinery, equipment, vehicles and office furniture and equipment. An appraisal of certain of the machinery, equipment, and vehicles with more significant value was conducted by Century Services ("Century") in November 2011 and the Receiver has obtained several cash offers and auction proposals for all of the owned machinery. The expected realization on the assets will not be enough to cover the secured claims against the Company.

Class III – Building and Real Estate

The Trustee is not aware of any buildings or real estate that were owned by CML.

Class IV – Books and Records

The Receiver has taken possession of the books and records of CML and is using them to complete its statutory duties.

Class V – Other Assets

The Trustee has collected cash totalling \$25 from the Company's Canadian bank account.

Accounts Receivable ("AR") as at February 29, 2012 totalled approximately \$325,000. Approximately \$25,500 has been collected by the Receiver since February 29, 2012 and most of the remaining accounts are expected to be collectable.

Property Placed Under the Guardianship of Debtor or Third Party

The Trustee is not aware of any property placed under the guardianship of the Company or a third party.

Section B – Current State of Operations

1. Conservatory and Protective Measures

The Receiver took possession of the Company's assets on February 29, 2012 and undertook the necessary conservatory and protective measures, including insuring the assets.

2. Carrying on Business

The Company's operations ceased on the date of receivership and have not been re-started.

### Section C – Legal Proceedings

The Trustee is not aware of any pending legal claims against CML.

### Section D – Provable Claims

At the time of drafting this report, several creditor claims have been filed against CML.

### Section E – Secured Creditors

The Company has several secured creditors who hold general security agreements including HSBC, Karsten W. Dalberg, Bente T. Dalberg, and 1239783 Alberta Ltd. DBA Factors Western. Karsten Dalberg and Bente Dalberg are related parties, and both are creditors who are not at arm's length from the Company. The total secured claims are in excess of \$840,000 and no legal opinions have been obtained on the validity and enforceability of these security agreements as HSBC is the first ranking and is not expected to be paid out.

The Trustee is aware of a possible deemed trust claim by Canada Revenue Agency ("CRA") for outstanding payroll source deductions of approximately \$150,000. The deemed trust claim ranks in priority to all creditors, including secured creditors, over the assets of the Company. The Trustee estimates that amounts to be paid to employees pursuant to the *Wage Earner Protection Program Act* to be approximately \$50,000 and, of that amount, Human Resources and Skills Development Canada will hold a secured charge over the current assets of the Company for approximately \$32,000. This claim only ranks behind CRA's deemed trust claim.

### Section F – Realization and Projected Distribution

The Receiver is currently obtaining offers on the inventory and realizing on the other remaining assets. Any distribution to the creditors will be dependent on the success of the realization process and the amounts available, after the fees of the Receiver and Trustee and any priority claims. At this time, the Receiver is expecting the secured creditors to suffer significant shortfalls on their security and there will be no distributions to any unsecured creditors in the bankruptcy.

### Section G – Transactions at Under Value

The Trustee has completed a partial review of the Company's books and records for the twelve months prior to bankruptcy and to date has not noted any reviewable transactions or preference payments.

### Section H – Other Matters

There are no other reportable matters at this time.

Dated at Calgary, this 19<sup>th</sup> day of March, 2012

**DELOITTE & TOUCHE INC.**

In its capacity as Trustee in Bankruptcy  
of Calgary Millwork Ltd. and not in  
its personal capacity.



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Jeff Keeble, CA•CIRP, CBV

Trustee